



THE NEW CSR

A CLEAR FOCUS ON SUSTAINABILITY

OUR COMMITMENT TO SUSTAINABLE PRACTICES THROUGHOUT OUR BUSINESS IS EMBEDDED INTO OUR CORPORATE VALUES.



CONTENTS

OUR APPROACH	3
– SUSTAINABILITY AT A GLANCE	3
– MESSAGE FROM THE CHAIRMAN OF SH&E COMMITTEE AND MANAGING DIRECTOR	4
– ABOUT CSR	6
– ABOUT THIS REPORT	7
– GOVERNANCE AND RISK MANAGEMENT	8
WORKPLACE SAFETY, HEALTH AND ENVIRONMENT	10
OUR PEOPLE	16
ENVIRONMENT	18
– ENERGY	18
– WATER	20
– WASTE	21
COMMUNITY	22
BUILDING SUSTAINABLE AND ENERGY EFFICIENT SOLUTIONS	24
GLOSSARY	26
LIMITED ASSURANCE REPORT	27
ENERGY EFFICIENCY OPPORTUNITIES	32
CONTACT US	41



SUSTAINABILITY AT A GLANCE

CSR continued to progress its sustainability agenda over the past year.

CSR'S LOST TIME INJURY RATE HAS IMPROVED
23% ↓

- CSR's safety record continued to improve on previous years – safety as measured by lost time injuries per million work hours improved by 23 per cent
- CSR's recordable injuries (lost time; restricted work and medical treatment injuries) per million work hours improved by 18 per cent

GREENHOUSE GAS EMISSIONS REDUCED
8% ↓

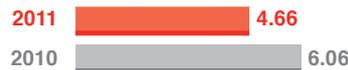
- CSR conducted 8,192 toolbox talks across its sites
- CSR's total greenhouse gas emissions were 686,724 tonnes of CO₂-e – a reduction of 8 per cent on the previous year

BUILDING PRODUCTS INCREASED WATER USAGE OF LESS THAN
1% ↑

- CSR consumed 1,017, 428 kilolitres of potable water – an increase of less than one per cent from the prior year
- CSR produced a total of 33,901 tonnes of solid waste in the year ended 30 June 2011 – an increase of 8 per cent on the prior year
- CSR reinforced its commitment to sustainable building with the construction of its own 8 star energy efficient house in Sydney

- Viridian launched SmartGlass™, a range of affordable energy efficient glass that can help homes achieve up to an extra star rating in energy efficiency when compared to ordinary glass
- Bradford is building on its long-held reputation in providing energy efficient solutions with the launch of Bradford Solar
- CSR launched the CSR Values Champions recognition scheme to recognise the outstanding performance of its people
- CSR and its employees donated \$151,000 to a range of charitable organisations through its community support program
- CSR partnered with Youth Off The Streets in assisting to build a new Centre for Youth at Macquarie Fields in western Sydney

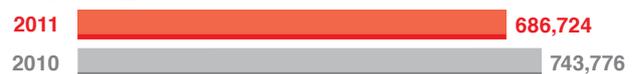
LOST TIME INJURY FREQUENCY RATE
AS AT 30 JUNE (PER MILLION WORK HOURS)



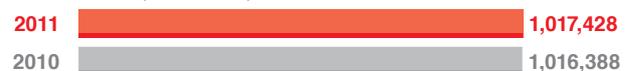
TOTAL RECORDABLE INJURY FREQUENCY RATE
AS AT 30 JUNE (PER MILLION WORK HOURS)



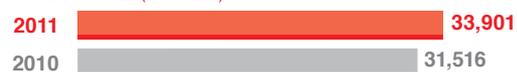
TONNES OF CO₂-e
AS AT 30 JUNE



TOTAL WATER CONSUMED[^]
AS AT 30 JUNE (KILOLITRES)



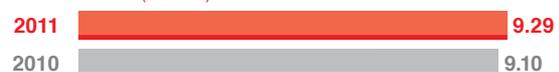
TOTAL SOLID WASTE PRODUCED[^]
AS AT 30 JUNE (TONNES)



NUMBER OF CSR EMPLOYEES
AS AT 30 JUNE



AVERAGE LENGTH OF EMPLOYEE SERVICE
AS AT 30 JUNE (YEARS)



[^] Only metered water data is included
Solid waste does not include waste taken off-site for recycling/re-use



MESSAGE FROM THE CHAIRMAN OF SH&E COMMITTEE AND MANAGING DIRECTOR

Welcome to CSR's sustainability report. We are pleased to continue to share our progress on working towards our sustainability agenda with our key stakeholders.

Since last year's report, CSR has completed the landmark sale of our Sugar business, Sucrogen and also the sale of our Asian Insulation business.

The major benefit of these transactions is that we are now a much more focused company on our core business – the manufacture of building products in Australia and New Zealand.

That focus extends to sustainability and the way we manage our business.

A sustainable business thinks beyond carbon emissions and environmental issues. At CSR that approach is embodied into our values which are at the very core of our operations. We seek to create value within our business, recognising our broader responsibilities to the communities in which we operate.

Our approach to sustainability is to operate our businesses safely and ethically, use resources such as energy and water more economically and generate less waste. But our approach is also focused on creating better environments by manufacturing products and systems which contribute to more energy efficient and sustainable buildings and by ensuring we continue to operate as a good corporate citizen by earning the respect of the communities in which we operate.

A primary focus of our sustainability agenda remains on safety. We recognise that a safe working environment is absolutely fundamental to operating as a sustainable business.

Therefore, we are pleased to report that we have made significant progress since last year with a reduction in our Lost Time Injury Frequency rate of 23 per cent.

We would like to acknowledge the significant effort from all our people in CSR for contributing to this improved result. However, we recognise we still have significant improvements to make to reach our goal of zero harm in our workplace.

The section on Workplace Health and Safety provides information on our continued progress towards that goal.

MESSAGE FROM THE CHAIRMAN OF SH&E COMMITTEE AND MANAGING DIRECTOR (CONTINUED)

Over the past year, we continued our focus on product innovation with the launch of new products and systems which target improved energy efficiency in the built environment.

In Viridian we have launched SmartGlass™ – an affordable range of energy efficient glass which provides up to 39 per cent better insulation than ordinary glass.

Meanwhile, Bradford launched its Bradford Solar range of photovoltaic panels.

We confirmed our commitment to sustainable building with the construction of our own 8 star energy efficient house in Sydney. This project aims to demonstrate how CSR's systems can be used to deliver a more energy efficient house at an accessible price point for residential builders.

We are using the findings of this project to work with a range of stakeholders, from our customers to Government departments and research institutions such as the CSIRO to further develop sustainable building practices.

This report also includes information on emissions, water use and waste production across our businesses.

As a more focused entity we have now set more specific targets for energy use and emissions in our businesses.

CSR is committed to reducing scope 1 and scope 2 greenhouse gas emissions through a reduction in carbon dioxide equivalent emitted per tonne of saleable product by 20 per cent by 2020 using 2009/10 as the base year.

We are also committed to reducing the amount of energy consumed per tonne of saleable product by 20 per cent by 2020 using 2009/10 as the base year.

Over the coming years we will continue to monitor our progress against these targets.

CSR has continued to make progress on sustainability during the past year and we would like to acknowledge and thank colleagues across CSR for their contribution.

We trust you find this report informative and encourage you to provide feedback to us on how we can improve our sustainability reporting.



RAY HORSBURGH AM
Chairman, SH&E Committee



ROB SINDEL
Managing Director



ABOUT CSR

CSR is a leading building products company across Australia and New Zealand with an investment in a globally cost competitive aluminium smelter.

We are focused on building shareholder value by investing in and growing our businesses while operating in a sustainable manner across the company.

CSR is the name behind some of the market's most trusted and recognised brand names in providing building products for residential and commercial construction.

Our businesses include some of the industry's most highly regarded brands such as Gyprock™ plasterboard, Cemintel™ fibre cement, Bradford™ Insulation, PGH™ bricks and pavers, Monier™ and Wunderlich™ rooftiles and Viridian™ glass.

We manufacture and supply a wide range of building products, with a particular focus on energy efficiency and sustainability in the built environment. This range includes energy efficient Viridian™ glass, Bradford™ insulation and lightweight Hebel® concrete to make Australian buildings more energy efficient.

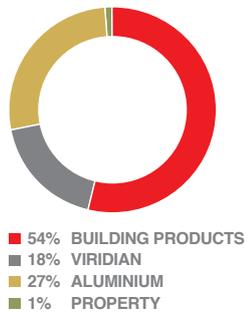
Through our innovation centre, we are also developing more innovative products and systems right across our portfolio targeting sustainable buildings of the future.

Through its 70 per cent shareholding in Gove Aluminium Finance Limited, CSR holds an effective 25.2 per cent interest in the Tomago aluminium smelter, located in NSW. Tomago is a globally cost competitive smelter which produces around 528,000 tonnes of aluminium annually, some 25 per cent of Australia's primary aluminium production.

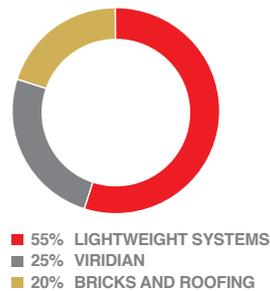
CSR also generates additional earnings from its Property division which focuses on maximising financial returns by developing surplus former manufacturing sites and industrial land for sale.

CSR employs nearly 4,000 people in Australia and New Zealand.

TOTAL REVENUE BY BUSINESS
AS AT 31 MARCH 2011



BUILDING PRODUCTS REVENUE BY DIVISION
AS AT 31 MARCH 2011



THE MARKET'S LEADING BUILDING PRODUCTS BRANDS





ABOUT THIS REPORT

This report provides information on CSR's sustainability record and also on the opportunities we are pursuing to make our business more sustainable both now and into the future.

SCOPE OF THIS REPORT

In previous sustainability reports, data for safety performance, waste production and water use referenced CSR's financial year to 31 March, while emissions and energy data were reported for each year ended 30 June.

