Australian Shareholders' Association

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Voting Intentions – CSL 2022 AGM

ASX Code	CSL
Meeting Time/Date	10am, Wednesday 12 October 2022
Type of Meeting	Physical with webcast (online questions capability available)
Monitor	Mike Muntisov assisted by Mike Middleton
Pre AGM Meeting?	Yes, with Director Megan Clark and Company Secretary Fiona Mead.

Summary of issues for meeting

CSL made some revisions to its remuneration structure which are described under the appropriate item below. Plasma supply, the new Vifor acquisition, and the outcome of final trials for its potential products will be the main factors determining CSL's future performance.

Proposed Voting Summary

2a	Re-election of Ms Marie McDonald as a Director	For
2b	Re-election of Dr Megan Clark as a Director	For
3	Adoption of Remuneration Report	For
4	Approval of grant of Performance Share Units to CEO/Managing Director Mr Paul Perreault	For

Key Financials

	2022	2021	2020	2019	2018
Statutory NPAT (US$m)	$2,255	$2,375	$2,103	$1,919	$1,729
Underlying NPAT (US$m)	$2,255	$2,375	$2,103	$1,919	$1,713
Statutory EPS (US$)	$4.81	$5.22	$4.63	$4.24	$3.82
Dividend per Share ($)	US$2.22*	A$2.95	A$2.93	A$2.65	A$1.92
Share Price at End of FY (A$)	A$269	A$285	A$287	A$215	A$194
Realised CEO Remuneration (US$)	$12.7m	$45.4m	$28.2m	$23.3m	$7.4m
Total Shareholder Return (%)	-4%	0%	35%	12%	42%

Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year (does not account for equity raise). This may differ from the figure quoted by the company.
** quoted in annual report – not comparable with previous years due to different currency and periods for calculation*

Key Events

CSL acquired the Vifor business, a Swiss-based specialist in renal care, for a total of USD$12.3B, which promises to represent about 16% of CSL's total revenues going forward. To fund the acquisition CSL undertook a capital raising which included a Share Purchase Plan for retail shareholders. Because of share price fluctuations over the plan period, retail shareholders who participated purchased shares at $253.57 versus the $273 paid by institutions.

Review of Board on Governance, Transparency, Fairness to Retail Shareholders

Positives

- The Board has an independent non-executive Chair and majority of independent directors.
- The Board has at least 30% female (actual 44%) and at least 30% male directors.
- Directors and other key management personnel (KMP) hold (or on target to hold) at least one year's worth of base cash fees in company shares, within 5 years (three times base for the CEO).
- The company meaningfully discloses ESG issues or risks facing business and the processes to manage them.
- The company discloses a skills matrix of the board in the Governance Statement.

Areas for Improvement

- The board lacks a diversity in age. Seven of the nine directors are aged 64 to 67, and all over 59.
- Although the Vifor acquisition Share Purchase Plan was fair to retail shareholders who participated, it is not as good as ASA's preferred PAITREO arrangement, which would have rewarded even those shareholders who could not participate in the raising.

Summary

Overall CSL is well governed.

Items for Voting

Item 2a	Re-election of Ms Marie McDonald as a Director
ASA Vote	For

Ms McDonald has been a director of CSL since 2013. She has a science and law degrees and practiced as a lawyer for 30 years specialising in mergers and acquisitions and governance. She has adequate "skin-in-the- game" (shareholding). She does not have an excessive workload.

For these reasons, the ASA proposes to support her election.

Item 2b	Re-election of Dr Megan Clark as a Director
ASA Vote	For

Dr Clark has been a director of CSL since 2016. She has a science background and was previously CEO of CSIRO. She has adequate "skin-in-the-game" (shareholding). Her workload is extensive but several roles are advisory or ceremonial and are not significant time commitments. Therefore we consider Dr Clark's workload to be within ASA guidelines.

Therefore the ASA proposes to support her election.

Item 3	Adoption of Remuneration Report
ASA Vote	For

CEO Remuneration Framework (2022)	Target* (US$m)	% of Total	Max. Opportunity (US$m)	% of Total
Fixed Remuneration	1.803	23%	1.803	14%
STI - Cash	2.163 (120% of FR)	29%	4.327 (240% of FR)	32%
STI - Equity	0	0%	0	0%
LTI	3.606†	48%	7.212 (400% of FR)	54%
Total	US$7.572m	100%	US$13.342m	100%

*The amounts in the table above are the statutory amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. †Threshold award level*

The actual realised pay of the CEO Paul Perrault in 2022 was USD$12.71m ($2.2m of which was attributable to share price growth over the performance period).

CSL changed its remuneration structure in FY22. The main changes were:

- Addition of a second LTI measure, which aligns with ASA guidelines
- Increase in STI maximum opportunity by a third.
- Vesting of awards aggregated to a single point in three years' time, rather than in three tranches over four years.

