



CSL Limited

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Shareholder Review  
2017/18 and  
Notice of 2018 Annual  
General Meeting



NOTICE IS GIVEN that the 2018 Annual General Meeting (AGM) of CSL Limited (ABN 99 051 588 348) will be held at the Melbourne Convention and Exhibition Centre – Clarendon Auditorium, Level 1, 2 Clarendon St, South Wharf, Melbourne on Wednesday 17 October 2018 at 1.00pm (AEDT).

**CSL**<sup>™</sup>

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**AGM  
NEW TIME  
AND  
VENUE!**

## ANNUAL GENERAL MEETING

**Wednesday,  
17 October 2018 at 1pm  
Clarendon Auditorium  
Melbourne Convention and  
Exhibition Centre (MCEC),  
South Wharf,  
Melbourne 3000**

## 2018

15 August	Annual profit and final dividend announcement
11 September	Shares traded ex-dividend
12 September	Record date for final dividend
12 October	Final dividend paid
17 October	Annual General Meeting
31 December	Half year ends

## 2019

13 February	Half year profit and interim dividend announcement
13 March	Shares traded ex-dividend
14 March	Record date for interim dividend
12 April	Interim dividend paid
30 June	Year ends
14 August	Annual profit and final dividend announcement
10 September	Shares traded ex-dividend
11 September	Record date for final dividend
11 October	Final dividend paid
16 October	Annual General Meeting
31 December	Half year ends

## DEAR FELLOW SHAREHOLDER

I have much pleasure in inviting you to the 2018 Annual General Meeting (AGM) of CSL Limited, to be held on Wednesday, 17 October 2018 at the Melbourne Convention and Exhibition Centre, Clarendon Auditorium, Level 1, 2 Clarendon St, South Wharf, Melbourne.

The AGM is scheduled to commence at 1.00 p.m. and will also be webcast live on CSL.com. Refreshments will be available before and after the AGM. Registration will commence from 12 noon. A map of the venue and transport details are provided on page 32.

As this is a new venue for our AGM, I urge you to familiarise yourself with the address.

If you are unable to attend the meeting, I invite you to appoint a proxy to attend and vote on your behalf, either online using the share registry's website at [www.investorvote.com.au](http://www.investorvote.com.au) or using the enclosed proxy form (which may be returned in the envelope provided).

The Managing Director and I will be reviewing the operations and performance of the Group over the year to 30 June 2018. A brief Shareholder Review outlining our business and financial highlights is included on pages 4-7.

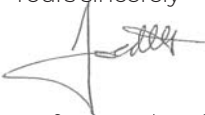
In addition, the Notice of Meeting commencing at page 9 explains the items of business you will be asked to consider at the AGM:

- the election of three new Directors, Dr Brian McNamee AO, Mr Abbas Hussain and Professor Andrew Cuthbertson AO;
- the Remuneration Report relating to remuneration of key management personnel;
- the grant of performance share units to CSL's Chief Executive Officer and Managing Director;
- the approval of employee equity plan related matters; and
- the renewal of proportional takeover provisions in CSL's constitution.

We are again providing the opportunity for shareholders to submit questions in advance of the AGM and hope to be able to address as many of the more frequently asked questions as is practicable in my or the Managing Director's addresses at the AGM.

Along with my fellow Directors I look forward to your participation.

Yours sincerely



Professor John Shine AC  
CHAIRMAN

# About CSL

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Driven by our promise, CSL is a global biotechnology leader which develops and delivers innovative medicines that save lives, protect public health and help people with life-threatening medical conditions live full lives. Our Group Values guide us in creating sustainable value for our stakeholders.

Delivering on promises is what we do at CSL. Starting more than a century ago in Melbourne, Australia, we made a promise to save lives and protect the health of people who were stricken with a broad range of serious medical conditions.

Today, that same promise has never been stronger. As a leading global biotechnology company, CSL delivers medicines to patients in more than 60 countries, and employs more than 22,000 people who are driven by a deep passion to serve thousands of patients and other stakeholders around the world.

CSL applies its world-class research and development (R&D), commercial strength and patient-focused management, along with its high-quality manufacturing, to develop and deliver innovative biotherapies, influenza vaccines and support programs – all to help save lives and treat people with life-threatening medical conditions.

Innovation has been in the DNA of CSL since our beginning in 1916 and continues as the core of everything we do today. Innovation spans all across our organisation – reflected in our 1,700-plus dedicated scientists who focus every day on solving patients' unmet needs, through the advancement of



recombinant proteins and gene therapy technology, to our unique capability in creating one of the largest and most efficient plasma collection networks in the world.

CSL supports patient, biomedical and local communities by improving access to therapies, advancing scientific knowledge, supporting future medical researchers, and engaging our staff in the support of local communities. We also contribute to humanitarian programs and relief efforts around the world.

CSL's continuing priority is to ensure the ongoing safety and quality of our medicines, while improving access to innovative therapies that make a real and lasting difference to the lives of people who need them. To achieve this, we drive a culture of continuous improvement in quality and compliance and undertake capacity expansions around the world.