To make data comparison easier and to make the report more relevant for users, CSR has now aligned all data for the year ending 30 June.

Therefore, this report covers CSR's activities (including safety performance, waste and water data) for the period 1 July 2010 to 30 June 2011.

Emissions and energy data covers the same period, 1 July 2010 to 30 June 2011 (consistent with the National Greenhouse and Energy Reporting – (NGER) – scheme).

On 22 December 2010, CSR completed the sale of its Sugar and Renewable Energy business, Sucrogen, to Wilmar International. CSR also completed the sale of its Asian Insulation business to Rockwool Group.

This report therefore does not include data relating to the Sucrogen business or the Asian Insulation business.

Data for 1 July 2009 – 30 June 2010 has been re-stated to exclude the Sucrogen and Asian Insulation businesses to allow for a more meaningful comparison.

Data for water usage and waste produced by CSR's businesses has been categorised into the three operating business units of the division:

- Lightweight Systems' major brands include Bradford™ insulation, Hebel® panels, Edmonds™ ventilation, Gyprock™ plasterboard Cemintel™ fibre cement and Fricker™ ceiling systems.
- Viridian™ includes the Viridian glass business.
- Bricks and Roofing's major brands include PGH™ bricks and pavers, Monier™ and Wunderlich™ rooftiles.

This report covers only activities in which CSR has a majority equity interest. For these activities CSR has reported 100 per cent of emissions.

This report does not include activities where CSR is not the majority shareholder. For example, the activities of Tomago Aluminium Company, in which CSR has an effective 25.2 per cent interest, through its 70 per cent shareholding in Gove Aluminium Finance Limited, are not included in this report. Data from these activities is reported directly by other entities.

All physical measurements in this report are in the metric system. All financial figures are in Australian dollars, unless stated otherwise.

In creating this report we continued to reference a wide range of material including:

- reviewing CSR's activities and operations across each businesses to collect data on energy use and emissions and prepared an inventory of greenhouse gas emissions.
- continuing to reference the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines, United Nations Global Compact and Federal Government policy towards sustainability reporting in Australia; and
- reviewing best practice sustainability reports both in Australia and globally. We monitored and reviewed feedback from CSR's previous sustainability reports and continued to gauge feedback from stakeholders including investors, corporate governance advisers, analysts, media and staff.



GOVERNANCE AND RISK MANAGEMENT

CSR recognises that good corporate governance is fundamental to being a sustainable business.

Our corporate governance is the system by which the company is directed and managed. It is the framework of rules, relationships, systems and processes which underpin CSR's long established values and behaviours and the way we do business. It is also the framework within which the CSR board of directors is accountable to shareholders for the operations, profit performance and growth of the company and how the risks of the business are identified and managed.

The directors of CSR are committed to ensuring that the company maintains an effective system of corporate governance and that good corporate governance is an integral part of the culture and business practices of the CSR group.

Code of business conduct and ethics

The CSR board has endorsed a Code of Business Conduct and Ethics that formalises the longstanding obligation of all CSR people, including directors, to behave ethically, act within the law, avoid conflicts of interest and act honestly in all business activities.

CSR's Code of Business Conduct and Ethics reinforces the company's commitment to giving proper regard to the interests of people and organisations dealing with the company. Each CSR person is required to respect and abide by the company's obligations to employees, shareholders, customers, suppliers and the communities in which we operate.

In addition, the board has adopted specific policies in key areas, including trade practices; safety, health and the environment; fairness, respect and diversity in employment; capital investment; dealing with price sensitive and other confidential information; trading in CSR shares; privacy; indemnification of employees; and requirements for authorising and entering into business transactions on behalf of CSR.

CSR employees are required to sign a certificate of compliance each year signifying that they have read and complied with the Code of Business Conduct and Ethics and are not aware of any breaches of that policy.

VALUES

CSR's values reflect the company's commitment to sustainability. They have been developed to ensure CSR acts as a responsible corporate citizen for the benefit of all of stakeholders.

CSR VALUES



Safety, Health & Environment (SHE)

We care for and protect each other, our business and our environment



Working Together

We respect one another and achieve more by working together across CSR



Customers

We listen to our customers to understand and meet their needs



Innovation

We strive to develop new ideas and continuously improve the way we do business



Results

Together we achieve positive and sustainable results for each other and our stakeholders

The CSR values are communicated across the company through a variety of formal and informal channels.

Over the past year, CSR introduced the CSR Values Champions recognition scheme to further embed our values across the organisation.

This scheme recognises and rewards CSR people who have truly demonstrated the CSR values in making outstanding contributions to the company. This year, 165 nominations were received and three awards were selected in each category defined by the CSR values.

GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT

CSR has a sound system of risk oversight and management and internal control.

There are many risks in the markets in which CSR operates. A range of factors, some of which are beyond CSR's control, can influence performance across CSR's businesses. In many of these businesses, CSR constantly and deliberately assumes certain levels of risk in a calculated and controlled manner. CSR has in place limits and a range of policies and procedures to monitor the risk in its activities and these are periodically reviewed by the board. CSR's Risk Management Policy, which sets out the framework for risk management, internal compliance and control systems.

There are several layers that assist the board in ensuring the appropriate focus is placed on the risk management framework.

The Risk & Audit Committee reviews and reports to the board in relation to the company's financial reporting, internal control structure, risk management systems and the internal and external audit functions. The Risk & Audit Committee recommends to the board the appointment or dismissal of the internal auditor, who is independent of the external auditor.

The Safety, Health & Environment Committee reviews and reports to the board on the management of the company's safety, health and environment liabilities and legal responsibilities; and the senior management team manages and reports to the board on business and financial risks and overall compliance.

Risk management is sponsored by the board, and is a top priority for senior managers, starting with the managing director.

It is the policy of the board that a majority of the members of each board committee be independent directors, that all Risk & Audit Committee members be independent directors and that the Remuneration & Human Resources Committee and the Safety, Health & Environment Committee be chaired by independent directors.



WORKPLACE SAFETY, HEALTH AND ENVIRONMENT

CSR places the same emphasis and importance on managing SH&E as any other business imperative. It is part of our Safety, Health and Environment value – we care for and protect each other, our business and our environment.

WORKPLACE HEALTH AND SAFETY

HIGHLIGHTS

CSR LOST TIME INJURY RATE HAS IMPROVED

23% ↓

- CSR's safety record continued to improve on previous years – safety as measured by lost time injuries per million work hours improved by 23 per cent, with the reduction in the total number of lost time injuries being 25 per cent. This was driven by significant improvement in Insulation (46%) and Lightweight Systems (18%)

CSR RECORDABLE INJURY RATE HAS IMPROVED

18% ↓

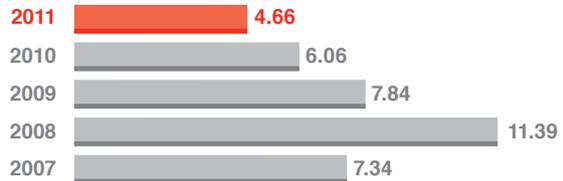
- The number of recordable injuries (lost time; restricted work and medical treatment injuries) per million work hours reduced by 18 per cent, with the reduction in the total number of recordable injuries being 20 per cent. This was driven by significant improvement in Viridian Glass Processing & Services (14%); Lightweight Systems (14%); Bricks and Roofing (13%); Insulation (10%)

CSR LOST TIME INJURY SEVERITY RATE HAS IMPROVED

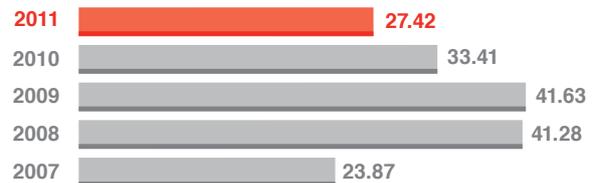
35% ↓

- The lost time injury severity rate (shifts lost per million work hours) has improved by 35 per cent
- There were no fatalities at CSR during the year – the last fatality at CSR was in 2002

LOST TIME INJURY FREQUENCY RATE AS AT 30 JUNE (PER MILLION WORK HOURS)



TOTAL RECORDABLE INJURY FREQUENCY RATE AS AT 30 JUNE (PER MILLION WORK HOURS)



WORKPLACE SAFETY, HEALTH AND ENVIRONMENT (CONTINUED)

MANAGING SAFETY – WORKPLACE HEALTH & SAFETY AND ENVIRONMENT (WHSE)

While CSR’s safety record continues to improve year on year, there is considerable work still required to achieve our ambition of zero harm across all our operations. CSR management is held accountable for safety performance and all employees are expected to take personal responsibility and be involved in setting and complying with our standards and instigating improvement initiatives.

CSR will continue the drive to achieve zero harm across all of our operating sites and work locations by:

- complying with the laws, regulations and CSR operational policies and standards;
- establishing measurable WHSE objectives and targets, recognise and celebrate their achievement;
- identifying, assessing and controlling hazards and impacts, and eliminate or reduce the risk to an acceptable level;
- informing employees, contractors, visitors and the public of these hazards and impacts that may cause potential harm to them; our business and/or our environment;
- identifying, implementing, monitoring and reinforcing the safe behaviours we expect in our business to eliminate unsafe acts and practices;
- providing appropriate workplace health, safety and environmental training to employees and contractors;
- investigating incidents and sharing the learnings with applicable stakeholders to prevent re-occurrences; and
- consulting and communicating with employees and contractors to continually improve the workplace health, safety and environmental performance in our workplaces.

The CSR WHSE System provides the framework for management of workplace health and safety and environment at CSR, by clearly setting out the standards we require our people to meet. Managers and supervisors are required to provide leadership in relation to WHS by:

- effectively implementing the requirements of the standards;
- developing and sustaining a strong culture of working safely and continuous improvement;
- setting stretch improvement goals; and
- allocating sufficient resources to achieve the goals.