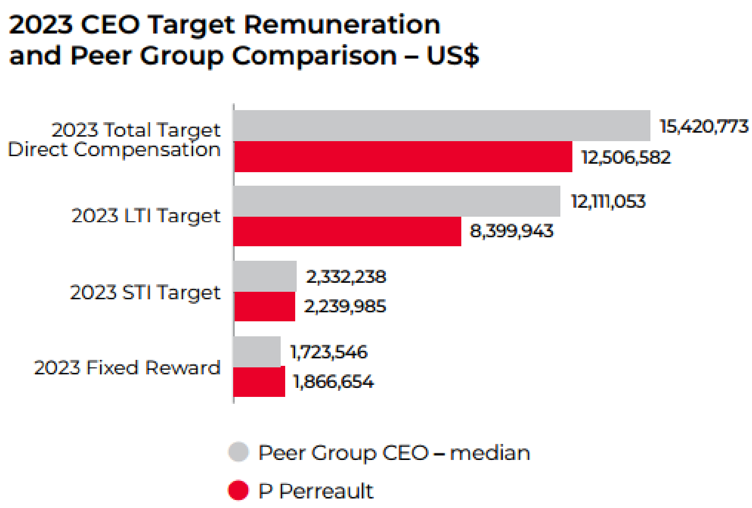
The additional changes flagged for FY23 include:

- A stated target for executive rewards toward the median of global peer groups. This flags further future increases in KMP remuneration of the order 25%.
- As part of above, an increase in CEO LTI maximum opportunity from 400% of fixed remuneration to 450%.
- Similar increases to key executive LTI maximum opportunity.
- An increase of between 3% and 3.7% for fixed remuneration of key executives and directors
- Adding an ESG component to the STI criteria

The remuneration structure is assessed below.

Positives

- CEO's actual take-home remuneration, as well as the target and maximum opportunity of each component is clearly disclosed.
- The total quantum of the CEO remuneration package is compatible with the Godfrey Group report benchmarks. CSL provide the following comparison of FY23 CEO remuneration with global peer group:



Source: CSL Annual Report 2022

- The quantum of Board fees are within the Godfrey Remuneration Group report benchmarks.
- More than 50% of CEO's pay is genuinely at risk [Actual 77% at target].
- Majority of short-term incentives (STI) are based on quantifiable and disclosed performance metrics.
- Clear disclosure is provided for all Key Management Personnel (KMP) performance hurdles and the weightings applied for each incentive.
- There is no retesting of performance hurdles.
- Long-term incentive (LTI) hurdles for FY23 Performance Share grants are based on at least two hurdles, one is return on invested capital (ROIC) averaged over a 7-year period (2018-2025) and the other is earnings per share (EPS) growth measured over a 3-year period (2022-2025).
- Actual LTI hurdles and criteria for FY23 awards, for which LTI grants are being sought at this meeting, are:

Performance Criteria	Contribution % of total LTI award	Threshold performance	Vesting at threshold performance	Target performance for 100% vesting
ROIC (7-year ave)	70%	17%	50%	18.2%
EPS growth (3-year)	30%	10.2% pa	50%	14.1% pa

  The EPS growth target appears appropriately challenging.
- All share grants are allocated at face value not fair value.
- Share grants for non-executive directors (NEDs) are satisfied by equity purchased on-market.
- Hurdles are based on earnings are based on statutory earnings.
- No retention payment on any awards are subject only to continuing service.
- No termination payments exceed 12 months fixed pay.
- There is no full vesting in a takeover or "change of control" events.
- Overall, the Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.

Areas for Improvement

- ASA prefers total shareholder return (TSR), with no payment if absolute TSR is negative, as one of the performance measures for the LTI award.
- The STI is paid in cash. (CSL argue that this is better aligned with global especially US standards)

- ASA prefers the STI target award be less than fixed remuneration, but CSL argue that their approach is aligned with global industry standards.
- ASA prefers LTI hurdles be measured a minimum of four years after issue, not the three years in CSL’s plan. The 7-year average ROIC measure is in truth a 3-year measure as it includes the previous four years actual performance.
- Share grants for KMPs are issued rather than satisfied by equity purchased on-market.

Conclusion on Remuneration

CSL operates in the global biopharmaceutical sphere, so Australian practices aren’t always applicable. There are many attributes of the CSL remuneration plan that we favour. On the other hand, the performance period for the LTI is shorter than we like. Other areas not meeting ASA guidelines are explained by CSL better matching global standards. On balance we propose to support the remuneration report.

Item 4	Approval of grant of Performance Share Units to CEO/Managing Director Mr Paul Perreault
ASA Vote	For

Please refer to assessment under item 3

Monitor Shareholding

The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.