CSL also invests in life-cycle management and market development for our existing products, and in the development of

new product opportunities for the longer term. We understand the unique challenges faced by people stricken with life-threatening medical conditions because of our long experience, deep knowledge and dedicated focus on preventing and treating serious diseases. We expect that emerging new innovations and support programs can provide unprecedented opportunities to improve patient wellbeing unlike any other time in history.

CSL's commercial capability, combined with a focused global R&D organisation and proven operational excellence, give us the confidence to efficiently identify, successfully develop, and reliably deliver innovations that patients need and want.

For more than 100 years, CSL has earned a reputation as a passionate yet responsible organisation which is driven to care for patients and deliver on its commitments. Today, our future has never looked brighter.

# Key Business Highlights

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CSL continues to deliver on its strategy, with an 11%# increase in total revenue. The strength of our results reflects the execution of our strategic plan and patient-focussed workforce.



Strategic Objective

## **GROWTH**

**Maximize portfolio value & deliver new product launches**

Immunoglobulin sales up by 11%# on the prior comparable period.

IDELVION®, recombinant coagulation factor for the treatment of haemophilia B, sales exceeded forecast and is the market leader in a number of countries.

Specialty products portfolio grew by 24%# driven by strong performance in KCENTRA® and HAEGARDA®, which achieved nearly 50% of the prophylaxis hereditary angioedema (HAE) market in the United States (US).

Exercised the option to acquire 100% of Chinese plasma fractionator.



Strategic Objective

## **EFFICIENCY**

**Be the most efficient, highest quality plasma player**

CSL Plasma opens 27 new collection centres in the US – a growth rate unmatched in the industry. Across the US and Europe, CSL Plasma now holds more than 200 collection centres.

Launch of a new CSL Plasma donor management system.

Investments in large-scale Group-wide capital initiatives, across all regions, remain on track.



Strategic Objective

## **INFLUENZA**

**Deliver on influenza strategy**

Seqirus delivers on its commitment to achieve profitability just three years after the business was formed.

Influenza sales grew 53%<sup>#</sup>, with FLUAD, an adjuvanted influenza vaccine, reporting sales up by 142%<sup>#</sup>.

The Holly Springs facility in the US, which utilises innovative cell-based technology, quadrupled the number of FLUCELVAX<sup>®</sup> QUADRIVALENT influenza vaccine doses for the US market.



Strategic Objective

## **INNOVATION**

**Pursue new opportunities to diversify portfolio and enhance growth**

Approval of immunoglobulin products PRIVIGEN<sup>®</sup>, in the US, and HIZENTRA<sup>®</sup>, in the US and Europe, provides patients with a convenient treatment for chronic inflammatory demyelinating polyneuropathy (CIDP).

Acquisition of Calimmune provides CSL with a promising gene therapy platform.

CSL and Vitaeris announce strategic partnership to support an emerging transplant portfolio.

CSL112, our cardiovascular disease product, moves into Phase III clinical trial.



Strategic Objective

## **PEOPLE & CULTURE**

**Create a culture that attracts, retains and develops the best talent**

Named one of the world's Top 50 employers by Forbes (2017) Global 2000: World's Best Employers.

Total workforce continues to grow, achieving employee engagement index scores higher than the global IBM norms.

New people manager programs launched to develop skills and capabilities at every stage of their career.

<sup>#</sup> Growth percentages shown at constant currency to remove the impact of exchange rate movements, facilitating comparability of operational performance. For further detail please refer to CSL's Financial Statements for the Full Year ended 2018 (Directors' Report).

# Financial Highlights

## Five-Year Summary

All figures are in US\$ million unless stated otherwise	2017-18 Constant Currency <sup>(1)</sup>	2017-18 Reported <sup>(2)</sup>	2016-17 Reported	2015-16 Reported	2014-15 Reported	2013-14 Reported
Total Operating Revenue	<b>7,717</b>	<b>7,915</b>	6,947	6,115	5,612	5,504
Sales Revenue	<b>7,394</b>	<b>7,588</b>	6,616	5,909	5,459	5,335
R&D Investment	<b>685</b>	<b>702</b>	667	614	463	466
Profit before Income Tax Expense	<b>2,260</b>	<b>2,281</b>	1,690	1,556	1,714	1,604
Net Profit after Tax	<b>1,713</b>	<b>1,729</b>	1,337	1,242	1,379	1,307
Net Cash Inflow from Operating Activities		<b>1,902</b>	1,247	1,179	1,364	1,361
Capital Investment		<b>992</b>	861	566	414	402
Return on Invested Capital (%)		<b>25.9</b>	24.5	26.8 <sup>3</sup>	31.7	31.8
Basic Earnings per Share (\$)		<b>3.822</b>	2.937	2.689	2.923	2.701
Dividend per Share (\$)		<b>1.720</b>	1.360	1.260	1.240	1.130

<sup>1</sup> Constant currency removes the impact of exchange rate movements, facilitating comparability of operational performance. For further details please refer to CSL's Financial Statements for the Full Year ended 2018 (Directors' Report).