There are three primary drivers behind CSR’s WHS Management System:

1. protect the health and safety of people by providing a safe place of work and safe systems of work;
2. operate within the law; and
3. ensure people know their WHS responsibilities and how they are to be met.

A suite of leading indicators are tracked on a monthly basis at all levels of the business to continually review and focus on this implementation. These include:

- number of monthly meetings conducted (actual v planned) – communication/consultation;
- number of toolbox sessions undertaken (actual v planned);
- safety walks conducted in the workplace (actual v planned);
- task observations (review of tasks in line with work instructions);
- workplace inspections (actual v planned);
- tracking of hazards reported and closed out; and
- tracking of corrective actions from incidents.

Safety performance is one of the key criteria in determining short term incentives of management across business units. Managers are responsible for leading safety in the workplace and actively demonstrating commitment as safety role models, by undertaking a series of activities on a regular basis.

FOR THE YEAR ENDING 30 JUNE 2011, CSR CONDUCTED THE FOLLOWING:



WORKPLACE SAFETY, HEALTH AND ENVIRONMENT (CONTINUED)

THE FIVE SECTIONS OF THE CSR WHSE MANAGEMENT SYSTEM

1. COMMITMENT AND POLICY

Our WHSE Policy Commitments demonstrate our commitment to improving the workplace, health, safety and environmental performance at CSR.

2. PLANNING

To ensure that it is effective, the planning process at each level of the business takes into consideration:

- identification, access and communication of legal and company requirements; and
- setting challenging improvement targets and objectives, developing and maintaining WHSE improvement plans with clearly defined actions, allocation of responsibilities and completion dates.

Plans are developed annually in line with the five year strategy of the business, including agreed objectives and targets. These objectives and targets are reviewed quarterly and tracked in monthly reports.

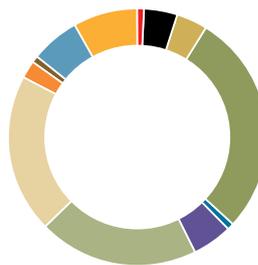
3. IMPLEMENTATION

Effective implementation will ensure that health, safety, and environment focus is maintained on critical activities ensuring:

- responsibilities and accountabilities are in place and understood at each level of the business, in line with our WHSE Policy commitments;
- our people are training to complete the tasks associated with their jobs competently;
- effective communication and consultation mechanisms are in place;
- reporting of business activities is in place, including the tracking of key indicators and initiatives;
- effective identification, assessment and control of workplace health, safety and environmental hazards and their associated risk;
- control of documentation to maintain its relevance and regular review; and
- emergency situations are identified and controlled appropriately.

MECHANISM OF INJURY

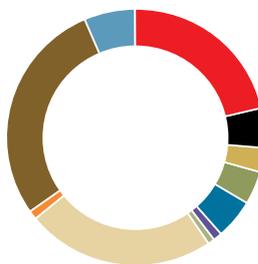
AS AT 30 JUNE 2011



- 1% ERGONOMICS
- 4% EXPOSURE TO RADIATION/SUBSTANCE
- 4% FALL
- 28% MANUAL HANDLING
- 1% REPETITIVE MOVEMENT
- 5% SLIP
- 20% STRUCK AGAINST
- 20% STRUCK BY
- 2% TRIP
- 1% VEHICLE
- 6% WORK ENVIRONMENT
- 8% UNKNOWN

NATURE OF INJURY

AS AT 30 JUNE 2011



- 21% ABRASIONS
- 5% BRUISES
- 3% BURNS
- 4% CRUSH
- 5% FOREIGN BODY
- 1% FRACTURE
- 1% HERNIA
- 23% LACERATION
- 1% SKIN RASH
- 28% SPRAIN/STRAIN
- 8% NOT SPECIFIED

WORKPLACE SAFETY, HEALTH AND ENVIRONMENT (CONTINUED)

4. MONITOR AND MEASURE

By measuring, monitoring and evaluating WHSE performance, business units are able to take preventative or corrective action to improve performance, including:

- health assessment and management of appropriate records. CSR is increasingly focusing on the fitness and wellbeing of its workforce. As part of this commitment, CSR provided financial incentives for its people to participate in the Global Corporate Challenge – the world’s largest corporate health and wellbeing initiative that combines exercise, fun and virtual interactive experiences. In 2011, CSR entered 100 teams in the challenge representing 714 employees across the company for the second consecutive year. CSR employees completed a distance of 621,000 kms – an increase of 20 per cent on the prior year.
- auditing of our systems and tracking of actions to address non compliances identified. External auditors inspect CSR operations on a cyclical basis to ensure compliance with the WHSE Standards, to identify any systemic deficiencies and compliance issues, with 41 site based audits conducted in the year to 30 June 2011. Recommendations from these audits are reviewed, actions developed, assigned to applicable personnel; time framed and monitored to completion.
- injury/incident reporting, recording , investigation and corrective actions – to find out what caused the incident and provide an insight to what trends are commonly occurring and need to be addressed.

By collecting and reviewing this data our safety teams are concentrating on developing initiatives to eliminate these and other causes.

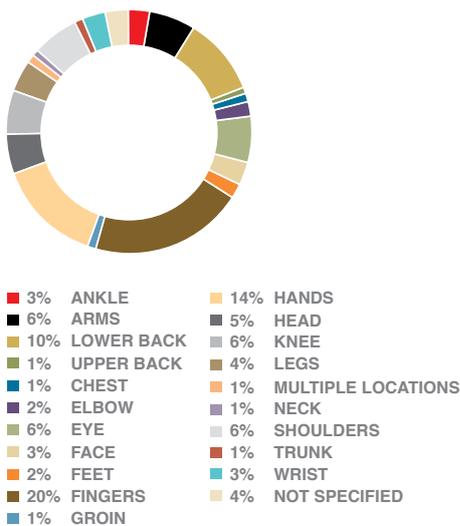
5. MANAGEMENT REVIEW

All parts of CSR are required to undertake regular reviews of performance to improve the WHSE management system as part of continuously improving WHSE performance.

CSR constantly reviews its health and safety performance to ensure it continues to improve across the business, including performance against leading and lagging indicators., Additional reviews of Management System audit outcomes to ensure compliance standards are maintained.

CSR’s safety performance is afforded the highest priority through formal reporting to the board Safety, Health & Environment Committee.

BODY LOCATION
AS AT 30 JUNE 2011



It is the policy of the board that a majority of the members of this Committee be independent directors, and that the Committee be chaired by an independent director. The Committee receives regular reports from management and regularly visits and inspects sites.

The Committee reviews the adequacy of management systems and performance, ensures that appropriate improvement targets and benchmarks are in operation and monitors potential liabilities, changes in legislation, community expectations, research findings and technological changes. Performance is measured in line with both lead and lag indicators and monthly data is then consolidated quarterly to form the basis of reporting to the board SH&E Committee. Remedial actions are instigated to ensure targets are kept on track if performance to target falls below the expected requirement. This ensures we continually improve our processes and systems.

Monthly reviews of business performance are conducted, with actual performance measured against the agreed annual targets. Reports are reviewed monthly by the senior leadership team of the business, as well as by the divisional, business unit and site leadership teams.



WORKPLACE SAFETY, HEALTH AND ENVIRONMENT

At CSR, our policy is to act responsibly, ensuring that our people follow appropriate procedures to minimise the company's impact on the environment, and where possible contribute to its improvement.

ENVIRONMENT

We are continuing to make investments to ensure our businesses remain compliant with their operating licences and reduce their impact on neighbouring communities.

CSR has an active program to reduce its impact on the environment which is overseen by the board and the Safety, Health & Environment Committee. Each business in CSR is committed to a plan which commits site management to:

- Comply with government environmental regulations;
- Identify and address key environmental risks;
- Improve environmental awareness of employees and contractors; and
- Reduce greenhouse gas emissions and use of resources.

To reduce our environmental footprint, CSR has established 2020 targets to help drive energy efficiency improvements and a reduction in greenhouse gases, namely:

1. To reduce the amount of energy consumed per tonne of saleable product by 20% by 2020; and
2. To reduce our Scope 1 and Scope 2 greenhouse gas emissions in carbon dioxide equivalent (CO₂-e) emitted per tonne of saleable product by 20% by 2020.

In addition, CSR measures key performance indicators for:

- Energy consumption;
- Greenhouse gas (CO₂-e) emissions;
- Waste generation; and
- Water generation.

Each CSR business sets goals to reduce their indicators over time and these are regularly reviewed by senior management and the Safety, Health & Environment board Committee.

We continue to comply with the requirements of the various regulatory programs and jurisdictions where we operate. We remain committed to providing transparent and accurate reporting on how our operating activities impact the environment.

We provide information through a number of channels:

- Annual reporting as part of site licensing activities;
- Emissions data to the National Pollutant Inventory;
- Reports to various state Government departments' programs on energy and water savings; and
- Continuing our voluntary participation in the Carbon Disclosure Project.

CSR also continues its involvement with the Federal Government's National Greenhouse and Energy Reporting scheme and the Energy Efficiency Opportunities program.

WORKPLACE SAFETY, HEALTH AND ENVIRONMENT (CONTINUED)

ENVIRONMENTAL INCIDENTS

CSR's goal remains zero environmental incidents.

We report environmental incidents based on five levels of breaches of compliance with regulatory and CSR requirements.

Level 1 – Minor

Level 2 – Significant

Level 3 – Serious

Level 4 – Severe

Level 5 – Extreme/catastrophic.

For the year ending 30 June 2011, CSR incurred 71 environmental incidents (compared to 67 incidents in the previous year). They were categorised as follows:

Level 1 – 62

Level 2 – 9

There were no level 3, 4 or 5 incidents.

During the year, CSR updated its Environmental Management System which forms the basis for management processes and their implementation throughout the CSR business.

They reflect the structure adopted by Australian/New Zealand and international standards for environmental management and incorporate the continuous improvement cycle advocated by these standards.

