

NOTICE OF MEETING 2015

CSR LIMITED ABN 90 000 001 276

INVITATION TO CSR'S ANNUAL GENERAL MEETING

DEAR SHAREHOLDER

CSR'S ANNUAL GENERAL MEETING (AGM) WILL BE HELD IN THE CIVIC PAVILION, THE CONCOURSE, 409 VICTORIA AVENUE, CHATSWOOD AT 11.00AM ON TUESDAY 14 JULY 2015.

We continue to explore better ways of facilitating shareholder engagement and interaction with management at the AGM. This year, after the managing director, Rob Sindel, and I present our yearly reviews of CSR's financial position, operations, prospects and growth strategy to shareholders, we will show a video presentation on CSR's Building Products division. We will then give shareholders a greater opportunity to engage directly with the board and senior management before moving onto the formal business of the meeting. The notice of meeting (following pages) 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;
- election of directors

I will be standing for re-election and shareholders will also be given the opportunity to re-elect Mike Ihlein and Rebecca McGrath as non-executive directors of the company;

- adopt the remuneration report;
- approve the grant of long-term incentives to the managing director; and
- amend the constitution to reinsert the proportional takeover provisions for a further three years.

The directors recommend that shareholders vote in favour of all items of business.

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 back of the enclosed proxy form.

Proxy forms must be received by 11.00am Sydney time on Sunday 12 July 2015 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. 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;
- the CSR Annual Report 2015 and Notice of Meeting 2015;
- a link from the Share Information page to our share registry to obtain standard shareholder forms, including a direct dividend advice, a change of address advice and a request to consolidate holdings; and
- copies of news releases and financial presentations.

I look forward to seeing you at the AGM.

Yours sincerely



JEREMY SUTCLIFFE CHAIRMAN

12 June 2015

NOTICE OF MEETING 2015

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

**THE CIVIC PAVILION
THE CONCOURSE
409 VICTORIA AVENUE
CHATSWOOD NSW 2067
AT 11.00AM ON TUESDAY 14 JULY 2015**

HOW TO WATCH THE MEETING ONLINE

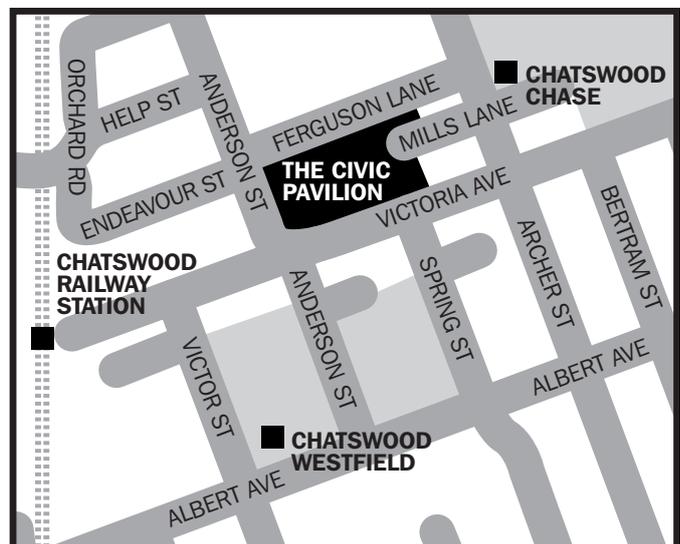
You can view a live webcast of the meeting on CSR's website, www.csr.com.au.

HOW TO GET TO THE MEETING

Public transport: The Concourse is located within a two minute walk from major Chatswood transportation hubs, including Chatswood train station and Chatswood bus interchange.

Parking: The Concourse car park entrance is on Ferguson Lane, accessed via Archer Street. Additional car parking is also available at the nearby Westfield Chatswood and Chatswood Chase shopping centres.

A copy of the CSR Annual Report 2015 (including financial report, the directors' report and auditor's report for the year ended 31 March 2015) is available on CSR's website at www.csr.com.au under Investor Centre & News/Annual Meetings & Reports.



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 2015.

2. Election of directors

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

- a. That Mike Ihlein, 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.
- b. That Rebecca McGrath, 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.
- c. That Jeremy Sutcliffe, 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 adopt the remuneration report for the financial year ended 31 March 2015.

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 359,009 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 reinsert the proportional takeover provisions into 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 reinserted for a further period of three years.

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 11.00am (Sydney time) on Sunday 12 July 2015. 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. A proxy need not be a shareholder of the company.