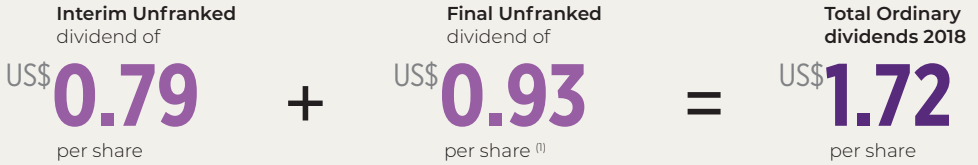
<sup>2</sup> The Group's reported results are in accordance with the Australian Equivalents to International Financial Reporting Standards (A-IFRS).

<sup>3</sup> 2016 figure includes the gain on acquisition of Novartis' global influenza vaccine business of US\$176.1 million.

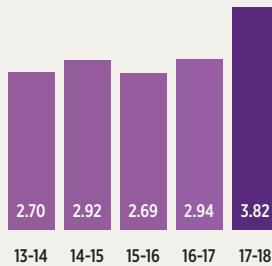


# Our Financial Performance

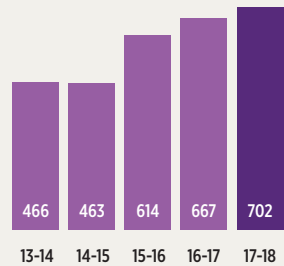
## DIVIDENDS



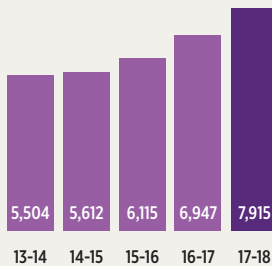
**CSL EARNINGS PER SHARE (US\$)**



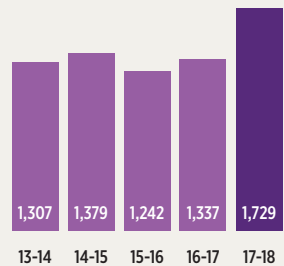
**CSL R&D INVESTMENT (US\$ MILLIONS)**



**CSL TOTAL OPERATING REVENUE (US\$ MILLIONS)**



**CSL NET PROFIT (US\$ MILLIONS)**



<sup>1</sup> For shareholders with an Australian registered address, dividends will be paid in A\$ at an amount of A\$1.278192 per share (at an exchange rate of A\$1.3744/US\$1.00), and for shareholders with a New Zealand address, dividends will be paid in NZD at an amount of NZ\$1.408671 per share (at an exchange rate of NZ\$1.5147/US\$1.00).

# Board of Directors

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**John Shine AC**  
Chairman



**Paul Perreault**  
Chief Executive Officer  
and Managing Director



**David Anstice AO**



**Bruce Brook**



**Megan Clark AC**



**Abbas Hussain**



**Marie McDonald**



**Brian McNamee AO**



**Christine O'Reilly**



**Tadataka "Tachi"  
Yamada KBE**



**Fiona Mead**  
Company Secretary

# Notice of 2018 Annual General Meeting

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## ORDINARY BUSINESS

### 1. Accounts and Reports

To receive and consider the Financial Statements and the reports of the Directors and Auditors for the year ended 30 June 2018, and to note the final dividend in respect of the financial year ended 30 June 2018 determined by the Board and paid by the Company.

### 2. Election of Directors

(a) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*'That Dr Brian McNamee AO, a Director retiring from office in accordance with rule 65(c) of the Constitution, being eligible, is elected as a Director of the Company.'*

(b) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*'That Mr Abbas Hussain, a Director retiring from office in accordance with rule 65(c) of the Constitution, being eligible, is elected as a Director of the Company.'*

(c) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*'That, in accordance with Rule 65(a) of the Constitution, Professor Andrew Cuthbertson AO, being eligible, is elected as a Director of the Company.'*

**Voting Exclusions:** The Company will disregard any votes cast on this resolution by or on behalf of certain shareholders. Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusions' section of the Notes below (see page 11).

For information about the candidates for election, together with information about voting by any significant foreign shareholder in the Company, see the Explanatory Notes (see pages 15 to 17).

### 3. Adoption of the Remuneration Report

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

*'That the Remuneration Report (which forms part of the Directors' Report) for the financial year ended 30 June 2018 be adopted.'*

**Voting Exclusions:** The Company will disregard any votes cast on this resolution by or on behalf of certain shareholders. Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusions' section of the Notes below (see page 11).

For information on the Remuneration Report, see the Explanatory Notes (page 18).