There are three primary drivers behind the establishment and implementation of CSR's Environmental Management System;

1. Protect the environment.

(a) environmental impacts are avoided or minimised; and

(b) a structured approach is provided to manage environmental issues, ensuring they are well understood and mitigated effectively

2. Operate within the law and meet corporate objectives.

To be clear about the legislative requirements in the jurisdictions in which it operates, CSR has arranged for all Acts, Regulations, Codes of practice, Standards and Guidance notes and publications to be reviewed and the requirements imposed by Governments and regulators to be drawn together and summarised in over 140 issue based guides. CSR corporate objectives provide direction and intent of the Company. If corporate objectives are set, they must be met by all sites.

3. Ensure CSR people know their responsibilities and how they are to be met.

To establish confidence that CSR people have implemented and/or are working to specified requirements, CSR conducts internal and external audits of CSR operations/sites. External audits are independent and undertaken on a rolling three year cycle. Internal audits are undertaken by CSR staff (in general) and specifically to examine compliance with legal responsibilities.



OUR PEOPLE

CSR recognises that a sustainable workplace is one that is both safe and rewarding for our employees. The efforts and dedication of our people are key to CSR’s success and we continue to strive towards creating a working environment which is consistent with our core values in helping our employees achieve their goals.

As at 30 June 2011, CSR had 3,737 full time equivalent (FTE) employees across its operations in Australia and New Zealand and a small facility in Malaysia. This total (excluding the Asian Insulation business which was sold in December 2010) has reduced by 3 per cent from the previous year, in line with the deterioration in construction markets which has resulted in less demand for building products.

The average length of service for CSR employees is 9.3 years, slightly higher than the prior year. Employee turnover was 13 per cent – compared to 11 per cent the previous year.

PERFORMANCE DRIVEN REMUNERATION ALIGNED WITH SHAREHOLDER INTERESTS

CSR’s remuneration framework is based on the following principles:

Performance driven	<p>Remuneration should reward executives based on annual performance against business plans and longer term shareholder returns.</p> <p>A significant proportion of executive remuneration should be ‘at risk’ and performance dependent.</p> <p>Performance measurement is mainly focused at the organisational level which best reflects the role’s influence.</p>
Alignment with shareholder interests	<p>Incentive plans and performance measures are aligned with CSR’s short and long term success.</p> <p>Ownership of CSR shares is encouraged through the use of equity as the vehicle for the Long Term Incentive (LTI) plan and the ability to forgo part of fixed remuneration to acquire shares.</p>
Market competitive remuneration	<p>Remuneration, including those elements which can be earned subject to performance, is set at competitive levels that will attract, motivate and retain high quality executives.</p>

We encourage our people to own a stake in CSR to align their interest with those of our shareholders. The Employee Share Acquisition Plan (ESAP) allows employees to forgo up to \$5,000 of their cash remuneration to acquire shares in the company.

Under the Universal Share Ownership Plan (USOP), eligible staff can buy shares which are then matched one-for-one by the company at no additional cost up to a maximum value of \$1000. In total, 53 per cent of employees own shares in CSR.

CSR launched an annual CSR Values Champions recognition scheme where employees can be nominated for a CSR award and attend a celebration for outstanding performance in each of the five CSR Values. In addition, the CSR Recognition Awards provide local celebration of achievements made by our people.

OUR PEOPLE (CONTINUED)

DIVERSITY

CSR aims to attract a diverse workforce which reflects the communities in which we operate.

We remain committed to respecting the various differences which exist among our people, while also recognising the benefits which come from a diverse workforce.

CSR's policy on Fairness, Respect and Diversity of Employment guides our people on the importance of maintaining a work environment that is inclusive and offers opportunities to all people based on merit.

In light of the amendments to the ASX CGC's Corporate Governance Principles and Recommendations, the board is currently considering suitable diversity targets to work towards achieving greater diversity at CSR at all levels of the workforce and the board. The objectives will be adopted by the board and will then be assessed by the board on an annual basis.

During the year CSR's female participation rate was 14 per cent. We recognise that while this is a low proportion, it is consistent with the industry sectors in which CSR operates.

ENGAGEMENT, LEADERSHIP AND DEVELOPMENT

At CSR we maintain a commitment to our employees to ensure a safe and rewarding workplace and one which also encourages their personal development.

This commitment has been reinforced with Project Blueprint, our improvement process to drive our culture for our people and their customers.

Our leaders are given feedback on their leadership impact and how the culture is improving. This is an important aspect in how we develop our leadership and has been built into other staff development initiatives.

In the past year, our development activities increasingly focused on leadership development in the business. Project CLIMB (Coaching and Leadership in My Business) was launched across CSR to engage leaders at all levels in Foundations of Leadership modules. In total, seven modules and approximately 350 employees are engaged in this program across Australia and New Zealand.

We continue to run two day workshop around the Lifestyles Inventory (LSI) tool aimed at strengthening leadership capability. A further 250 managers attended this workshop and have worked with or are working with a leadership coach.

CSR has also partnered with Melbourne Business School – Mt Eliza to develop the CSR Leaders and Emerging Leaders program which provides an intensive leadership and development program to high potential employees within CSR.



ENVIRONMENT – ENERGY

CSR seeks to minimise the impact of greenhouse gas emissions by improving energy efficiency across its network of manufacturing facilities in Australia and New Zealand.

ENERGY

GREENHOUSE GAS EMISSIONS REDUCED

8%



For the period 1 July 2010 to 30 June 2011, total greenhouse gas emissions from CSR's majority owned businesses were 686,724 tonnes of CO₂-e – a reduction of 8 per cent on the previous year.

The reduction reflected deteriorating market conditions in construction markets and CSR's

associated reduced levels of production to align production with demand.

However, the reduction also reflects CSR's continued focus on introducing initiatives to reduce energy consumption and GHG emissions across its various manufacturing facilities.

Scope 1 (direct) tonnes of CO₂-e in Australia for the period were 382,248 tonnes, a reduction of 12 per cent on the prior year. For the same period, the Scope 1 (direct) greenhouse gas emissions of CSR's majority-owned businesses operating outside Australia were 12,150 – up from 8,896 tonnes last year.

Direct or Scope 1 emissions are emitted from sources within the plant or factory boundary.

Scope 2 (indirect) tonnes of CO₂-e emitted in Australia were 288,239 tonnes – a reduction of 2 per cent.

For the same period, the Scope 2 (indirect) greenhouse gas emissions of CSR's majority-owned businesses operating outside Australia was 4,087 tonnes compared to 4,069 tonnes in the prior year.

Indirect or Scope 2 emissions are associated with the consumption of imported electricity, heat or steam.

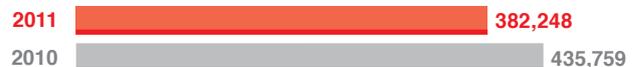
CSR engaged Ernst & Young to provide limited assurance over CSR Building Product's total gross Scope 1 and 2 greenhouse gas emissions reported above.

Ernst & Young have concluded in their report that nothing came to their attention that would cause Ernst & Young to believe that the reported emissions, energy production and energy consumption are not prepared in accordance with section 19 of the National Greenhouse and Energy Reporting (NGER) Act in material respects. A copy of the assurance statement is available to download in the Limited Assurance Report.

CSR also discloses its greenhouse gas emissions to the Carbon Disclosure Project, which also requires CSR to report on the management of risks and opportunities of climate change impact our businesses.

SCOPE 1 DIRECT EMISSIONS[^] AS AT 30 JUNE (TONNES OF CO₂-e)

Australia

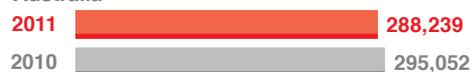


Outside Australia



SCOPE 2 INDIRECT EMISSIONS[^] AS AT 30 JUNE (TONNES OF CO₂-e)

Australia



Outside Australia



[^] Data excludes contractor emissions

ENVIRONMENT – ENERGY (CONTINUED)

ENERGY EFFICIENCY OPPORTUNITIES

CSR continues to be a participant in the Federal Government's Energy Efficiency Opportunities Program and is required to report on assessments undertaken under the program. In CSR's case, one assessment was undertaken within the 2010-2011 reporting period. CSR's Energy Efficient Opportunities public report template can be found at the back of this document.

CSR continues to identify further abatement opportunities focused primarily on energy efficiency opportunities.



OXLEY BRICK PLANT FOCUSES ON ENERGY REDUCING SOLUTIONS

At CSR's Oxley Brick plant, a new project was implemented to increase the core size of bricks manufactured at the facility by around 7 per cent. By increasing the core size, less clay is used and corresponding less energy is consumed. The bricks are also lighter to use and to transport as a result.

The Oxley facility has achieved considerable energy savings as a result of the project with other CSR brick facilities now adopting a similar approach to production.

VIRIDIAN REDUCES ENERGY USE

Viridian's glass facility at Ingleburn in NSW implemented a project to reduce the volume of atmosphere (hydrogen and nitrogen) used in the bath operation in the manufacture of glass. Viridian was able to reduce atmosphere consumption by 24 per cent by improved sealing techniques.

Viridian has implemented a project to optimise energy consumption of the furnace at the Ingleburn factory without compromising the quality of the glass produced at the facility. By improving furnace sealing to reduce the amount of cold air ingress and by optimising combustion conditions, Viridian has achieved a reduction in thermal efficiency of around 5 per cent over a one year period.



ENVIRONMENT – WATER

CSR recognises the requirement to use water efficiently. Our storm water and groundwater management, together with the treatment and disposal of water used at our manufacturing facilities are central to our on-site environmental plans.

WATER

CSR WATER CONSUMPTION INCREASED BY LESS THAN

1%

CSR consumed 1,017,428 kilolitres of potable water during the year ended 30 June 2011 – an increase of less than one per cent from the prior year.

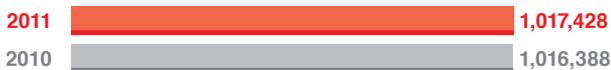
The bulk of water consumption continues to be in the Lightweight Systems division which comprised 69 per cent of the total.

