

NOTICE OF MEETING 2018

Invitation to CSR's Annual General Meeting

CSR LIMITED
ABN 90 000 001 276

DEAR SHAREHOLDER

CSR's Annual General Meeting (AGM) will be held at the Northside Conference Centre, corner Oxley Street and Pole Lane, Crows Nest NSW at 11.00am on Wednesday 27 June 2018.

I am delighted to be given the opportunity to address you as Chairman for the first time at the upcoming AGM, and look forward to meeting you at the AGM should you be able to attend.

Following the same format we have adopted previously, after the managing director, Rob Sindel, and I present our reviews of CSR's financial position, operations, prospects and growth strategy, we will show a video presentation. We will then give shareholders an opportunity to engage directly with the board and senior management before moving onto the formal business of the meeting.

The notice of meeting (which includes the following agenda, eligibility to vote and explanatory notes) details the formal business to be dealt with at the AGM. Briefly, this will be to:

- receive and consider the formal reports for the financial year;
- elect directors – I will be standing for election and shareholders will also be given the opportunity to re-elect Penny Winn as a non-executive director of the company;
- adopt the remuneration report;
- approve the grant of long term incentives to the managing director; and
- amend the constitution to renew the proportional takeover provisions for a further three years.

The directors recommend that shareholders vote in favour of all resolutions.

As in recent years, we invite shareholders to submit questions in advance of the meeting on the form attached to the notice of meeting.

If you choose to attend the meeting, please bring the enclosed proxy form with you to assist with your registration for entry to the AGM.

If you do not plan to be at the meeting, you are encouraged to appoint someone to attend and vote on your behalf as your proxy. Instructions on how to appoint a proxy are on the enclosed proxy form.

Proxy forms must be received by 11.00am (Sydney time) on Monday 25 June 2018 to be valid for the meeting. Your proxy may be appointed in a variety of ways described on page 3 of the notice of meeting under 'Proxies'.

The AGM will be webcast live on CSR's website, www.csr.com.au/investor-relations-and-news/webcasts. Also available on our website is:

- a link from the Share Information page to our share registry to register your e-mail address in order to receive all shareholder information electronically and to obtain standard shareholder forms, including a direct dividend advice, a change of address advice and a request to consolidate holdings;
- the CSR Annual Report 2018 and Notice of Meeting 2018;
- the CSR Sustainability Report 2017;
- the CSR Corporate Governance Statement 2018 and;
- copies of news releases and financial presentations.

I look forward to meeting you at the AGM.

Yours sincerely



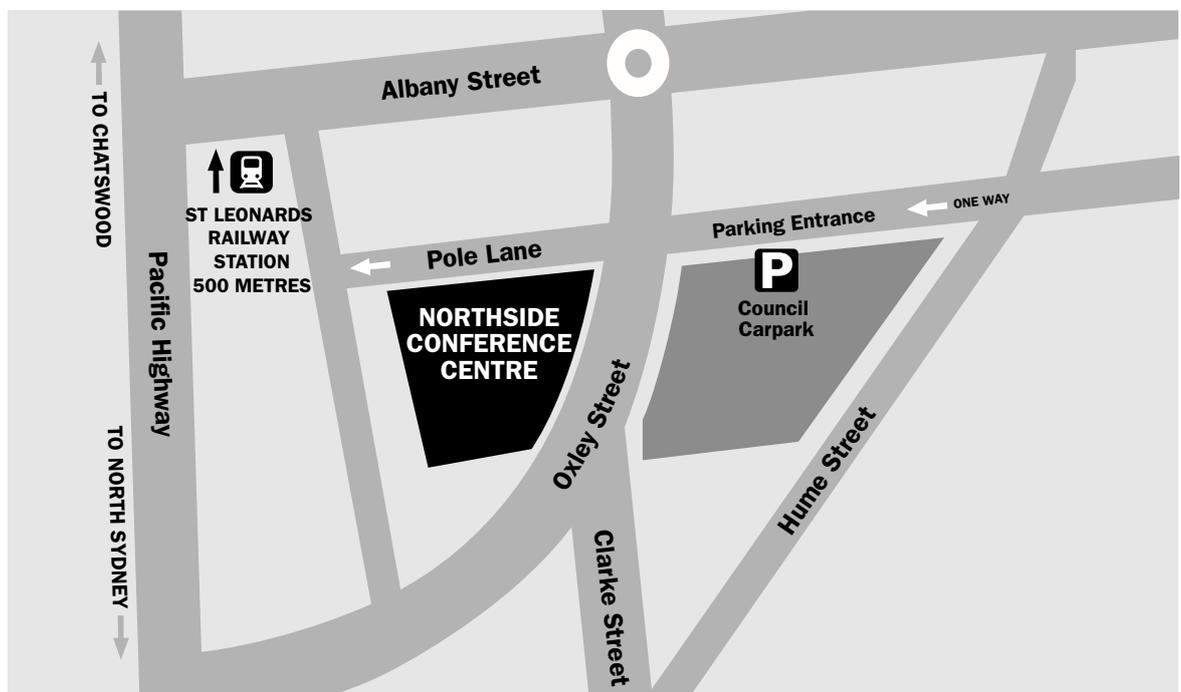
JOHN GILLAM, CHAIRMAN elect
(effective 31 May 2018)