### SPECIAL BUSINESS

#### 4. Grant of Performance Share Units to the Chief Executive Officer and Managing Director, Mr Paul Perreault

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

*'That the Company approves, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant to Mr Paul Perreault (being the Company's Chief Executive Officer and Managing Director as at the date this resolution is passed) of Performance Share Units up to the maximum value of US\$6,128,500 under, and in accordance with, the CSL Limited Executive Performance and Alignment Plan (operated under the Company's Performance Rights Plan) and on the basis described in the Explanatory Notes accompanying this Notice of Annual General Meeting.'*

**Voting Exclusions:** The Company will disregard any votes cast on this resolution by or on behalf of certain shareholders. Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusions' section of the Notes below (see page 12).

For information on the proposed grant of Performance Share Units to the Chief Executive Officer and Managing Director, see the Explanatory Notes (see pages 19-22).

#### 5. Re-approval of the Global Employee Share Plan

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

*'That the Company re-approves, for the purpose of compliance with US securities laws and for all other purposes, the CSL Limited Global Employee Share Plan, a summary of the terms of which is described in the Explanatory Notes accompanying this Notice of Annual General Meeting.'*

**Voting Exclusions:** The Company will disregard any votes cast on this resolution by or on behalf of

certain shareholders. Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusions' section of the Notes below (see page 12).

For information on the proposed re-approval of the Global Employee Share Plan, see the Explanatory Notes (see pages 23-25).

#### 6. Re-approval of the Performance Rights Plan

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

*'That the Company re-approves, for the purpose of compliance with US securities laws and for all other purposes, the CSL Limited Performance Rights Plan, a summary of the terms of which is described in the Explanatory Notes accompanying this Notice of Annual General Meeting.'*

**Voting Exclusions:** The Company will disregard any votes cast on this resolution by or on behalf of certain shareholders. Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusions' section of the Notes below (see page 12).

For information on the proposed re-approval of the Performance Rights Plan, see the Explanatory Notes (see pages 26-29).

#### 7. Renewal of proportional takeover approval provisions in Constitution

To consider and, if thought fit, to pass the following resolution as a special resolution:

*'That, pursuant to section 648G of the Corporations Act 2001 (Cth), the proportional takeover approval provisions in rule 98 of the Constitution are renewed for a period of three years from the date of this meeting.'*

For information on the proposed approval of the renewal of the proportional takeover approval provisions in the Constitution, see the Explanatory Notes (see pages 30-31).

## NOTES

### Eligibility to Vote

For the purpose of voting at the AGM, the Directors have determined that all shares in the Company are taken to be held by the persons who are registered as holding them at 7.00pm (AEDT) on 15 October 2018.

The entitlement of shareholders to vote at the AGM will be determined by reference to that time.

### Voting Exclusions

One or more of the *Commonwealth Serum Laboratories Act 1961* (Cth) (the **CSL Act**), the Company's Constitution, the *Corporations Act 2001* (Cth) (**Corporations Act**) and the ASX Listing Rules require that certain persons must not vote, and the Company must disregard any votes cast by certain persons, on several of the resolutions to be considered at the meeting. These voting exclusions are described below.

#### Voting exclusions relating to Items 2(a), (b) and (c) ('Election of Directors')

The CSL Act and the Company's Constitution require certain voting exclusions in relation to significant foreign shareholders in the Company. Information about these voting exclusions is included in the Explanatory Notes relating to the resolutions proposed in Items 2(a), (b) and (c).

#### Voting exclusions relating to Item 3 ('Adoption of the Remuneration Report')

The following persons may not vote, and the Company will disregard any votes cast by or on behalf of the following persons, on the resolution proposed in Item 3 (**Resolution 3**):

- any member of the key management personnel for the CSL consolidated group (each, a **KMP**) whose remuneration details are included in the Remuneration Report, and any closely related party of such a KMP;
- any other person to the extent that they are voting on behalf of such a KMP or closely related party; and
- any person who is a KMP as at the time Resolution 3 is voted on at the AGM, and any closely related party of such a KMP, to the extent in either case that they are acting as a proxy, unless the person votes as a proxy for someone who is entitled to vote and:
  - the person is appointed as a proxy by writing that specifies how the proxy is to vote on the relevant resolution; or
  - the person is the Chair of the AGM and the proxy appointment expressly authorises the Chair to exercise the proxy even if the relevant resolution is connected directly or indirectly with the remuneration of a KMP.

### **Voting exclusions relating to Item 4 ('Grant of Performance Share Units to the Chief Executive Officer and Managing Director, Mr Paul Perreault')**

In respect of the resolution proposed in Item 4 (**Resolution 4**):

- any Director who is eligible to participate in the Performance Rights Plan or any associate of such a Director may not vote, and the Company will disregard any votes cast by or on behalf of such persons, in favour of Resolution 4; and
- any person who is a KMP as at the time Resolution 4 is voted on at the AGM, and any closely related party of such a KMP, to the extent in either case that they are acting as a proxy may not vote, and the Company will disregard any votes cast by such persons, on Resolution 4, unless the person votes as a proxy for someone who is entitled to vote and:
- the person is appointed as a proxy by writing that specifies how the proxy is to vote on Resolution 4, and the vote is cast in accordance with that direction; or
- the person is the Chair of the AGM and:
  - the proxy appointment expressly authorises the Chair to exercise the proxy even if Resolution 4 is connected directly or indirectly with the remuneration of a KMP; and
  - if the Chair is a Director who is eligible to participate in the Performance Rights Plan, the vote is cast in accordance with a direction in the proxy appointment to vote as the proxy decides.