Bricks and Roofing accounted for 10 per cent and Viridian comprised 21 per cent.

The increase in water consumption in the Lightweight Systems division in Australia is in part explained by the expanded plasterboard facility at Yarraville which was commissioned during the period. Production capacity has increased at this facility with an associated increase in water consumption. This increase was offset by a decrease in water consumption by Lightweight System’s activities outside Australia.

CSR businesses have continued to implement water saving measures across manufacturing sites to reduce consumption.

TOTAL WATER CONSUMED[^] AS AT 30 JUNE (KILOLITRES)



[^] Only metered water data is included

WATER CONSUMED BY BUSINESS

LIGHTWEIGHT SYSTEMS AS AT 30 JUNE (KILOLITRES)



VIRIDIAN AS AT 30 JUNE (KILOLITRES)



BRICKS AND ROOFING AS AT 30 JUNE (KILOLITRES)



DARRA ROOFTILE SITE SAVES WATER



The concrete roof tile site at Darra, in Queensland, continued to benefit from the recently installed process water control system and site water catchment system.

The moisture measurement system allows correct metering of water into the concrete mix. This electronic process control of water addition not only improves quality of the tile but ensures excess water is not added to the process.

Excess water was consumed in the previous manual system – this waste has now been eliminated.

The stormwater retention system not only traps sediment on site, but allows the factory to draw on the vast stormwater supply now captured in tanks under the tile storage yard.

These improvements, in addition to the recycling of washdown water introduced in the recently commissioned water based coating project, makes the Darra site significantly more economical on water usage.



ENVIRONMENT – WASTE

Our key priorities continue to be protecting the environment and mitigating the impacts of our operations on the environments where we operate.

WASTE

CSR TOTAL SOLID WASTE INCREASED

8% ↑

CSR produced a total of 33,901 tonnes of solid waste in the year ended 30 June 2011 – an increase of 8 per cent on the prior year.

The majority of waste is produced from Lightweight Systems, 61 per cent; 12 per cent by Bricks and Roofing and 26 per cent by Viridian.

The increase in waste in Bricks and Roofing was due mostly to a programme to rationalise inventory at the New Lynn site in Auckland which resulted in a material increase in waste being sent to landfill.

The increase in Lightweight Systems was due in part by the production of higher density autoclaved aerated concrete blocks at the Malaysia facility which resulted in higher waste production.

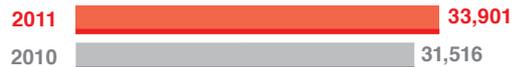
BRADFORD REDUCES WASTE



In 2006 the rockwool site at Clayton, Victoria, commissioned a briquetting plant which converts line scrap into briquettes which are subsequently reintroduced into the process and converted into saleable product. In late 2010, spinner shot waste was also collected and converted into briquettes. More recently, a culletting system was commissioned that collects diversion loss from the furnace

and allows for its use in the conversion to briquettes. The three major waste streams in the rockwool process are now collected and recycled back into the process, significantly reducing the volume of material sent offsite to landfill. This process has diverted over 1,100 tonnes each year from land fill.

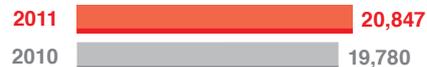
TOTAL SOLID WASTE PRODUCED* AS AT 30 JUNE (TONNES)



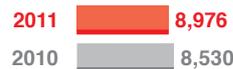
^ Solid waste does not include waste taken off-site for recycling/re-use

WATER CONSUMED BY BUSINESS

LIGHTWEIGHT SYSTEMS AS AT 30 JUNE (TONNES)



VIRIDIAN AS AT 30 JUNE (TONNES)



BRICKS AND ROOFING AS AT 30 JUNE (TONNES)





COMMUNITY

CSR is committed to respecting the rights of the communities where we conduct our operations, while managing our business to take account of the environmental and social impacts our operations may have in these areas.

OUR COMMITMENT

OVER EIGHT YEARS, CSR AND EMPLOYEES HAVE DONATED

\$2.3m

We continue to partner with a number of organisations in line with our commitment to operate in a sustainable manner to gain the confidence of the communities in which we operate.

A core component of our community involvement is the CSR Community Support program, under which CSR matches employee contributions dollar for dollar to a range of charitable organisations.

CSR launched the Community Support Program eight years ago and during that time CSR and its employees have donated \$2.3 million to charity.

In the year to 30 June 2011, CSR and its employees donated \$151,000 to a range of charitable organisations.

This year in line with our more focused structure following the sale of the Sucrogen business, CSR streamlined the program to enhance its effectiveness.

The following three charities are now members of CSR's Community Support Program.

The Salvation Army is a national charity, offering caring support for every problem "from the cradle to the grave." Their services are as wide-ranging and diverse as the areas of need in the community. They offer services to aged care, crisis accommodation, suicide prevention, youth and families at risk, telephone counselling to name just a few.

Youth Off The Streets is a youth-specific charity, assisting young people dealing with issues of substance and other abuse, alienation from family and community and homelessness. Youth Off The Streets offers a continuum of care from assistance on the streets; crisis and short term accommodation to long term residential care, treatment and secondary schooling.

Assistance Dogs Australia is a national charity which trains Labradors and Golden Retrievers to help people with physical disabilities. They currently have over 90 dogs around Australia, with over 50 dogs currently in training. The charity requires significant funding to achieve its goal of placing at least 30 dogs per year with recipients.

CSR continues to address housing affordability, recognising that the lack of affordable housing is a major issue in Australia and New Zealand. As a result, CSR also supports two charities outside of the above program; Habitat for Humanity and Compass Housing Services, by offering building products to create more affordable housing.

WORKING IN THE COMMUNITY

CSR works with a range of organisations to support local communities. We encourage and facilitate opportunities for our employees to become involved in assisting these organisations.

As part of these initiatives, **Gyprock** provided plasterboard to enable community based welfare organisation, Fusion Western Sydney, to build new facilities.

Bradford has successfully partnered with Macarthur Disability Services (MDS) and has employed two MDS transition to work clients at its facility at Ingleburn in south west Sydney.

As part of the partnership, Bradford also contracted MDS's Combined Property Services arm to maintain its grounds.

CSR works with the Australian Business Community Network (ABCN), a partnership of highly committed national business leaders and companies working on mentoring and coaching programs in schools in high needs areas.

With the assistance of CSR mentors, reading programs were launched at a number of schools close to CSR's operating manufacturing facilities in Victoria and Queensland. CSR volunteers partner with the school students weekly for one or two terms to offer one on one reading and support at school.

In NSW, CSR is hosting site visits and career choice days for school students from a range of high schools.

Within its **Property** division, CSR has made a commitment to ensuring that the best standards of animal welfare and ecological protection were applied in the development of its Brendale and Narangba development sites.

COMMUNITY (CONTINUED)

As part of its Ecological Offset Contribution, CSR directed funds towards koala disease research projects being conducted by research groups at the University of Queensland and Queensland University of Technology.

CSR supports the Asbestos Diseases Research Institute's tissue biobank study. The building of a comprehensive nationwide tissue biobank of considerable size incorporating serum, plasma, DNA, RNA and tumour tissue will permit the construction of a comprehensive catalogue of genomic abnormalities associated with mesothelioma in both tumour and control tissue, which will help researchers better understand the biology of the disease in an effort to try and achieve better clinical outcomes. Information on the tissue bank (which will be very high quality and quite rare) will be made available to the international research community.

The resources needed to establish the tissue bank are considerable and include the initial equipment, as well as access to trained nursing staff on site around the country to be ready to collect samples from mesothelioma sufferers.

RESPONDING TO QLD AND CHRISTCHURCH NATURAL DISASTERS

Given the catastrophic destruction of the Queensland floods and earthquake in Christchurch in early 2011, CSR moved immediately to help these local communities where possible.

We initiated our employee matching donation program where nearly \$100,000 was donated to victims of these natural disasters.

Additionally in Queensland, where CSR has a greater number of manufacturing facilities, we have worked with the Rotary Club in supplying materials at discounted rates to help the Rotary Club provide over 200 homes with plasterboard for those without insurance or Government support.

Gyprock also established a special rate for bona-fide residents affected by the floods so they could purchase discounted product directly.

CSR PARTNERS WITH YOUTH OFF THE STREETS



CSR was a principal partner with Youth Off The Streets in assisting to build a new Centre for Youth at Macquarie Fields in western Sydney.

CSR provided a significant amount of technical building expertise and building products such as Gyprock plasterboard, Bradford insulation, Cemintel fibre cement, Viridian glass, Fricker ceiling tiles, Alutri panels, Edmonds ventilation and Rondo stud and

track to help realise Fr Chris Riley's ambition of building a centre for disadvantaged youth.

The \$7.2 million Centre for Youth will be home to a fully registered and accredited independent high school providing state of the art classrooms and learning areas for EDEN College. The centre will provide the community with recreation areas, multipurpose indoor and outdoor courts, a community garden and nursery and a recording studio with rehearsal room. It will be a base for the organisation's Aboriginal and Community Engagement services for South Western Sydney, and also provide a range of volunteering opportunities and access to a Service Learning program.

Founder and CEO of Youth Off The Streets, Father Chris Riley, believes that the Centre and the activities it provides will set an Australian benchmark for excellence in the provision of youth and community services.

"I believe that in time, the strength of community spirit and support for young people here in Macquarie Fields will set an example for communities Australia-wide, and we feel privileged to have received so much support from the community for this new development," he said.



BUILDING SUSTAINABLE AND ENERGY EFFICIENT SOLUTIONS

CSR is at the forefront of developing cost effective solutions for energy efficient building in residential and commercial construction.

OPPORTUNITIES

HIGHLIGHTS

Over the past year, CSR has reinvested in its innovation centre to target sustainable and lightweight building solutions for the future.

One of the outcomes of this investment is the construction of the CSR house in western Sydney.