23 May 2018

LOCATION DETAILS

THE ANNUAL GENERAL MEETING (AGM) OF CSR LIMITED ('CSR' OR THE 'COMPANY') WILL BE HELD AT:

The Northside Conference Centre
corner Oxley Street and Pole Lane
Crows Nest NSW 2065
at 11.00am on Wednesday 27 June 2018



HOW TO WATCH THE MEETING ONLINE

You can view a live webcast of the meeting on CSR's website, www.csr.com.au/investor-relations-and-news/webcasts.

HOW TO GET TO THE MEETING

Northside Conference Centre is located in the heart of Crows Nest, a convenient five minute walk from St Leonards train station and across the street from a multi-storey car park. Entry to Northside Conference Centre is from Pole Lane.

Public transport: There are several bus routes that stop in Crows Nest and St Leonards. St Leonards also boasts a well appointed train station. Northside Conference Centre is a five minute walk from St Leonards train/bus interchange.

Parking: The Hume Street car park is located directly across from the Northside Conference Centre. Additional car parking is also available at other council car parks, on Holtermann Street, Nicholson Street and Alexander Street, all in close proximity to the Northside Conference Centre. On-street parking near the Centre is generally metered parking and is strictly enforced.

A copy of the CSR Annual Report 2018 (including financial report, the directors' report and auditor's report for the year ended 31 March 2018) is available on CSR's website at www.csr.com.au/investor-relations-and-news/annual-meetings-and-reports.

A copy of the Corporate Governance Statement for the year ended 31 March 2018 is available at www.csr.com.au/investor-relations-and-news/corporate-governance.

AGENDA

ORDINARY BUSINESS

1. Financial reports and directors' and auditor's reports

To receive and consider the financial report, the directors' report and the auditor's report for the financial year ended 31 March 2018.

2. Election of directors

To consider and, if thought fit, to pass the following resolutions, each as an ordinary resolution:

- a. That John Gillam, who was appointed as a director in December 2017 and will retire at the close of the meeting in accordance with rule 53.2 of the company's constitution, be elected as a director of the company.
- b. That Penny Winn, who will retire by rotation at the close of the meeting in accordance with rule 55 of the company's constitution, be re-elected as a director of the company.

3. Remuneration report

To consider and, if thought fit, to pass the following resolution as a non-binding ordinary resolution:

To adopt the remuneration report for the financial year ended 31 March 2018.

Note: The vote on this item is advisory only and does not bind the directors or the company.

SPECIAL BUSINESS

4. Grant of performance rights to the managing director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That the grant to Rob Sindel of 294,577 performance rights under the terms of the company's Performance Rights Plan (the "PRP") on the terms summarised in the explanatory notes to this notice of meeting be approved for all purposes.

5. To renew the proportional takeover provisions in the constitution for a further three years

To consider and, if thought fit, to pass the following resolution as a special resolution:

That the proportional takeover provisions in the company's constitution, rule 22, be renewed for a further period of three years from the date of the meeting.