### **Voting exclusions relating to Items 5 and 6 ('Re-approval of the Global Employee Share Plan' and 'Re-approval of the Performance Rights Plan')**

Any person who is a KMP as at the time the resolution proposed in Item 5 (**Resolution 5**) or the resolution proposed in Item 6 (**Resolution 6**) is voted on at the AGM, and any closely related party of such a KMP, to the extent in either case that they are acting as a proxy, may not vote, and the Company will disregard any votes cast by them, on Resolution 5 or Resolution 6 (as applicable) unless:

- the person is appointed as a proxy by writing that specifies how the proxy is to vote on Resolution 5 or Resolution 6 (as applicable), and the vote is cast in accordance with that direction; or
- the person is the Chair of the AGM and the proxy appointment expressly authorises the Chair to exercise the proxy even if Resolution 5 or Resolution 6 (as applicable) is connected directly or indirectly with the remuneration of a KMP.

### **Defined terms used in the voting exclusions**

For the purposes of the above voting exclusions:

- The '**key management personnel for the CSL consolidated group**' (or KMPs) are those persons having authority and responsibility for planning, directing and controlling the activities of the CSL consolidated group either directly or indirectly. It includes all Directors (Executive and Non Executive). The KMPs during the year ended 30 June 2018 are listed in the Remuneration Report contained in the Directors' Report for the year ended 30 June 2018.

- A '**closely related party**' of a KMP means:
  - a spouse or child of the KMP; or
  - a child of the KMP's spouse; or
  - a dependant of the KMP or of the KMP's spouse; or
  - anyone else who is one of the KMP's family and may be expected to influence the KMP, or be influenced by the KMP, in the KMP's dealings with the CSL consolidated group; or
  - a company the KMP controls.

#### **Application of voting exclusions to attorneys**

The Company will also apply these voting exclusions to persons appointed as attorney by a shareholder to attend and vote at the AGM under a power of attorney, as if they were appointed as a proxy.

#### **Information On Proxies, Corporate Representatives and Attorneys**

##### **Voting by Proxy**

- A shareholder of the Company entitled to attend and vote at the AGM is entitled to appoint a proxy. A shareholder who is entitled to cast two or more votes may appoint not more than two proxies. A proxy appointment form accompanies this Notice of AGM.
- A proxy may be either an individual or a corporation, and need not be a shareholder of the Company.
- A single proxy exercises all voting rights of the relevant shareholder.
- Where two proxies are appointed, the shareholder may specify the proportion or number of that shareholder's votes that each proxy is appointed to exercise. If a shareholder appoints two proxies and does not specify each proxy's voting rights, the rights are deemed to be 50% each. Fractions of votes are to be disregarded. Where two proxies are appointed, neither may vote on a show of hands.

- A proxy need not vote in that capacity on a show of hands on any resolution nor (unless the proxy is the Chair of the AGM) on a poll. However, if the proxy's appointment specifies the way to vote on a resolution, and the proxy decides to vote in that capacity on that resolution, the proxy must vote the way specified (subject to the other provisions of these Notes, including the voting exclusions noted above).
- If a proxy does not attend the AGM then the Chair of the AGM will be taken to have been appointed as the proxy of the relevant shareholder in respect of the AGM.
- If the Chair of the AGM is appointed, or taken to be appointed, as a proxy, but the appointment does not specify the way to vote on a resolution, then the Chair intends to exercise the relevant shareholder's votes in favour of the relevant resolution (subject to the other provisions of these Notes, including the voting exclusions noted above).
- To be valid, the appointment of a proxy must be received at least 48 hours prior to the AGM using one of the following methods:

- online by visiting the following address:  
[www.investorvote.com.au](http://www.investorvote.com.au)

**OR**

- faxing the proxy appointment form, along with the power of attorney or other authority (if any) under which the form is signed, to one of the following numbers:  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

OR

- lodging the proxy appointment form in person or by mail, along with the power of attorney or other authority (if any) under which the form is signed (or a certified copy thereof), at one of the following addresses:

**BY HAND:**

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford, Victoria 3067

or

**BY MAIL:**

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne, Victoria 3001

Relevant custodians may lodge their proxy forms online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).

**Voting by Corporate Representatives**

A shareholder, or proxy, that is a corporation and entitled to attend and vote at the AGM may appoint an individual to act as its corporate representative. Evidence of the appointment of a corporate representative must be in accordance with the Corporations Act and must be lodged with the Company before the AGM or at the registration desk on the day of the AGM.

**Voting by Attorney**

A shareholder entitled to attend and vote at the AGM is entitled to appoint an attorney to attend and vote at the AGM on the shareholder's behalf.

