



**The CSL growth engine keeps delivering**

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| <b>Company/ASX Code</b>      | CSL Ltd   |
| <b>AGM date</b>              | 16 October 2019   |
| <b>Time and location</b>     | 1pm The Westin Sydney   |
| <b>Registry</b>              | Computershare   |
| <b>Webcast</b>               | Yes   |
| <b>Poll or show of hands</b> | Poll on all items   |
| <b>Monitor</b>               | Michael Muntisov assisted by Robin Burrows                          |
| <b>Pre-AGM Meeting?</b>      | Yes, with Company Secretary, Fiona Mead, and Director, Megan Clark. |

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| <b>Item 1</b>   | <b>Consideration of financial statements and reports</b> |
| <b>ASA Vote</b> | No vote required   |

**Summary of ASA Position**

**Financial Performance:**

CSL had another strong year with revenue up 11% and profit up 17% on the prior year. Earnings per share (EPS) was up 11% and dividends in US\$ increased by 8% to US\$1.85 per share.

**Key Events:**

Sales growth continued. Thirty new plasma collection centres were opened in the US. The new Bio21 research facility was opened in Melbourne.

**Board and management changes:**

Former long-time CSL CEO Brian McNamee took over as Chairman from the retiring John Shine after last year's AGM (annual general meeting).

A Chief Operating Officer, Paul McKenzie, was appointed in June 2019. He was previously EVP (executive vice president) of Pharmaceutical Operations and Technology at Biogen.

Director Tadataka 'Tachi' Yamada will retire at this AGM after three years on the Board. A search for a replacement NED (non-executive director) is underway.

**ASA Focus Issues:**

CSL has a good record on ASA focus areas including Board composition, remuneration disclosure and 'skin in the game'.

**Summary**

| (As at FYE) in US\$                    | 2019      | 2018      | 2017      | 2016      | 2015           |
|--|-----------|-----------|-----------|-----------|----------------|
| NPAT (US\$m)                           | \$1,919   | \$1,729   | \$1,337   | \$1,242   | \$1,379        |
| UPAT (US\$m)                           | \$1,919   | \$1,713   | \$1,427   | \$1,242   | \$1,379        |
| Share price (A\$)                      | A\$215.00 | A\$194.46 | A\$138.03 | A\$112.20 | A\$86.47       |
| Dividend (A\$ per share)               | A\$2.65*  | A\$1.92   | A\$1.72   | A\$1.71   | A\$1.63        |
| TSR (%)                                | 12%       | 42%       | 25%       | 32%       | 32%            |
| EPS (US\$ per share)                   | \$4.24    | \$3.82    | \$2.94    | \$2.69    | \$2.92         |
| CEO total remuneration, actual (US\$m) | \$23.26m  | \$7.39m   | \$7.41m   | \$5.50m   | \$5.81 (stat.) |

\*At 0.70 US\$ = 1A\$ at 30 June

For 2019 the CEO's total actual remuneration was **380 times** the annualised Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Note that the CEO's remuneration this year is abnormally high because of the vesting of performance rights whose face value increased significantly over the performance period (by US\$14.7m) and reflects the terms of CSL's more attractive legacy remuneration plans.

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| <b>Item 2a</b>  | <b>Re-election of Marie McDonald as a director</b> |
| <b>ASA Vote</b> | <b>For</b>   |

### Summary of ASA Position

Marie McDonald has been a director of CSL for 6 years. She has a legal background and brings experience and insight on financial markets, risk and compliance, and change management. She is also a director of Nanosonics, Nufarm and the Walter and Eliza Hall Institute of Medical Research. Her workload is within the ASA guidelines.

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| <b>Item 2b</b>  | <b>Re-election of Megan Clark as a director</b> |
| <b>ASA Vote</b> | <b>For</b>                                      |

### Summary of ASA Position

Dr Clark has been a director of CSL for 3 years. Her executive and non-executive experience is across a range of sectors including scientific research, health, investment banking and financial services, education and mining. She brings skills in strategy with a focus on risk and health, safety and environment and technology performance. She is currently the Head of the Australian Space Agency and is a director of Rio Tinto as well as some other not-for-profit roles. The Head of Space Agency role is part time and she will transition out of it over the coming year. Therefore, her workload is within the ASA guidelines.