ELIGIBILITY TO VOTE

For the purposes of the meeting, shares will be taken to be held by the persons who are registered as shareholders as at 7.00pm (Sydney time) on Monday 25 June 2018. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the meeting.

Proxies

If you are a shareholder entitled to attend and vote, you may appoint a proxy. If you are a shareholder entitled to cast two or more votes, you may appoint two proxies and specify the number or proportion of votes that each may exercise, failing which each may exercise half of the votes. Neither proxy may vote on a show of hands. A proxy need not be a shareholder of the company.

The proxy form must be signed by you or your attorney. Proxies given by corporations must be executed either in accordance with section 127 of the *Corporations Act 2001* or under the hand of a duly authorised officer or attorney.

If you do not specify a proxy in your completed proxy form or if the person you appoint as proxy does not attend the AGM, the chairman of the meeting will be taken to be your proxy by default. In accordance with the *Corporations Act 2001*, any directed proxies that are not voted as directed on a poll at the meeting will automatically default to the chairman of the meeting, who is required to vote proxies as directed.

Voting restrictions apply to the company's key management personnel (KMP) and their closely related parties, which affect proxy voting

Members of CSR's KMP (which includes each of the non-executive directors, the managing director and the chief financial officer) and their closely related parties will not be able to vote your proxy on resolutions 3 and 4 unless you direct them how to vote by marking a voting box for those items, or the chairman of the meeting is your proxy. The term 'closely related party' is defined in the *Corporations Act 2001* and includes the KMP's spouse, dependants and certain other close family members, as well as any companies controlled by the KMP, or the KMP's spouse, dependants and certain other close family members.

If you intend to appoint a member of the KMP as your proxy, please ensure that you direct them how to vote on resolutions 3 and 4.

If you appoint the chairman of the meeting as your proxy or he becomes your proxy by default, and you do not provide any voting directions on your proxy form, by signing and returning the proxy form, you will be expressly authorising the chairman of the meeting to cast your vote on resolutions 3 and 4 as he sees fit. This applies even if the resolution is connected with the remuneration of CSR's KMP.

Voting Exclusions

Resolution 3

The company will disregard any votes cast on resolution 3:

- by or on behalf of a member of the KMP whose remuneration is disclosed in the remuneration report and their closely related parties regardless of the capacity in which the vote is cast; and
- as a proxy by a member of the KMP at the date of the meeting and any of their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on resolution 3:

- in accordance with a direction on the proxy form; or
- by the chairman of the meeting pursuant to an express authorisation to exercise the proxy as the chairman thinks fit.

Resolution 4

The company will disregard any votes on resolution 4:

- cast in favour of the resolution in any capacity by or on behalf of Rob Sindel and any of his associates; and
- cast as a proxy by a member of the KMP at the date of the meeting and any of their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on resolution 4:

- in accordance with a direction on the proxy form; or
- by the chairman of the meeting pursuant to an express authorisation to exercise the proxy as the chairman thinks fit.

The chairman of the meeting intends to vote all available proxies in favour of each resolution.

Where to lodge a proxy

Post: CSR Limited share registry
Computershare Investor Services Pty Limited
GPO Box 242

Melbourne VIC 3001 Australia
(Please use the enclosed reply envelope)

Facsimile: Australia 1800 783 447
International +61 3 9473 2555

Online: www.investorvote.com.au (by following the instructions set out on the website). Shareholders who elected to receive their notice of meeting and proxy form electronically will have received an e-mail with a link to the Computershare site.

You will need a specific six digit Control Number to vote online. This number is located on the front of your proxy form.

In order to take effect, the proxy form or electronic proxy appointment (and the power of attorney or other authority under which it is signed, if any) must be received by Computershare in one of the manners specified above, or by CSR at its registered office, Triniti 3, Level 5, 39 Delhi Road, North Ryde, NSW 2113, Australia, no later than 11.00am (Sydney time) on Monday 25 June 2018.

You can arrange to receive shareholder information electronically, or obtain a replacement proxy form or a special proxy form to appoint a second proxy, by contacting Computershare on 1800 676 061 (within Australia) or +61 3 9415 4033 (outside Australia) or at www.computershare.com.au (Investor Centre).