An attorney need not be a shareholder of the Company.

The power of attorney appointing the attorney must be duly executed and specify the name of each of the shareholder, the Company and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

To be effective, the power of attorney must also be returned in the same manner, and by the same time, as outlined above for proxy appointment forms.

**Evidence of execution**

If any instrument (including a proxy appointment form or appointment of corporate representative) returned to the Company is completed by an individual or a corporation under power of attorney, the power of attorney under which the instrument is signed, or a certified copy of that power of attorney, must accompany the instrument unless the power of attorney has previously been noted by the Company or the Company's share registry.

BY THE ORDER OF THE BOARD



Fiona Mead – Company Secretary  
24 August 2018



## EXPLANATORY NOTES

### RESOLUTION 2 – ELECTION OF DIRECTORS



#### Candidate for Election to the Office of Director

##### **Dr Brian McNamee AO**

MBBS, FAICD, FTSE (Age 61)

*Pharmaceutical Industry and Medicine*

Dr Brian McNamee AO was appointed to the CSL Board in February 2018. He was Chief Executive Officer and Managing Director of CSL from 1990 until his retirement in 2013.

Since leaving his executive role at CSL, Dr McNamee has served as an advisor to private equity group Kohlberg Kravis Roberts, he has pursued a number of private start-up and company-making activities, and in 2014 served on the panel of the Australian Government's Financial System Inquiry.

In 2009 Dr McNamee was made an Officer of the Order of Australia (AO) for services to business and commerce.

Subject to his election as a Director, it is intended that Dr McNamee become Chair of the CSL Board at the conclusion of this year's AGM.

Dr McNamee is a member of the Innovation and Development Committee and the Corporate Governance and Nomination Committee.

The Board has determined that Dr McNamee is an independent Director.



#### Candidate for Election to the Office of Director

##### **Mr Abbas Hussain**

BSc (Hons) (Age 53)

*Pharmaceutical Industry*

Mr Abbas Hussain was appointed to the CSL Board in February 2018. He is currently a Director of Immunocore Limited.

Mr Hussain has previously been Global President, Pharmaceutical at GlaxoSmithKline and a Director of ViiV Healthcare Limited, as well as previously serving on the Board of Aspen Healthcare and the Duke/National University of Singapore Medical School.

Mr Hussain is a member of the Human Resources and Remuneration Committee and the Innovation and Development Committee.

The Board has determined that Mr Hussain is an independent Director.



### Candidate for Election to the Office of Director

#### **Professor Andrew Cuthbertson AO**

BMedSci, MBBS, PhD, FTSE, FAHMS (Age 63)

*Pharmaceutical Industry and Medicine*

Professor Andrew Cuthbertson AO was appointed as Chief Scientific Officer and R&D Director in 2000 (with responsibility for CSL's Global Research and Development operations).

Professor Cuthbertson joined CSL in 1997 as Director of Research. He trained in medicine and science in Australia at the University of Melbourne, the Walter and Eliza Hall Institute and the Howard Florey Institute and in the United States at the National Institutes of Health. He was then a Senior Scientist at Genentech, Inc. in San Francisco.

In 2016 Professor Cuthbertson was made an Officer of the Order of Australia (AO) for services to medical research, and was made an Enterprise Professor, Faculty of Medicine, Dentistry and Health Sciences at the University of Melbourne.

Following his election as an executive Director of the Company, Professor Cuthbertson will continue to be part of the CSL Global Leadership Group in the full time role as Chief Scientific Officer.

The Board has determined that Professor Cuthbertson will not be an independent Director.

### RECOMMENDATION

The Directors (in each case excluding the relevant candidate) recommend that shareholders vote in favour of the election of each of the above candidates.

### Retiring Directors

The following Directors will be retiring from the Board at the conclusion of this year's AGM, and will not be seeking re-election:

- **Professor John Shine AC**

Professor Shine has been a Director since June 2006 and has been Chair of the CSL Board since October 2011. Professor Shine has been a valuable contributor to the Board, especially in his capacity as Chair of the CSL Board, a member and chair of the Nomination Committee and as a member of the Innovation and Development Committee.

- **Mr David Anstice AO**

Mr Anstice has been a Director since September 2008. Mr Anstice has also been a valuable contributor to the Board, especially in his capacity as a member of the Human Resources and Remuneration Committee, which he chaired until February 2018, the Innovation and Development Committee, which he has chaired since February 2018 and the Nomination Committee.

The Board would like to express their sincere gratitude for the exceptional service of Professor Shine and Mr Anstice as Directors and wish them well for their future endeavours.

### **Voting restrictions on any significant foreign shareholder**

As required by the CSL Act, the Constitution provides that if the Board becomes aware of a 'significant foreign shareholding' in the Company, the Board must be divided into two classes of Directors, comprising O class and A class Directors. The Constitution defines a 'significant foreign shareholder' as a foreign person who has a relevant interest in at least 5% of the voting shares of the Company.