CSR HOUSE SPECIFICATION

8 STAR RATING

The house has been built to an 8 star energy efficient rating to provide a tangible experience for a range of stakeholders of how CSR products and systems can be used to provide greater energy efficiency in building.

The house itself represents an average sized Australian new home of around 250 square metres, including three to four bedrooms, three bathrooms, a double garage and open plan living & study area.

Houses with an 8 star rating typically require around 75% less heating and cooling energy than the average Australian home.*

* NatHERS Starbands climate zone 2B. Average Australian home based on CSR research.

Throughout the project, CSR has identified opportunities in the construction process such as inefficiencies in the design and specification process and how products and systems can come together more innovatively and efficiently.

The project also includes conducting energy ratings on the house design and specification across 23 different locations in Australia, which would account for around 80 per cent of all newly constructed houses. This will enable CSR to define regional specification options for 6, 7 and 8 star performance to ensure national relevance.

Our objective is to use this knowledge to work with our customers to ensure houses of the future are more innovative and more energy efficient to build and also to run.

For further detail on the construction of the CSR house visit <http://www.youtube.com/user/csrhouseproject>

VIRIDIAN LAUNCHES SMARTGLASS™



During the past year, Viridian launched SmartGlass™.

SmartGlass™ is a range of affordable energy efficient glass that reflects heat to actively insulate houses. It can help homes achieve up to an extra star rating in energy efficiency when compared to ordinary glass.† It can also provide up to 39 per cent better insulation than ordinary glass. ^

SmartGlass™ includes a range of single glazed, toughenable Low Emissivity products offering insulation, a choice of solar control with low reflectivity. A low emissivity coating reduces the amount of infrared energy (heat) that passes through the window.

The hard coat low emissivity that is used in SmartGlass™ is applied to the glass while it is still semi-molten as it comes out of the furnace. It is a metallic coating that fuses to the glass permanently.

SmartGlass™ has been selected for Australian climate conditions to assist in achieving lifting energy star ratings for home designs, whilst still capturing natural light and views.

Viridian SmartGlass™ was the product winner at the HIA GreenSmart awards in 2011.

Further details of SmartGlass™ are available at <http://www.smartglass.com.au/>

† Based on AccuRate v1.4.1 modelling in Brisbane climate zone replacing 4mm clear float glass with 6mm SmartGlass.

Results will vary by location, orientation, materials and home design.

^ Based on U-value comparison of 4mm clear float glass to 6mm SmartGlass.

BUILDING SUSTAINABLE AND ENERGY EFFICIENT SOLUTIONS (CONTINUED)



BRADFORD'S ENERGY EFFICIENT SOLUTIONS



Bradford is building on its long-held reputation in providing energy efficient solutions with the launch of Bradford Solar.

Bradford Solar provides a range of photovoltaic solar panels for residential applications.

Further information about Bradford Solar can be found at <http://www.bradfordsolar.com.au>

CSR'S PORTFOLIO TARGETS SUSTAINABLE BUILDING

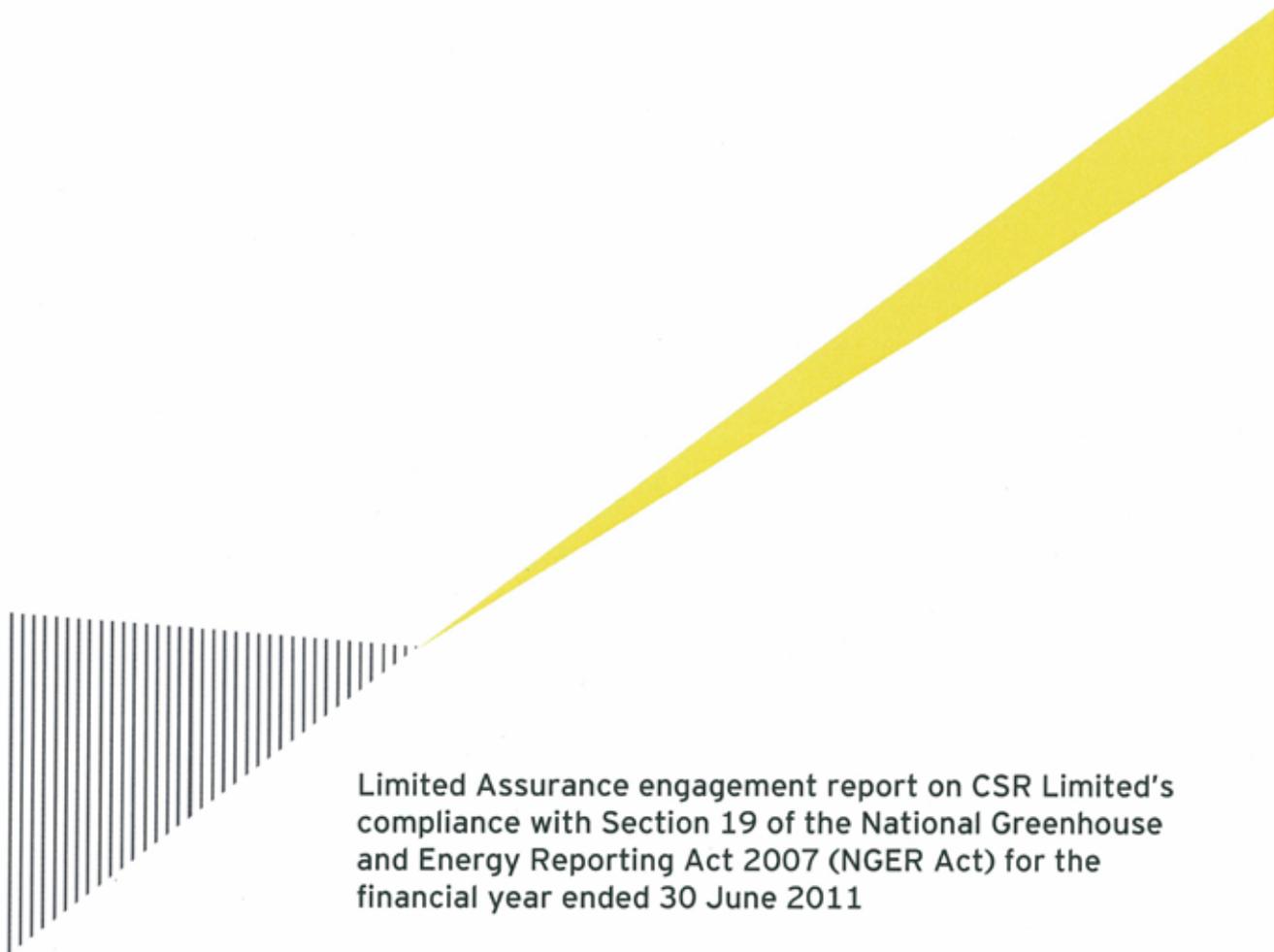
CSR's portfolio of building products targets sustainable and energy efficient solutions in residential and commercial construction. To find out more about how our individual businesses manage sustainability and develop energy efficient solutions, please visit each business online below for more information.





GLOSSARY

AccuRate	Residential energy rating software
ASX	Australian Securities Exchange
CGC	Corporate Governance Council
Bricks and Roofing	Bricks and Roofing – includes CSR’s building product brands – PGH™ bricks and pavers Monier™ and Wunderlich™ rooftiles
Carbon dioxide equivalent (CO ₂ -e)	Unit for comparing the radiative forcing of a greenhouse gas to carbon dioxide. It is calculated using the mass of a given greenhouse gas multiplied by its global warming potential
CSIRO	Commonwealth Scientific and Industrial Research Organisation
ESAP	Employee Share Acquisition Plan
FTE	Full Time Equivalent
GAF	Gove Aluminium Finance
GRI	Global Reporting Initiative – guidelines for sustainability reporting
ISO 9000	International Organisation for Standardisation. ISO 9000 family of standards that address quality management systems
ISO 14001	International Organisation for Standardisation. Standard which outlines Environment Management Systems requirements with guidance for use
Lightweight Systems	Lightweight Systems’ – includes CSR’s building product brands – Bradford™ insulation, Hebel® panels, Edmonds™ ventilation, Gyprock™ plasterboard, Cemintel™ fibre cement
LTI	Long Term Incentive
LTI FR	Lost Time Injury Frequency Rate – per million hours worked
NatHERS	The Nationwide House Energy Rating Scheme
NGER	National Greenhouse and Energy Reporting scheme
SH&E	Safety, Health and Environment
STI	Short Term Incentive
United Nations Global Compact	A strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption
Viridian™	Viridian glass business
WHSE	Workplace Health & Safety and Environment
USOP	Universal Share Ownership Plan
TRIFR	Total Recordable Injury Frequency Rate – per million hours worked



Limited Assurance engagement report on CSR Limited's compliance with Section 19 of the National Greenhouse and Energy Reporting Act 2007 (NGER Act) for the financial year ended 30 June 2011



Greenhouse and Energy Audit Coversheet

Audited Body

Name of Audited Body:	CSR Limited	
Audited body contact details	Audited body contact:	Linden Birch
	Phone number	(02) 9235 8358
	Address	Triniti 3, 39 Delhi Road, North Ryde NSW 2113

Audit Description

Kind of audit:	Limited Assurance
Audit objective:	Compliance with Section 19 of the NGER Act
Time period audited:	1 July 2010 - 30 June 2011
Date terms of engagement signed:	27 May 2011
Date audit report signed	18 October 2011

Auditor Details

Auditor Details	Name of Auditor	Trent van Veen
	Registration Number	001
	Phone Number	(02) 9248 - 4551
	Address	680 George Street, Sydney NSW 2000, Australia
Names and contact details of audit team and other persons working with the audit team leader	David Simmonds	(02) 9248-4411
	Sachiko Shepherd	(02) 8295 6348
	Jackson Fan	(02) 9248-5798
	Chandra Eastwell	(02) 9248-4650
Details of exemptions under section 6.71 of the NGER Regulations for the audit team leader or professional member of the audit team and, if so, details of the procedures for managing conflict of interest		
Not Applicable		



Part A - Auditor's Conclusion

We have conducted an audit (as described in the National Greenhouse and Energy Reporting Audit Determination Handbook) to provide limited assurance regarding the compliance of CSR Limited ('CSR') with Section 19 of the National Greenhouse and Energy Reporting Act 2007 ("NGER Report" or "matter being audited"). The NGER Report consists of the following:

- Greenhouse Gas Emissions (tCO₂-e)
- Energy Production
- Energy Consumption

For the period 1 July 2010 to 30 June 2011.