Admission to meeting

We ask that shareholders who are not appointing a proxy bring their proxy form to the meeting in order to speed up the registration process.

If you do not plan to attend the meeting, you are encouraged to complete and return a proxy form or lodge a proxy online, for your holding(s) of CSR shares.

Questions and comments by shareholders at the meeting

In accordance with the *Corporations Act 2001* and the company's past practice, a reasonable opportunity will be given to shareholders at the meeting to ask questions about, or make comments on, the management of the company and the remuneration report.

Similarly, a reasonable opportunity will also be given to shareholders at the meeting to ask CSR's auditor, Deloitte Touche Tohmatsu, 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.

Written questions may be submitted by shareholders in advance of the meeting, including questions for the company's auditor Deloitte Touche Tohmatsu. Shareholders can submit their questions by completing the form attached to this notice of meeting and returning it in the manner set out on the form.

The written questions must be received no later than 5.00pm (Sydney time), on Wednesday 20 June 2018. A list of written questions to the auditor will be available at the meeting.

EXPLANATORY NOTES TO NOTICE OF MEETING

These explanatory notes form part of the notice of meeting and should be read in conjunction with it. These explanatory notes have been prepared to provide shareholders with important information regarding the items of business proposed for consideration at the AGM.

1. Financial report and the reports of the directors and of the auditor for the financial year ended 31 March 2018

The CSR Annual Report 2018 (which includes the financial report, the directors' report and the auditor's report) will be presented to the meeting. Shareholders can access a copy of the annual report on CSR's website at www.csr.com.au/investor-relations-and-news/annual-meetings-and-reports. A printed copy of the CSR Annual Report 2018 has been sent only to those shareholders who have elected to receive a printed copy.

Shareholders will be given a reasonable opportunity to ask questions about, and make comments on, the reports and CSR's management, businesses, operations, financial performance and prospects, however there will be no formal resolution put to the meeting. CSR's auditor will also be present at the meeting to answer questions in relation to the conduct of the audit (including the independence of the auditor), the preparation and content of the auditor's report and the accounting policies adopted by CSR. Shareholders may also submit questions in advance of the meeting by completing the form attached to this notice of meeting.

2. Election of directors

(a) Election of John Gillam as a non-executive director

John Gillam was appointed a director of the company in December 2017. John stands for election in accordance with rule 53.2 of the company's constitution.

Information about John Gillam is set out below:

John Gillam

BCom, MAICD, FAIM.

A member of the Risk & Audit Committee and Remuneration & Human Resources Committee. John joined the board in December 2017 as an independent director. John is chairman elect, effective 31 May 2018.

John was formerly managing director of Bunnings in Australia and New Zealand from 2004 to early 2016 and of the expanded Bunnings Group, until December 2016. John joined Wesfarmers Limited in 1997 and held a number of senior leadership roles in the company over the past 20 years. John is chairman of BlueFit Pty Limited (2018 to current), director of Clontarf Foundation (2017 to current), director of Heartwell Foundation (2009 to current) and director of Ruyton Girls School (2012 to current).

Recommendation

The directors (excluding John Gillam) unanimously recommend that shareholders vote in favour of resolution 2(a).

(b) Re-election of Penny Winn as a non-executive director

Penny Winn was appointed a director of the company in November 2015 and was last elected by shareholders at the 2016 AGM. Penny retires by rotation in accordance with rule 55 of the company's constitution and offers herself for re-election at this meeting.

Information about Penny Winn is set out below:

Penny Winn

BCom, MBA, GAICD.

Chairman of the Workplace Health, Safety & Environment Committee and a member of the Risk & Audit Committee. Penny joined the board in November 2015 as an independent director. Penny was formerly director group retail services with Woolworths responsible for leading the logistics and information technology divisions and the multi-channel and customer engagement teams, a position held until October 2015. Penny has over 30 years of experience in retail in senior management roles in Australia and overseas. She is chairman of Port Waratah Coal Services Ltd (2015 to current), a non-executive director of Caltex Australia Limited (2015 to current), a non-executive director of Goodman Limited and Goodman Funds Management Limited (2018 to current) and a member of the UTS Business School's Advisory Board.