The number of O class Directors must be the number nearest to but not exceeding one third of the Directors. Thus in a Board of nine members, there would need to be three O class Directors and six A class Directors. Under the Constitution, the Managing Director must be regarded as an A class Director.

All shareholders are entitled to vote on the election of an O class Director. A significant foreign shareholder (including any controlled entities and nominees of the significant foreign shareholder to the extent they hold the shares which comprise the significant foreign shareholding) may not vote on the election, re-election or removal of an A class Director.

In accordance with the Constitution, the Board has previously determined that Professor John Shine, Mr David Anstice and Dr Megan Clark be classified as O class Directors, with the rest of the Directors being classified as A class Directors. The Board has also determined that, upon the retirement of Professor Shine and Mr Anstice at the conclusion of the 2018 AGM, each of Dr Brian McNamee and Mr Abbas Hussain will be classified as O class Directors from that point in time. If elected, the Board has determined that Professor Andrew Cuthbertson will be classified as an A class director.

Accordingly, at the 2018 AGM, two A class Directors (Dr Brian McNamee and Mr Abbas Hussain) will stand for election, and one candidate proposed to be an A class director (Professor Andrew Cuthbertson) will stand for election.

As required by the Constitution, the Board conducts periodic reviews of the Company's share register with a view to determining whether or not there are any significant foreign shareholders. For example, the Company reviews the underlying ownership of substantial shareholders of the Company who, in accordance with Chapter 6C of the Corporations Act, must give notice to the Company and the ASX if they and their associates have relevant interests in 5% or more of the voting shares in the Company. In most cases to date, where the substantial shareholder is a foreign company or a member of a foreign company's group, it has been in its capacity as a fund manager. The Constitution provides that a fund manager is only a foreign person for this purpose if the total interests of foreign persons in the fund represent more than 40% of the total.

As a result of those periodic reviews, the Board is not aware of any significant foreign shareholder as at the date of this notice. If there is any significant foreign shareholder at the time of the 2018 AGM, the relevant shares comprising the significant foreign shareholding will be prohibited from voting on the election of any of the Directors at the 2018 AGM.

### **RESOLUTION 3 – ADOPTION OF THE REMUNERATION REPORT**

Under the Corporations Act, the Company is required to include, in the Directors' Report, a detailed Remuneration Report setting out certain prescribed information relating to Directors' and Executives' remuneration, and submit this for adoption by resolution of shareholders at the AGM.

The Directors' Report for the year ended 30 June 2018 contains the Remuneration Report, which is set out on pages 55 to 76 of the 2018 Annual Report. A copy of the 2018 Annual Report can be found on the CSL website at [www.csl.com.au](http://www.csl.com.au) or by contacting the Company's share registrar, Computershare.

The Remuneration Report includes:

- an explanation of the Company's policies in relation to the nature and amount of the remuneration of the key management personnel (KMP);
- a description of the relationship between such policies and CSL's performance; and
- remuneration details for KMP and any associated performance conditions for the period ended 30 June 2018.

During this item, there will be an opportunity for shareholders at the meeting to comment on and ask questions about the Remuneration Report, and shareholders are asked to adopt the Remuneration Report.

The vote on the resolution in this item is advisory and will not bind the Directors of CSL. The Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies of the Company.

### **RECOMMENDATION**

**Noting that each Director has a personal interest in their own remuneration from the Company (as such interests are described in the Remuneration Report) and, as described above in the voting exclusions, that each Director (or any closely related party of a Director) is excluded from voting their shares on this resolution, the Directors recommend that shareholders vote in favour of Resolution 3.**

**RESOLUTION 4 –  
GRANT OF PERFORMANCE SHARE UNITS TO  
THE CHIEF EXECUTIVE OFFICER AND MANAGING  
DIRECTOR, MR PAUL PERREAULT**

ASX Listing Rule 10.14 requires shareholder approval for the acquisition of securities by a Director under an employee incentive scheme. The Board believes it is in shareholders’ interests to provide the Chief Executive Officer and Managing Director, Mr Paul Perreault, with an equity based incentive to ensure there is alignment between satisfactory returns for shareholders and his reward.

The alignment component of remuneration will be in the form of Performance Share Units (PSUs) awarded pursuant to the ‘CSL Limited Executive Performance and Alignment Plan’ (the EPA Plan).

Each PSU will entitle Mr Perreault to receive one fully paid ordinary share in CSL (a Share), subject to the vesting criteria including the satisfaction of a ‘Return on Invested Capital’ performance hurdle (described further below). The EPA Plan will be administered pursuant to, and the PSUs will be issued under, the rules of the CSL Limited Performance Rights Plan. Further details about the EPA Plan are set out in the Remuneration Report on pages 55 to 76 of the 2018 Annual Report.

**Key terms**

The key terms of the proposed grant of PSUs to Mr Perreault under the EPA Plan are set out below. Further details of Mr Perreault’s remuneration package are set out in the Remuneration Report on pages 55 to 76 of the 2018 Annual Report.