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| <b>Item 3</b>   | <b>Adoption of Remuneration Report</b> |
| <b>ASA Vote</b> | <b>For</b>                             |

### Summary of ASA Position

CSL describes the three components of its remuneration scheme, which it adopted in 2017, as Fixed Reward (cash to attract talent), Short Term Incentive (STI) to reward 'performance' (paid fully in cash, with no deferral) and a Long Term Incentive (LTI) which is the biggest component of the total package (paid in equity via performance rights) to achieve 'alignment'. The relative components are summarised in the table below.

The remuneration scheme and report meet several criteria favoured by ASA including:

- Total remuneration at risk is greater than 50% (82% at 'target', see table below) and the majority of remuneration at 'target' is in the form of equity (61%)
- Face value is used to determine number of performance grants
- CSL provide an actual 'take home' table
- The STI criteria are stated and weighted
- LTI vesting is tested in equal tranches over four years.
- CSL has a policy for Directors and Key Management Personnel to hold a minimum shareholding in the company which corresponds closely with ASA's 'skin-in-the game' guidelines. All of them hold, or on track to hold, the minimum policy requirement.

There are some areas that differ from ASA guidelines such as the use of a single performance measure for the long-term incentive (which is Return on Invested Capital, ROIC), and the payment of all the STI in cash. However, on review and on balance ASA will support CSL's remuneration structure.

There was no increase in the Fixed and STI components of the CEO's salary over last year. He received a 13% increase in the LTI opportunity.

Remuneration targets for CEO remuneration in FY19 are summarised below. Actual received was US\$23.3m. Of this US\$14.7m was due to the increase in the share value over the period, meaning that the core remuneration was US\$8.6m which falls within the range in the table.

|                    | Target US\$m | % of Total | Max. Opportunity US\$m | % of Total |
|--------------------|--------------|------------|------------------------|------------|
| Fixed Remuneration | 1.751        | 17.5%      | 1.751                  | 16%        |
| STI - Cash         | 2.2          | 21.4%      | 3.2                    | 29%        |
| STI - Equity       | 0            | 0%         | 0                      | 0%         |
| LTI                | 6.3*         | 61.2%      | 6.3                    | 56%        |
| Total              | US\$10.3m    | 100%       | US\$11.32m             | 100%       |

\*Since target is not specified in the remuneration report, maximum opportunity value imputed

CSL is competing for talent against the best in the USA and Europe. It is the fifth largest biotech company in the world and operates in a high value, global industry (more than 90% of its revenue comes from outside Australia). CSL's remuneration for key people needs to reflect this reality.

Although the remuneration levels appear high, there can be no doubting that the company performance and value delivered to shareholders has also been high over the corresponding period (Total Shareholder Return of 21% compound annual growth rate over 5 years). Therefore, the ASA proposes to vote in favour of adopting the Remuneration Report.

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| <b>Item 4</b>   | <b>Approval of LTI grant to executive directors</b> |
| <b>ASA Vote</b> | <b>For</b>  |

### Summary of ASA Position

This item is to approve grants of rights (called Performance Share Units, PSUs) to the two Executive Directors being Paul Perreault, CEO and Andrew Cuthbertson, Chief Scientific Officer under the LTI plan.

The proposed equity rights grant to the CEO is valued at US\$7.0m (at face value of A\$235 per share) being 3 times his fixed base salary.

The proposed equity rights grant to the CSO is valued at A\$2.0m (at face value of A\$235 per share) being 2 times his fixed base salary.

The LTI performance measure is the 7-year rolling average of Return on Invested Capital (ROIC) with a threshold minimum level of 22% (zero vesting) and a target of 25% (100% vesting) with a newly introduced minimum hurdle of achieving a ROIC in any particular year of at least CSL's Investment Hurdle Rate (IHR). If a ROIC of at least the IHR is not achieved in any year, then zero vesting occurs in that year irrespective of the 7-year average performance.

The rights granted will be tested every year for the next four years and paid out in 25% tranches if CSL's ROIC in that year exceeds its IHR, AND the 7-year rolling average of ROIC exceeds the levels above.

For the reasons set out in Item 3, the ASA proposes to vote in favour of this item.

Note: The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

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