Management's responsibility

Management of CSR are responsible for preparation of the NGER report in accordance with Section 19 of the NGER Act ensuring that it complies in all material respects. CSR have developed a Basis of Preparation which forms part of their NGER report dated [18 October 2011] which details how CSR has interpreted and applied the requirements of the NGER Act, which for the purposes of our engagement represents the criteria.

Auditor's responsibility

Our responsibility is to express a conclusion on CSR's compliance with Section 19 of the NGER Act for the period 1 July 2010 to 30 June 2011, in all material respects. The procedures selected depend on our judgment, including an assessment of the risks of material misstatement or material non-compliance of the matter being audited. We conducted our engagement in accordance with the National Greenhouse and Energy Reporting (Audit) Determination 2009 (the Audit Determination).

We read other information included within the NGER Report and considered whether it was consistent with the knowledge obtained through our procedures. We considered the implications for our report if we became aware of any apparent material inconsistencies with the matter being audited. Our responsibilities did not extend to any other information.

An assurance engagement involves performing procedures to obtain assurance evidence about the matter being audited. The procedures selected depend on the audit team leader's judgement, including the assessment of risks of material misstatement or material non-compliance of the matter being audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to CSR's determination of the amounts and disclosures in the matter being audited in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of CSR's internal controls. An assurance engagement also includes evaluating the reasonableness of emissions estimates made by management of the company, as well as evaluating the overall presentation of the NGER Report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion.

As audit team leader, I attest that the assurance engagement was carried in accordance with the assurance engagement terms, the requirements of the NGER Regulations and the Audit Determination.

Use of our limited assurance engagement report

This report has been prepared for the directors of CSR and the Greenhouse and Energy Data Officer (GEDO) for the sole purpose for reporting on the matter being audited in accordance with the NGER Act.

We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the intended users, or for any purpose other than that for which it was prepared.



3

Inherent limitations

There are inherent limitations in performing assurance - for example, assurance engagements are based on selective testing of the information being examined - it is possible that fraud, error or non-compliance may occur and not be detected. An assurance engagement is not designed to detect all instances of non-compliance with the NGER Act, as an assurance engagement is not performed continuously throughout the period and the procedures performed in respect of compliance with the NGER Act are undertaken on a test basis. The conclusion expressed in this report has been formed on the above basis.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and sampling or estimating such data. We specifically note that CSR has used estimates or extrapolated underlying information to calculate certain amounts included within the greenhouse and energy information.

A limited assurance engagement is restricted primarily to enquiries and analytical procedures and the work is substantially less detailed than undertaken for a reasonable assurance engagement. As such the level of assurance is lower than would be the case for a reasonable assurance engagement.

Summary of Procedures undertaken

Our procedures included but were not limited to the following:

- ▶ Gaining an understanding of the greenhouse gas reporting processes supporting the business activities
- ▶ Conducting site visits to understand the basis management measure and identify sources of greenhouse gas emissions
- ▶ Conducting interviews and collation of evidence to understand processes and controls supporting the data
- ▶ Checking that methodologies have been correctly applied as per the requirements in the NGER (Measurement) Determination 2008 (as amended 30 June 2010)
- ▶ Undertaking analytical review procedures to support the reasonableness of the data
- ▶ Reviewing assumptions supporting the calculations of incidental emissions for reasonableness
- ▶ Reviewing the appropriateness of the presentation information

Our Conclusion

Based on our limited assurance procedures, nothing has come to our attention that causes us to believe that the reported emissions, energy production and energy consumption are not prepared in accordance with Section 19 of the NGER Act in all material respects, for the period 1 July 2010 to 30 June 2011.

The Ernst & Young signature logo, featuring a stylized 'Ernst + Young' signature in a cursive font above the text 'Ernst & Young' in a sans-serif font.

Ernst + Young
Ernst & Young

A handwritten signature in black ink, appearing to read 'Trent van Veen', written over a horizontal line.

Trent van Veen
Partner
Sydney Australia
18 October 2011



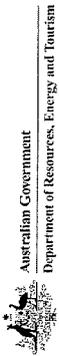
Part B - Detailed Findings

Audit Findings and Conclusions Table

Issue/Risk area investigated	Testing Conducted	Findings	Conclusion	Recommendations
Matters Requiring Particular Attention				
Accuracy of reported activity data from sites.	In performing our substantive testing procedures during our site visits we obtain source documentation to support reported data.	It was identified at one facility that data reported for natural gas and electricity was not supported by third party documentation. The variances identified were below our materiality threshold.	CSR updated the activity data values for the site in the GHG inventory to reflect invoice data.	Site specific data should be reconciled to third party data when available. A control should be established to review the data and where estimates are used this should be clearly flagged.
Accuracy of reported activity data from sites.	In performing our substantive testing procedures during our site visits we obtain source documentation to support reported data.	It was identified at one facility that there was a transcription error in the data reported for steam resulting in a material variance.	CSR has updated the steam value at this facility in its GHG inventory to accurately reflect invoice data.	Ensure controls for the review of data at the site is embedded within reporting procedures to improve data quality.
Assurance Approach Issues				
During the period under review, CSR disposed of its sugar division ("Sucrogen") to another entity, Wilmar Australia Holdings Pty Limited. The change in operational control was effective 31 December 2010. As a consequence of this change, our procedures were modified to review the documentation evidencing this change in operational control and conducted cut off testing. No matters were identified from these procedures.				
Non-compliance or Non-conformance with the Act				
We did not identify any non-compliance or non-conformance with the NGER Act in conducting this limited assurance engagement.				
Other matters to be reported				
Nil				

Peer reviewer conclusion

Name of peer reviewer	Matthew Bell (Registration number 032)
Peer reviewer contact details	680 George St, Sydney NSW 2000
Outcome of the evaluation undertaken by the peer reviewer	The peer review did not identify any deficiencies in the limited assurance procedures or the results of such procedures. Based on my review I concur with the issuance of an unqualified limited assurance opinion.



PUBLIC REPORT TEMPLATE 2011

Part 1 - Corporation Details

Controlling Corporation

Period to which this report relates

Insert the name of the Controlling Corporation exactly as it is registered with the EEO Program. The period to which the report relates is the total period of participation up to 30 June prior to when the report is due.

CSR Limited	From	1 July 2006	To	30 June 2011
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Table 1.1 - Major Changes to Corporate Group Structure or Operations

Table 1.1 – Major Changes to Corporate Group Structure or Operations

From 1st July 2006 to December 2010, CSR Limited (“CSR”) reported on both a Building Products and Sugar Division.

In December 2010, CSR divested its Sugar business (also known as “Sucrogen”) consisting of Cane Products, BioEthanol as well as its majority share in Sugar Australia (sugar refining business) to Wilmar International. Sites previously assessed and reported on: including Invicta, Inkerman, Pioneer, Kalamia, Victoria and Macknade Sugar Mills as well as the Yarraville and Mackay Refineries were part of the sale. As a result this report only includes those assessments undertaken within what was previously reported as Building Products.

The market conditions for CSR’s products declined to the year ending 30 June 2011. Australian residential construction starts declined by over 5 per cent and commercial construction activity continued to decline from previous years. In response, CSR has continued to align its manufacturing production with this reduced level of demand in key areas of its portfolio.

Table 1.2 – Aggregate energy assessed covered in this report

Total energy use covered by all assessments in this report	4,372,891	GJ
Total energy assessed as percentage of total energy use of the corporate group*	56%*	%

* As communicated with the Department of Resources, Energy and Tourism, the total energy use is less than 80% due to the sale of Sucrogen in December 2010.

Energy Efficiency Opportunities

2



Declaration

Declaration of accuracy and compliance

The information included in this report has been reviewed and noted by the board of directors and is to the best of my knowledge, correct and in accordance with the *Energy Efficiency Opportunities Act 2006* and *Energy Efficiency Opportunities Regulations 2006*.