The company's constitution (available on the company's website, www.csr.com.au under Investor Centre & News/Corporate Governance) provides that, on a show of hands, every person present and entitled to vote shall have one vote. If you appoint one proxy, that proxy may vote on a show of hands, but if you appoint two proxies, neither proxy may vote on a show of hands.

If you appoint a proxy who is also a shareholder or is also a proxy for another shareholder, your directions may not be effective on a show of hands. Your directions will be effective if a poll is required.

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.

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 the voting boxes 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. The chairman of the meeting intends to vote in favour of items 3 and 4.

AGENDA (CONTINUED)

Voting Exclusions

Item 3

The company will disregard any votes cast on item 3:

- by or on behalf of a member of the KMP whose remuneration is disclosed in the remuneration report and their closely related parties (such as close family members and any companies the person controls); and
- as a proxy by a member of the KMP and any of their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on item 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.

Item 4

The company will disregard any votes cast on item 4:

- in any capacity by Rob Sindel and any of his associates; and
- as a proxy by a member of the KMP and any of their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on item 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.

Where to lodge a proxy

CSR Limited share registry
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001 Australia
(Please use the enclosed reply envelope)
Facsimile 1800 783 447
International +61 3 9473 2555

You may lodge a proxy online with our share registry, Computershare Investor Services Pty Limited at www.investorvote.com.au, by following the instructions set out on the website. Shareholders who elected to receive their notice of meeting and proxy 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 at the postal or internet address or facsimile number above, or by CSR at its registered office, Trinita 3, Level 5, 39 Delhi Road, North Ryde, NSW 2113, Australia, no later than 11.00am (Sydney time) on Sunday 12 July 2015.

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.

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 for Deloitte Touche Tohmatsu relevant to the conduct of the audit of the annual financial report and the content of the auditor's report may be sent to Computershare (at the address or fax number for lodgement of proxies). Alternatively, questions may be sent to the company secretary, CSR Limited, Trinita 3, Level 5, 39 Delhi Road, North Ryde, NSW 2113, Australia, or by e-mail to investorrelations@csr.com.au.

In each case, the written questions must be received no later than 5.00pm (Sydney time), on Tuesday 7 July 2015. A list of questions to the auditor will be available at the meeting.

AGENDA (CONTINUED)

EXPLANATORY NOTES TO NOTICE OF MEETING

1. Financial report and the reports of the directors and of the auditor for the financial year ended 31 March 2015

The CSR Annual Report 2015 (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 <http://www.csr.com.au/Investor-Centre-&-News/Annual-Meetings-and-Reports/Pages/default.aspx>. A printed copy of the CSR Annual Report 2015 has been sent only to those shareholders who have elected to receive a printed copy.

During this item, 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) Re-election of Mike Ihlein as a non-executive director

Mike Ihlein was appointed a director of the company in 2011 and was last elected by shareholders at the 2012 AGM. Mike retires by rotation in accordance with rule 55 of the company's constitution and offers himself for re-election at this meeting.

Information about Mike Ihlein is set out below:

Mike Ihlein

BBUS (Accounting), FAICD, FCPA, FFIN.

Chairman of the Risk & Audit Committee and a member of the Workplace Health, Safety & Environment Committee. Mike joined the board in 2011 as an independent director. He was formerly chief executive officer and executive director of Brambles Limited until November 2009, prior to which he was Brambles' chief financial officer for four years. Mike has also had a long career with Coca-Cola Amatil Limited including seven years as chief financial officer and executive director and a number of senior operational, finance, business development and treasury roles including managing director of Coca-Cola Amatil Poland. Mike is currently a non-executive director of Scentre Group (2014 to current – formed through a merger with Westfield Retail Trust on which Mike was a non-executive director from 2010). He is also a non-executive director of Snowy Hydro Limited and Murray Goulburn Co-operative Co. Ltd. Mike is a fellow of the Australian Institute of Company Directors (AICD), CPA Australia and Financial Services Institute of Australasia and a member of Financial Executives Institute of Australia. He is also a director of Spark Software sp. z o.o. and chair of Australian Theatre for Young People.

Recommendation

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

(b) Re-election of Rebecca McGrath as a non-executive director

Rebecca McGrath was appointed a director of the company in 2012 and was last elected by shareholders at the 2012 AGM. Rebecca retires by rotation in accordance with rule 55 of the company's constitution and offers herself for re-election at this meeting.

Information about Rebecca McGrath is set out below:

Rebecca McGrath

BTP (HONS), MASC, FAICD.