Recommendation

The directors (excluding Penny Winn) unanimously recommend that shareholders vote in favour of resolution 2(b).

3. Remuneration report

Listed companies, such as CSR, are required to provide detailed disclosures of director and senior executive remuneration in their directors' reports. These disclosures are set out in the remuneration report (which forms part of the directors' report) on pages 35 to 52 of the CSR Annual Report 2018.

The board strives to ensure that CSR's remuneration framework aligns with shareholder interest by:

- ensuring remuneration is performance driven with a focus on setting challenging targets for both financial and non-financial measures;
- placing substantial emphasis on variable (incentive based) remuneration linked to short and long-term performance benchmarks that support CSR's business strategy and future success; and
- implementing share based remuneration on a short and long-term basis.

The remuneration report includes:

- discussion of the board's policy in relation to the nature and level of remuneration of the KMP of CSR;
- discussion of the relationship between the board's remuneration policy and CSR's performance over the five financial years up to and including the year ended 31 March 2018;
- information about performance hurdles applicable to the short-term and long-term incentive components of the remuneration of KMP;
- details of the remuneration provided to KMP for the year ended 31 March 2018; and
- a summary of remuneration paid to other senior executives.

There will be a reasonable opportunity for shareholders at the meeting to comment on, and ask questions about, the remuneration report.

The vote on resolution 3 is advisory only and will not bind the directors or the company. However, the board will take the outcome of the vote into consideration when reviewing the company's remuneration practices and policies.

For the voting exclusions applicable to resolution 3, please refer to page 4 of this notice of meeting.

Recommendation

The directors unanimously recommend that shareholders vote in favour of resolution 3.

4. To approve the grant of Performance Rights to the managing director

The board recognises that it is desirable for the managing director and other senior executives to be incentivised and remunerated on a consistent basis and in a manner that focuses their efforts on delivering long-term value for shareholders. The board has developed the performance rights plan ('PRP') to ensure this alignment. The board continually reviews the design of the remuneration framework to ensure it meets its objective of being 'fit for purpose'. This means that the remuneration framework supports the overall business strategy, is aligned with shareholder interests, is competitive, reflects market practice and is simple for both participants and shareholders to understand.

Shares will be sourced on-market to satisfy performance rights granted to Mr Sindel that vest under CSR's performance rights plan. Accordingly the grant to Mr Sindel does not require shareholder approval under ASX Listing Rule 10.14. However, as in the past, CSR is seeking shareholder approval in the interests of transparency and good corporate governance.

Approval is sought for Rob Sindel to be granted 294,577 performance rights under the CSR performance rights plan as his YEM19 long term incentive award. These performance rights are subject to the satisfaction of the performance and service conditions below. Should the performance and service conditions be met then fully paid ordinary shares in CSR will be allocated to Rob Sindel in respect of those performance rights that vest. The grant of performance rights will be at no cost to Rob Sindel with no amount payable by Rob Sindel on the vesting of the performance rights.

Details of the PRP are contained in the remuneration report. The key terms of the performance rights to be granted to Rob Sindel for YEM19 are set out below.

COMPONENTS OF THE YEM19 PRP

Consistent with the remuneration objectives stated on page 6, the board proposes to continue using relative Total Shareholder Return (TSR) and Earnings Per Share (EPS) as the two performance measures over the three year performance period. Both performance measures will be weighted equally at 50% of the overall grant.

1. Total Shareholder Return (TSR)

50% of Rob Sindel's performance rights ('Tranche A') will be subject to a performance condition based on the performance of CSR's TSR over the performance period relative to the performance of the comparator group.

TSR is the percentage growth in shareholder value, which measures the changes in share price, taking into account dividends and capital returns. The TSR performance condition measures CSR's ability to deliver superior shareholder returns relative to its peer companies by ranking the TSR performance of CSR against the TSR performance of companies in a comparator group.

The comparator group comprises the constituents of the S&P/ASX 200 Index, defined at the start of the performance period ('Peer Group'). The board uses the ASX200 as the comparator group given that CSR sits within this index. The board has the discretion to adjust the Peer Group to take into account events including, but not limited to, takeovers, mergers, de-mergers and similar transactions that might occur over the performance period.