Rob Sindel

Managing Director

Date

15th December 2011

Part 2 - Assessment Outcomes

Table 2.1 – Assessment Details

It is compulsory to complete a separate table for each group member, business unit, or key activity that has been assessed

Name of group member or business unit or key activity	Total energy use in the last financial year	Energy use assessed in this entity as a percentage of total entity energy use*	Energy use assessed in this entity as a percentage of total corporate energy use	Accuracy of above estimates related to energy use assessed - <u>only required if not ±5% or better</u>	Period over which assessment was undertaken	Description of the way in which the entity carried out its assessment
CSR Limited (formerly reported as CSR Building Products)	7,796,189 GJ	56 %	56 %	%	01/07/2006 - 30/6/2011	<p>CSR Limited has continued to undertake planned assessments over the reporting period. Assessments are carried out in accordance with the approved Assessment and Reporting Schedule, the assessment framework and the relevant regulations. Only one assessment was undertaken during the 10/11 period, that of Viridian Dandenong. The results are reported in Table 2.2. All other assessments reported in Table 2.2 have been reported previously. All sites assessed and reported use greater than 0.5 petajoules of energy. The period of energy use to which the assessment relates is 1st July 2010 to 30th June 2011 with the total energy use of all assessed sites being 4,372,891 GJ or 56% of CSR's total energy use.</p> <p>With the sale of Sucrogen, CSR Limited (formerly reported as CSR Building Products) has progressed the assessment of opportunities identified previously and the outcomes are reported in Table 2.2. Reviewing and monitoring outcomes have been integrated into an in house program known as the CSR Way Manufacturing program. In addition, an Energy Improvement Manager has been appointed to drive energy initiatives within the company.</p> <p>The outcomes of the new assessment and updates to the previous assessments have been reported to the CSR Board Committee on Safety, Health and Environment.</p> <p>CSR believes the intent and key requirements of the Energy Efficiency Opportunities legislation have been met.</p>

Table 2.2 - Energy efficiency opportunities identified in the assessment

Building Products – Cecil Park

Status of opportunities identified to an accuracy of better than or equal to ±30%		Total Number of opportunities	Estimated energy savings per annum by payback period (GJ)						Total estimated energy savings per annum (GJ)
			0 – < 2 years		2 – ≤ 4 years		> 4 years		
			No of Opps	GJ	No of Opps	GJ	No of Opps	GJ	
Business Response	Implemented	25	9	68,823	4	3,987	12	34,492	107,302
	Implementation Commenced	2	1	172	Nil	Nil	1	913	1,085
	To be Implemented	4	3	53,147	Nil	Nil	1	Nil	53,147
	Under Investigation	6	Nil	Nil	Nil	Nil	6	4,122	4,122
	Not to be Implemented	20	3	26,537	1	3,012	16	26,368	55,917
Outcomes of assessment	Total Identified	57	16	148,679	5	6,999	36	65,895	221,573
Status of opportunities identified to an accuracy of worse than ±30%									
Business Response	Implemented								
	Implementation Commenced								
	To be Implemented								
	Under Investigation								
	Not to be Implemented								
Outcomes of assessment	Total Identified								

- (1) Opportunity implementation is subject to normal capital expenditure approval process.
- (2) Opportunities are not implemented for a variety of reasons including those identified may already have been addressed through other opportunities, operational/process constraints, or significant payback period.

Table 2.2 - Energy efficiency opportunities identified in the assessment
Building Products – Wetherill Park

Status of opportunities identified to an accuracy of better than or equal to ±30%		Total Number of opportunities	Estimated energy savings per annum by payback period (GJ)						Total estimated energy savings per annum (GJ)
			0 – < 2 years		2 – ≤ 4 years		> 4 years		
			No of Opps	GJ	No of Opps	GJ	No of Opps	GJ	
Business Response	Implemented	6	4	10,402	2	1,041	Nil	Nil	11,443
	Implementation Commenced	5	5	919	Nil	Nil	Nil	Nil	919
	To be Implemented	1	1	<1	Nil	Nil	Nil	Nil	0
	Under Investigation	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Not to be Implemented	2	1	0	Nil	Nil	1	627	627
Outcomes of assessment	Total Identified	14	11	11,322	2	1,041	1	627	12,989
Status of opportunities identified to an accuracy of worse than ±30%									
Business Response	Implemented								
	Implementation Commenced								
	To be Implemented								
	Under Investigation								
	Not to be Implemented								
Outcomes of assessment	Total Identified								

- (1) Opportunity implementation is subject to normal capital expenditure approval process.
- (2) Opportunities are not implemented for a variety of reasons including those identified may already have been addressed through other opportunities, operational/process constraints, or significant payback period.

Table 2.2 - Energy efficiency opportunities identified in the assessment

Building Products - Yarraville

Status of opportunities identified to an accuracy of better than or equal to ±30%		Total Number of opportunities	Estimated energy savings per annum by payback period (GJ)						Total estimated energy savings per annum (GJ)
			0 - < 2 years		2 - ≤ 4 years		> 4 years		
			No of Opps	GJ	No of Opps	GJ	No of Opps	GJ	
Business Response	Implemented	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Implementation Commenced	3	1	880	2	914	Nil	Nil	1,794
	To be implemented	2	Nil	Nil	Nil	Nil	2	467	467
	Under Investigation	1	Nil	Nil	1	0	Nil	Nil	0
Not to be implemented		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Identified		6	1	880	3	914	2	467	2,261
Status of opportunities identified to an accuracy of worse than ±30%									
Business Response	Implemented								
	Implementation Commenced								
	To be implemented								
	Under Investigation								
Not to be implemented									
Total Identified									

- (1) Opportunity implementation is subject to normal capital expenditure approval process.
- (2) Opportunities are not implemented for a variety of reasons including those identified may already have been addressed through other opportunities, operational/process constraints, or significant payback period.

Table 2.2 - Energy efficiency opportunities identified in the assessment
Building Products Viridian - Ingleburn

Status of opportunities identified to an accuracy of better than or equal to ±30%		Total Number of opportunities	Estimated energy savings per annum by payback period (GJ)						Total estimated energy savings per annum (GJ)
			0 – < 2 years		2 – ≤ 4 years		> 4 years		
			No of Opps	GJ	No of Opps	GJ	No of Opps	GJ	
Business Response	Implemented	6	13,016	Nil	Nil	Nil	Nil	13,016	
	Implementation Commenced	2	5,215	Nil	Nil	Nil	Nil	5,215	
	To be Implemented	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
	Under Investigation	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
	Not to be Implemented	5	Nil	Nil	Nil	5	58,861	58,861	
Outcomes of assessment	Total Identified	13	18,231	Nil	Nil	5	58,861	77,092	
Status of opportunities identified to an accuracy of worse than ±30%									
Business Response	Implemented								
	Implementation Commenced								
	To be Implemented								
	Under Investigation								
	Not to be Implemented								
Outcomes of assessment	Total Identified								

(1) Opportunity implementation is subject to normal capital expenditure approval process.
 (2) Opportunities are not implemented for a variety of reasons including those identified may already have been addressed through other opportunities, operational/process constraints, or significant payback period.

Table 2.2 - Energy efficiency opportunities identified in the assessment

Building Products Viridian - Dandenong

Table 2.2 – Energy efficiency opportunities identified in the assessment									
Status of opportunities identified to an accuracy of better than or equal to ±30%	Total Number of opportunities	Estimated energy savings per annum by payback period (GJ)						Total estimated energy savings per annum (GJ)	
		0 – < 2 years		2 – ≤ 4 years		> 4 years			
		No of Opps	GJ	No of Opps	GJ	No of Opps	GJ		
Business Response	2	2	21,285	Nil	Nil	Nil	Nil	Nil	21,285
Implementation Commenced	1	1	927	Nil	Nil	Nil	Nil	Nil	927
To be Implemented	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Under Investigation	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Not to be Implemented	6	Nil	Nil	Nil	Nil	6	357,350	6	357,350
Outcomes of assessment	9	3	22,212	Nil	Nil	6	357,350	6	379,562
Status of opportunities identified to an accuracy of worse than ±30%									
Business Response	Implemented								
	Implementation Commenced								
	To be Implemented								
	Under Investigation								
	Not to be Implemented								
Outcomes of assessment	Total Identified								

(1) Opportunity implementation is subject to normal capital expenditure approval process.
 (2) Opportunities are not implemented for a variety of reasons including those identified may already have been addressed through other opportunities, operational/process constraints, or significant payback period.

Table 2.3 - Details of significant opportunities identified in the assessment

Corporate Groups are required to provide at least 3 examples of significant opportunities for improving the energy efficiency of the group that have been identified in assessments.

Description of Opportunity

Viridian Dandenong: Upgrade the warehouse heating control system. This upgrade will enable the capability to automatically turn heaters on and off at temperature and humidity set points set in the system. The system will minimise overall operating costs as it results in lower energy consumption through the optimisation of operating set points and can also reduce repair. It is estimated that this upgrade will save 13,000 GJ of gas per year with an estimated payback of 2 years.

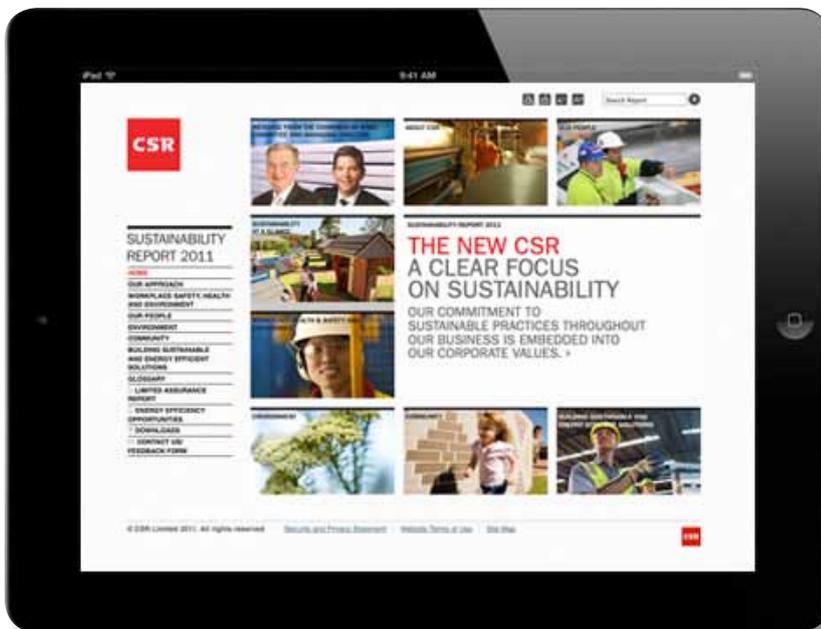
Description of Opportunity

Viridian Dandenong: Retrofit T8 fluorescent lamp fittings with electronic T5 fluorescent lamps in the warehouse to make the warehouse lighting usage more energy efficient. It is expected that there will be an annual cost saving of \$24,149 and a payback of 2 years.

Description of Opportunity

Lightweight Systems Yarraville: Motor drive efficiency review. This includes a vibration analysis of equipment and an audit of drive belts to determine where improvements can be made. It is estimated that there will be an annual saving of 880 GK of gas with an estimated payback of 1.5 years.

CONTACT US



Visit the CSR website for the 2011 Sustainability Report
www.csr.com.au/sustainability2011

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