Chairman of the Workplace Health, Safety & Environment Committee and a member of the Remuneration & Human Resources Committee. Rebecca joined the board in 2012 as an independent director. She was formerly chief financial officer and executive director of BP Australasia, a position held until January 2012, prior to which she was vice president operations and executive director, Australia & Pacific for BP Australasia and general manager, group marketing performance, for BP Plc (London). Rebecca's management career with BP spanned 23 years. Rebecca is currently a non-executive director of Goodman Group (2012 to current), OZ Minerals Limited (2010 to current) and Incitec Pivot Limited (2011 to current) and was previously a director of Big Sky Credit Union. She is a fellow of the Australian Institute of Company Directors (AICD) and Chairman of Project New Dawn, a homeless and unemployment focused not-for-profit organisation.

Recommendation

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

(c) Re-election of Jeremy Sutcliffe as a non-executive director

Jeremy Sutcliffe was appointed a director of the company in 2008 and was last re-elected by shareholders at the 2012 AGM. Jeremy retires by rotation in accordance with rule 55 of the company's constitution and offers himself for re-election at this meeting.

Information about Jeremy Sutcliffe is set out below:

Jeremy Sutcliffe

LLB (HONS), MAICD.

Appointed Chairman July 2011. A member of the Risk & Audit Committee and Remuneration & Human Resources Committee. Jeremy joined the board in 2008 as an independent director. He held the position of interim CEO and managing director from 1 April to 31 December 2010. Jeremy was Group CEO of Sims Metal Management Limited from 2002 until 2008 and a director until 2009. He is a non-executive director of Amcor Limited (2009 to current), Orora Limited (2013 to current), and a member and director of The Australian Rugby League Commission Limited (2012 to current). He also holds an advisory role with Veolia Environmental Australia.

Recommendation

The directors (excluding Jeremy Sutcliffe) unanimously recommend that shareholders vote in favour of resolution 2(c).

AGENDA (CONTINUED)

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 23 to 39 of the CSR Annual Report 2015.

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 2015;
- information about performance hurdles applicable to the short term and long term incentive components of the remuneration of KMP; and
- details of the remuneration provided to the non-executive directors, managing director and chief financial officer for the year ended 31 March 2015.

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.

Pursuant to ASX Listing Rule 10.14, the acquisition of securities by a director under an employee incentive scheme requires shareholder approval. Consistent with CSR's past practice, shares will be sourced on-market to satisfy grants of performance rights under CSR's performance rights plan. On-market purchases are excluded from the operation of ASX Listing Rule 10.14 and do not require shareholder approval. However, as in the past, shareholder approval is being sought in the interests of transparency and good corporate governance.

Accordingly, approval is now sought for Rob Sindel to be granted 359,009 performance rights under the CSR performance rights plan ("PRP") on the terms set out below and, subject to the satisfaction of the performance and service vesting conditions below, for the issue of fully paid ordinary shares in CSR in respect of performance rights that might vest to Rob Sindel. 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.

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

Background to the YEM16 PRP

During the year, the board conducted a review of the PRP plan. Specifically, the review focused on Earnings per Share (EPS) targets, the use of re-tests and aligning the performance periods for the Total Shareholder Return (TSR) and EPS performance hurdles. A summary of the review and changes for the YEM16 PRP are set out below:

1. Adopting a "through the cycle" approach to EPS and ensuring the performance hurdles are sufficiently challenging:

When the EPS performance hurdle was introduced in YEM12, the board adopted a "through the cycle" approach to setting EPS targets, recognising that the business is exposed to both the construction and commodity cycles. The analysis confirmed that there is significant volatility in EPS for CSR and the broader industry associated with this cyclical nature. The board determined that setting targets that remain consistent through construction and commodity cycles would be more aligned with shareholders' interests than varying targets up and down from year to year to reflect where CSR is positioned in these cycles (which could trigger vesting in the down cycle when shareholders are experiencing lower returns).

AGENDA (CONTINUED)

The board assessed whether the current range of 7%-12% compound annual growth for target to stretch performance was sufficiently demanding, by undertaking an assessment over the last 11 years (through the cycle). This analysis was completed for CSR and a comparator group of 12 other companies in the industry. In summary, over that period, the 7%-12% range required for vesting would have been met on only three occasions for CSR and an average of 4.2 times for the comparator group.

The board also reviewed the EPS targets adopted by other companies in the comparator group. The 7%-12% compound annual growth range under the CSR PRP is higher than most in the comparator group.

Given:

1. the volatility of EPS growth for CSR and more broadly for the sector;
2. the historical vesting schedule through the cycle; and
3. comparisons with an industry comparator group,

the board concluded that the existing targets are sufficiently demanding and strongly aligned with shareholders' interests.