The proportion of the Tranche A performance rights that vest will be determined based on the ranking of CSR's TSR, relative to the TSR of each of the companies in a comparator group over the performance period, as set out in the vesting schedule below:

TSR of CSR relative to the Peer Group	Proportion of Tranche A to vest
Below the 50 th percentile	0%
At the 50 th percentile	50%
Between the 50 th percentile and the 75 th percentile	Straight-line vesting between 50% and 100% (e.g: each percentile improvement will result in an additional 2% vesting)
75 th percentile or greater	100%

2. Earnings per share (EPS)

50% of Rob Sindel's performance rights ('Tranche B') will be subject to an EPS hurdle, which measures CSR's annual compound EPS growth over the performance period. The EPS hurdle assesses the success of the business in generating continued growth in earnings and is strongly aligned with shareholder interests.

EPS is defined as net profit after tax per share pre-significant items. The board may adjust EPS to exclude the effects of material business acquisitions or divestments and for certain one-off costs.

As was the case in YEM17 and YEM18, EPS will be measured on an averaged basis over the three-year performance period rather than point to point. The board believes this addresses the cyclicity of the business and incentivises participants to improve performance year on year by removing the exposure to the final year of the performance period.

Under this approach, the board will assess average EPS over the three-year performance period and this result will then be compared against the hurdles set by the board.

Based on CSR's analysis of the broader global growth outlook, comparable hurdles set by CSR's competitors and CSR's cost of capital, the EPS performance hurdles will be set at 5% to 10% compound growth for target and stretch performance respectively. This is the same as the hurdles that were applied in the YEM17 and YEM18 PRP.

Target performance is calculated by taking the total EPS from the performance period using actual YEM18 EPS of 42.3cps compounding 5% per annum for three years (which equates to a total of 140 cents), and dividing the result by three.

Stretch performance is calculated by taking the total EPS from the performance period using actual YEM18 EPS of 42.3cps compounding 10% per annum for three years (which equates to a total of 154 cents), and dividing the result by three.

2. Earnings per share (EPS) continued

This is illustrated below:

EPS Performance Hurdle	Average EPS growth (% CAGR)*	YEM18 EPS (cps)	Cumulative EPS required over next three years (cps)	Average EPS required over next three years (cps)
Target	5.0%	42.3	140	46.7
Stretch	10.0%	42.3	154	51.3

* Compound annual growth rate

The proportion of the Tranche B performance rights that vest will be determined as follows:

Average EPS Target Range (compound growth per annum)	Proportion of Tranche B to vest
Below average 5% compound EPS	0%
Equal to average 5% compound EPS	50%
Between 5% and 10% average compound EPS	Straight-line vesting between 50% and 100%
Greater than average 10% compound EPS	100%

Number of performance rights to be granted to Mr Sindel

It is proposed that 294,577 performance rights be granted to Rob Sindel. This quantum has been determined through an analysis of Rob Sindel's total target remuneration referenced against external market benchmarks. Specifically, in accordance with his employment contract, a grant to the maximum value of 120% of total fixed remuneration is proposed for Rob Sindel's YEM19 PRP grant. The share price used to calculate the number of performance rights allocated to Rob Sindel was the 10-day Volume Weighted Average Price of CSR shares leading in to the performance period, being the ten days up to and including 29 March 2018, which was \$5.2406.

Testing of performance conditions

Following testing of the performance conditions at the end of the performance period (described below) and, to the extent to which the service and performance conditions are satisfied, the performance rights will vest and CSR will allocate to Rob Sindel one CSR share for each performance right that vests, for no further consideration.

Performance period

The performance of each Tranche against the applicable performance hurdle will be measured over the three-year performance period from 1 April 2018 to 31 March 2021.

To the extent any performance rights under Tranche A or Tranche B remain unvested at the end of the performance period, those performance rights will lapse.

Rights attaching to performance rights

Performance rights carry no voting or dividend entitlements.

The PRP rules contain provisions in relation to the adjustment of performance rights in certain circumstances, including in the event of a capital reorganisation (such as a subdivision or consolidation), a capital return or a bonus issue of shares to members.

