

CSR LIMITED

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12 June 2018

Ms Claire Porta
Adviser, Listing Compliance
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

By email: Claire.porta@asx.com.au

Dear Claire,

CSR Limited: Appendix 3Y's – Change of Director's Interest Notices Query

Thank you for your letter dated 7 June 2018. I have set out some background to this matter, as well as specific responses to your questions below.

Background:

CSR operates an employee share plan called the "Employee Share Acquisition Plan" ("ESAP"). Under this plan, eligible employees and directors are invited to acquire CSR shares using pre-tax income, up to a value of \$5,000 in any given tax year. Shares are purchased on-market and allocated to employees and directors, subject to the restrictions applying to Directors, Key Management Personnel ("KMP") and "Designated Persons" as set out in the CSR Share Trading Policy.

Non-executive directors are permitted to participate in the ESAP. To ensure compliance with CSR's Share Trading Policy, non-executive directors (and all other "Designated Persons" as defined under the Share Trading Policy) can only elect to participate in, or withdraw from, the ESAP during a trading window. Deductions are made from the non-executive director's fees each month, and shares are allocated to participating non-executive directors only during a trading window.

CSR's payroll department provides the relevant instructions to CSR's share registry, Computershare, to purchase and allocate the shares to participants in the ESAP. Other than the election to participate in the ESAP, non-executive directors have no control over the timing of specific ESAP purchases or allocation of shares to them.

Please explain why the Notices were lodged late:

The Change of Director's Interest Notices for two Directors were lodged one day late due to a delay in the internal notification process at CSR. Specifically:

- On or about 25 May 2018, being during a trading window, an instruction was sent to CSR's share registry to purchase ESAP shares for a number of ESAP participants, including two non-executive directors.
- This instruction was actioned and I understand that the relevant shares were allocated to these two directors on 28 May 2018.

- On 1 June 2018, I became aware that two directors had been allocated shares via an external notification from our share registry that alerts me to any share trading by any Designated Person at any time. The alert I received did not state the date the shares were allocated to either director, or the price the shares were acquired for.
- On 1 June 2018, further information was sought internally within CSR to enable lodgement of the relevant Appendix 3Y for these two directors. The information sought included the date the shares were allocated and the price of the shares acquired.
- I received the above-requested information on 5 June 2018. At that time, I became aware that the shares had been allocated to these two directors on 28 May 2018, more than 5 days earlier. An Appendix 3Y was immediately lodged for both directors.

The delay was not caused by any oversight or action on the part of either director.

What arrangements does the Company have in place with its directors to ensure that it is able to meet its disclosure obligations under listing rule 3.19A?

CSR has the following procedures in place to meet its obligations under listing rule 3.19A (and the obligations of directors under section 205G of the Corporations Act 2001 (Cth)):

- Each non-executive director signs a letter agreement at the time of their appointment. This letter requires a director to promptly notify the Company Secretary of any changes to the director's CSR shareholding or interests. In particular, directors are obliged to provide CSR with the information required to make its disclosures under listing rule 3.19A.
- The procedure for appointment of new directors includes a shareholding check.
- Under the CSR Share Trading Policy, all directors are required to notify the Company of all of their proposed trades as part of the share trading clearance process and CSR regularly reminds directors of the Company's trading windows.
- The procedure for preparing CSR's Annual Report includes confirmation by directors of the number of CSR shares held directly and indirectly by them as at 31 March in the relevant financial year.

In addition, CSR has recently implemented a system whereby I now receive alerts directly from CSR's share registry which advises of all changes in directors' shareholdings. This provides me with an independent cross check that I can then verify and action if required.

If the current arrangements are inadequate or not being enforced, what additional steps does the Company intend to take to ensure compliance with listing rule 3.19B?

CSR considers that the procedures it has in place with its directors are adequate to enable compliance with the relevant obligations. The above incident is a result of an internal procedural delay, not a failure on the part of any director to notify CSR of a change in his or her interests.

The recent internal delay has illustrated that there is further scope to improve the internal procedures CSR has in place in relation to the identification of trades by directors. This will include improving internal notification procedures, and also investigating whether additional and more comprehensive external notifications relating to employee share plan instructions and trades can be put in place.

Yours sincerely,



Debbie Schroeder
Company Secretary



7 June 2018

Ms Debbie Schroeder
Company Secretary
CSR Limited
Level 5, Trinita 3
39 Delhi Road
North Ryde NSW 2113

By email

Dear Ms Schroeder,

CSR Limited ("CSR"): Appendix 3Ys – Change of Director's Interest Notices Query

ASX Limited ("ASX") refers to the following:

1. The Change of Director's Interest Notices lodged by CSR on the ASX Market Announcements Platform on 5 June 2018 for Mr Michael Ihlein and Mr Matthew Quinn (the "Notices");
2. Listing rule 3.19A which requires an entity to tell ASX the following:
 - 3.19A.1 *The notifiable interests of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) at the following times.*
 - On the date that the entity is admitted to the official list.
 - On the date that a director is appointed.*The entity must complete Appendix 3X and give it to ASX no more than 5 business days after the entity's admission or a director's appointment.*
 - 3.19A.2 *A change to a notifiable interest of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust). The entity must complete Appendix 3Y and give it to ASX no more than 5 business days after the change occurs.*
 - 3.19A.3 *The notifiable interests of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) at the date that the director ceases to be a director. The entity must complete Appendix 3Z and give it to ASX no more than 5 business days after the director ceases to be a director.*
3. Listing rule 3.19B which states as follows:

An entity must make such arrangements as are necessary with a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) to ensure that the director discloses to the entity all the information required by the entity to give ASX completed Appendices 3X, 3Y and 3Z within the time period allowed by listing rule 3.19.A. The entity must enforce the arrangements with the director.

The Notices indicate that changes in the notifiable interests of both Mr Ihlein and Mr Quinn occurred on 28 May 2018. It appears that the Notices should have been lodged with ASX by 4 June 2018. Consequently, CSR may have breached Listing Rules 3.19A and/or 3.19B.

Please note that ASX is required to record details of breaches of the listing rules by listed companies for its reporting requirements.

ASX reminds CSR of its contract with ASX to comply with the listing rules. In the circumstances ASX considers that it is appropriate that CSR make necessary arrangements to ensure there is not a reoccurrence of a breach of the listing rules.

Having regard to listing rules 3.19A and 3.19B and Guidance Note 22: *“Director Disclosure of Interests and Transactions in Securities - Obligations of Listed Entities”*, we ask that you answer each of the following questions:

1. Please explain why the Notices were lodged late.
2. What arrangements does CSR have in place under Listing Rule 3.19B with its directors to ensure that it is able to meet its disclosure obligations under listing rule 3.19A?
3. If the current arrangements are inadequate or not being enforced, what additional steps does CSR intend to take to ensure compliance with listing rule 3.19B?

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office.

Your response is required as soon as reasonably possible and, in any event, **by not later than 9.30am (AEST) on Wednesday, 13 June 2018.**

Under listing rule 18.7A, a copy of this letter and your response will be released to the market, so your response should be in a form suitable for release and must separately address each of the questions asked.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[Sent electronically without signature]

Clare Porta

Adviser, Listings Compliance (Sydney)