2. The use of re-tests

Re-tests have historically been a common part of CSR's long term incentive plans ('LTI') given the cyclical nature of the construction and commodity businesses in which CSR operates. The board has consistently reviewed CSR's use of re-tests compared with market practice. In YEM12 the board reduced the use of re-tests to a single re-test on the fourth anniversary date for all subsequent grants from YEM12.

The board has determined to remove the use of re-tests in the PRP for YEM16. The YEM16 PRP will be determined over a single three year performance period using the performance hurdles described below. There will be no changes to the PRP grant value or any other form of remuneration to compensate for the removal of the re-test and performance rights will continue to be allocated at face value.

3. Aligning the performance period for TSR and EPS

All PRPs on foot currently have different performance test dates for TSR (which is measured in late July) and EPS (which is measured at 31 March) performance hurdles. This generates complexity for shareholders and participants, and creates unnecessary costs for the administration of the plan.

To address this, the performance period for both EPS and TSR performance hurdles will be aligned to an end date of 31 March for the YEM16 and any subsequent PRP grants.

Number of performance rights to be granted to Mr Sindel

It is proposed that 359,009 performance rights be granted to Rob Sindel. This quantum has been determined in conjunction with 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 YEM16 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 up to 19 May 2015, which was \$4.003.

Performance conditions and vesting periods

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

The PRP rules give the board the discretion to determine the performance conditions attaching to a grant of performance rights. The board has determined that the following performance hurdles will apply to the YEM16 grant of performance rights to Rob Sindel:

1. Total Shareholder Return

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

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 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%

AGENDA (CONTINUED)

2. Earnings per share

The other 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. EPS is defined as net profit after tax per share pre significant items. As stated above, following detailed analysis of EPS performance hurdles, and noting that CSR is exposed to two cyclical industries (being construction and commodities), the board has adopted a 'through the cycle' approach to the EPS performance hurdle and has set this based upon competitive returns for shareholders through the cycle. The EPS targets have not changed for any of the grants since they were introduced in YEM12.

The proportion of the Tranche B performance rights that vest will be determined in accordance with the vesting schedule below. The board may adjust EPS to exclude the effects of material business acquisitions or divestments and for certain one-off costs. The EPS hurdle assesses the success of the business in generating continued growth in earnings.

EPS Target Range (compound growth per annum)	Proportion of Tranche B to vest
Below 7% compound EPS	0%
Equal to 7% compound EPS	50%
Between 7% and 12% compound EPS	Between 50% and 100% increasing on a straight-line basis
Greater than 12% compound EPS	100%

3. Performance periods

The performance of each Tranche against the applicable performance hurdle will be measured over the three year performance period from 1 April 2015 to 31 March 2018.

To the extent any performance rights under either Tranche A or Tranche B remain unvested at the end of the performance period, those performance rights will lapse. As stated above, unlike previous years' PRP grants, there will be no re-testing of the YEM16 PRP.

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 any other 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 assessment 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.

AGENDA (CONTINUED)

Prohibition of hedging arrangements

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 to require participants to forfeit their interest in the performance rights if they enter into any hedging transaction.

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 359,009;
- b) the price payable 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 2014 AGM), Rob Sindel (being the only director to participate in the PRP) received 414,581 performance rights as his PRP allocation for YEM15. 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 24 July 2015 (and, in any event, prior to 1 June 2016).

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 reinsert the proportional takeover provisions into 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 reinstated every three years or they will cease to have effect. The current provisions will automatically cease to have effect after 11 July 2015 unless reinserted by the proposed special resolution. If approved by shareholders, the proposed proportional takeover provisions will be reinserted in exactly the same terms as the existing provisions and will have effect until 13 July 2018.

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

Effect

A proportional takeover bid is one where an offer is made to each shareholder for 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 reinsertion 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 to avoid being locked in as a relatively powerless minority;
- (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 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.

Recommendation

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



DEBBIE SCHROEDER COMPANY SECRETARY

12 June 2015

CSR LIMITED

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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
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia

GPO Box 2975
Melbourne VIC 3001 Australia
Telephone within Australia 1800 676 061
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SHAREHOLDER QUESTIONS

QUESTIONS FROM SHAREHOLDERS

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 Tuesday 7 July 2015.

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 audit, the accounting policies adopted by the company in relation to the preparation of the financial statements, or the independence of the auditor in relation to the conduct of the audit, the Chairman will request a representative of CSR's auditor, Deloitte Touche Tohmatsu, to respond to such questions. Questions to the auditor must be received by no later than 5.00pm (Sydney time) on Tuesday 7 July 2015. 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.

1.