Change of control

The board has discretion to allow all or a part of unvested performance rights to vest on a change of control of CSR (e.g. a takeover, merger, compromise or arrangement). In exercising this discretion, the board would generally not fully accelerate vesting but, rather, would look at pro-rata assessments for plans on foot. This is consistent with past discretion applied by the board in similar events.

Treatment of performance rights on cessation of employment

If Rob Sindel ceases to be employed prior to the performance conditions being met, generally this will result in Rob Sindel forfeiting his interest in the unvested performance rights under the PRP.

However, if Rob Sindel ceases employment as a result of retirement, redundancy, total or permanent disablement, death or such other circumstances as determined by the board at its discretion, some or all of the unvested performance rights may stay on foot and remain eligible for vesting in the usual course subject to the satisfaction of the applicable performance hurdles. In exercising this discretion, the board would not generally accelerate vesting and would apply pro-rata assessments for all plans on foot.

Shares allocated on vesting of performance rights

Shares allocated to Rob Sindel upon vesting of the performance rights will rank equally with other ordinary CSR shares on issue.

Hedging and restrictions on dealing

Consistent with the requirements under the *Corporations Act 2001* CSR prohibits participants in the PRP from entering into any arrangement to hedge or otherwise affect their economic exposure to their performance rights. It is the board's policy that participants will forfeit their interest in the performance rights if they enter into any hedging transaction. Mr Sindel may not sell, assign, transfer or otherwise deal with performance rights. Mr Sindel will be free to deal with the shares allocated on vesting of the performance rights, subject to the requirements of CSR's Share Trading Policy.

Additional disclosure

The following information sets out additional disclosures:

- a) the maximum number of performance rights proposed to be awarded to Rob Sindel under this approval is 294,577;
- b) the price payable by Rob Sindel on the issue or vesting of each performance right is \$nil;
- c) since approval for performance rights under the PRP was last obtained (at the 2017 AGM), Rob Sindel (being the only director to participate in the PRP) received 339,466 performance rights as his PRP allocation for YEM18. The acquisition price for these performance rights was \$nil;
- d) there is no loan proposed in relation to the proposed award of performance rights to Rob Sindel; and
- e) the performance rights that are the subject of this approval will be granted to Rob Sindel on or around 1 July 2018 (and, in any event, prior to 31 December 2018).

For the voting exclusions applicable to resolution 4, please refer to page 4 of this notice of meeting.

Recommendation

The directors (excluding Rob Sindel) unanimously recommend that shareholders vote in favour of resolution 4.

5. To renew the proportional takeover provisions in the constitution for a further three years

The company's constitution currently contains provisions dealing with proportional takeover bids for CSR shares in accordance with the *Corporations Act 2001*. The provisions, which are contained in rule 22 of the constitution, are designed to assist shareholders to receive proper value for their shares if a proportional takeover bid is made for the company.

Under the *Corporations Act 2001*, these provisions must be renewed every three years or they will cease to have effect.

The current provisions will automatically cease to have effect after 14 July 2018 unless renewed by the proposed special resolution.

If approved by shareholders, the proposed proportional takeover provisions will be renewed on exactly the same terms as the existing provisions and will have effect until 26 June 2021.

The *Corporations Act 2001* requires that the following information be provided to shareholders when they are considering the renewal of proportional takeover provisions in a constitution.

Effect

A proportional takeover bid is a takeover bid where an offer is made to each shareholder to acquire a proportion of that shareholder's shares.

With the proportional takeover provision in the constitution, in the event of a proportional takeover bid being made, the directors must hold a meeting of the shareholders of the class of shares being bid in order to consider whether or not to approve the bid. A resolution approving the bid must be voted on by the 14th day before the end of the bid period. The resolution will be passed if more than 50% of votes are cast in favour of the approval. The bidder and its associates are not allowed to vote on the resolution. If no such resolution is voted on by that deadline, a resolution approving the bid is taken to have been passed.

If a resolution to approve the bid is rejected, binding acceptances are required to be rescinded, and all unaccepted offers and offers failing to result in binding contracts are taken to have been withdrawn.

If the bid is approved or taken to have been approved, the transfers resulting from the bid may be registered provided they comply with other provisions of the *Corporations Act 2001* and the company's constitution.

The proportional takeover provisions do not apply to full takeover bids.

Reasons

If the proportional takeover approval provision is not in the constitution, a proportional takeover bid may enable control of the company to pass without shareholders having the opportunity to sell all of their shares to the bidder. Shareholders may therefore be exposed to the risk of being left as a minority in the company and the risk of the bidder being able to acquire control of the company without payment of an adequate control premium for their shares.

The proposed proportional takeover provisions decrease this risk because they allow shareholders to decide whether a proportional takeover bid is acceptable and should be permitted to proceed.

No knowledge of any acquisition proposals

At the date of this notice, no director of the company is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the company.

Review of proportional takeover provisions

While proportional takeover provisions have been in effect under the company's constitution, no takeover bids for the company have been made, either proportional or otherwise. Accordingly, there are no actual examples against which to assess the advantages or disadvantages of the existing proportional takeover provisions (that is, rule 22 of the existing constitution) for the directors and shareholders of the company. The directors are not aware of any potential takeover bid that was discouraged by rule 22.

Potential advantages and disadvantages

The directors of the company consider that the proposed renewal of the proportional takeover provisions has no potential advantages or disadvantages for directors because they remain free to make a recommendation on whether a proportional takeover bid should be approved.

The potential advantages of the proposed proportional takeover provisions for shareholders of the company are:

- (a) they give shareholders their say, in determining by majority vote, whether a proportional takeover bid should proceed;
- (b) they may assist shareholders in not being locked in as a minority interest;
- (c) they increase shareholders' bargaining power and may assist in ensuring that any proportional bid is adequately priced; and
- (d) knowing the view of the majority of shareholders assists each individual shareholder in assessing the likely outcome of the proportional takeover bid and whether to approve or reject that offer.

Some potential disadvantages of the proposed proportional takeover provisions for shareholders of the company are:

- (a) they are a hurdle to, and may discourage the making of, proportional takeover bids in respect of the company;
- (b) this hurdle may depress the share price or deny shareholders an opportunity to sell their shares at a premium; and

(c) it may reduce the likelihood of a proportional takeover being successful.

However, the directors of the company do not perceive those or any other possible disadvantages as justification for not approving the proportional takeover provisions for a further three years and consider that the potential advantages of the proportional takeover provisions for shareholders outweigh these possible disadvantages.

Recommendation

The directors unanimously recommend that shareholders vote in favour of resolution 5.



DEBBIE SCHROEDER
COMPANY SECRETARY

23 May 2018

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SHAREHOLDER INFORMATION AND ENQUIRIES

All enquiries and correspondence regarding shareholdings should be directed to CSR's share registry:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001 Australia

Telephone within Australia 1800 676 061

International +61 3 9415 4033

Facsimile (03) 9473 2500

International +61 3 9473 2500

Website www.investorcentre.com/contact

QUESTIONS FROM SHAREHOLDERS

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CSR aims to provide relevant and timely information to shareholders at the Annual General Meeting.

If you would like to submit a question, please use this form and send it to Computershare (at the address or fax number for lodgement of proxies). Alternatively, questions may be sent to the Company Secretary, CSR Limited, Triniti 3, Level 5, 39 Delhi Road, North Ryde, NSW 2113, Australia, or by e-mail to investorrelations@csr.com.au. Questions should be relevant to the business of the meeting as outlined in the notice of meeting and explanatory notes on agenda items. Questions must be received no later than 5.00pm (Sydney time) on Wednesday 20 June 2018.

Questions will be collated and, during the meeting, either the Chairman or Managing Director will seek to address as many of the more frequently raised topics as possible. Where a question relates to the content of the auditor's report to be considered at the meeting or the conduct of the audit of the annual financial report to be considered at the meeting, the Chairman will provide the questions to CSR's auditor, Deloitte Touche Tohmatsu. Questions to the auditor must be received by no later than 5.00pm (Sydney time) on Wednesday 20 June 2018. Please note that there may not be sufficient time at the AGM to respond to all topics raised. Individual responses will not be sent to shareholders.

Shareholder's Name:

Address:

Question(s):

Please tick (✓) the box if the question is directed to CSR's auditor.

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