<b>Grant Value</b>	<p>A grant value of US\$6,128,500 converted to Australian dollars using the closing rate on 31 August 2018.</p> <p>This grant value, or target opportunity, is equivalent to 350% of Mr Perreault’s base salary of US\$1,751,000 as at 1 September 2018.</p>
<b>Number of PSUs to be granted</b>	<p>The number of PSUs to be granted will be determined by dividing the above grant value in A\$ by the Market Price.</p> <p>The Market Price will be the five day volume weighted average price at which Shares are traded on the ASX up to and including 31 August 2018.</p> <p>The PSUs will be divided into four equal tranches, with each tranche of PSUs to be tested on a separate testing date (see the ‘Performance Hurdle and Vesting’ section below).</p>
<b>Grant Date and allocation</b>	<p>Subject to shareholder approval, the PSUs will be issued within 12 months after the date of the AGM.</p>
<b>Performance Measure</b>	<p>At each test date, the tranche of PSUs that is eligible to be tested for vesting will be subject to a seven year rolling average ‘Return on Invested Capital’ (ROIC) performance measure, where:</p> $\text{ROIC} = \frac{(\text{Reported EBIT} \times (1 - \text{Effective Tax Rate}))}{(\text{Average Equity} + \text{Average Net Debt})}$

### Performance Hurdle and Vesting

The Board has determined the ROIC hurdle based on past, current and expected future ROIC performance over the relevant performance period, peer group historical performance and market consensus.

Vesting will occur on achievement of target level of performance, with partial vesting on achievement of threshold performance:

Performance Level	Hurdles	Outcome
Below threshold		0% vesting
Between threshold and target	Threshold ROIC of 24.0% (calculated to one decimal point)	50% vesting on achievement of threshold level performance, increasing on a straight-line basis to 100% vesting on achievement of target level performance
Target	Target ROIC of 27.0% (calculated to one decimal point)	100% vesting
Above target		Outcome capped at 100% - cannot exceed target

Performance will be measured on the vesting date for each tranche as follows based on a seven year average of ROIC at the vesting date:

- Tranche 1 vesting date – 1 September 2019;
- Tranche 2 vesting date – 1 September 2020;
- Tranche 3 vesting date – 1 September 2021; and
- Tranche 4 vesting date – 1 September 2022.

For example, for Tranche 1 the ROIC will be calculated as the average of the annual ROIC for each of the financial years ending 30 June 2013, 2014, 2015, 2016, 2017, 2018 and 2019. The Board considers that testing performance on an annual basis recognises the importance of sustained longer-term performance.

Any PSUs which do not vest following testing of the performance hurdle at each vesting date will lapse. There will be no retesting of performance hurdles.

<b>Price Payable on Grant or Vesting</b>	No amount is payable in respect of the grant, or vesting, of the PSUs.
<b>Illustrative Example<sup>1</sup></b>	<p>The maximum award value for Mr Perreault is US\$6,128,500.</p> <p>If the A\$:US\$ closing rate on 31 August 2018 was A\$1.00 = US\$0.74, the maximum value of the award when converted to Australian dollars would be A\$8,281,757.</p> <p>If the market value of a CSL share was A\$215, a total of 38,519 PSUs would be granted to Mr Perreault. The 38,519 PSUs would then be divided into three equal tranches of 9,630 PSUs with the fourth tranche equalling 9,629 PSUs.</p>
<b>Trading Restrictions</b>	Shares allocated on vesting of the PSUs will not be subject to any additional trading restrictions on dealing.
<b>Change of Control</b>	If there is a change of control of the Company, unless otherwise determined by the Board, a pro-rata number of PSUs granted, based on the time elapsed since the issue date will be tested against the performance measures and will vest based on the extent to which the performance measures have been met.
<b>Cessation of Employment</b>	<p>If Mr Perreault ceases employment with CSL before the PSUs vest, then all unvested PSUs will lapse.</p> <p>However, if Mr Perreault ceases employment by retirement, redundancy, death, total or permanent disability or another 'Good Leaver' reason as determined by the Board in its absolute discretion, he will retain a pro-rated number of PSUs in each unvested tranche based on the period elapsed from the issue date to the date of cessation. Any PSUs will be retained subject to the original terms and conditions of the awards including award Vesting Date (i.e., no acceleration).</p> <p>To the extent permitted by law, the Board may elect to settle any PSUs vesting by way of a cash payment (rather than Shares).</p>

<sup>1</sup> Although care has been taken to use relevant figures, readers should note that the exchange rate and share price in the Illustrative Example are included for illustrative purposes only and do not reflect the actual numbers that will be used in the final calculations. As noted above, the actual numbers used in the final calculations will be based on the actual closing A\$:US\$ exchange rate on 31 August 2018 and five day volume weighted average price at which CSL shares are traded on the ASX up to and including 31 August 2018, each of which may vary from the figures in the Illustrative Example.

### **Clawback**

The terms of the awards will be subject to the Company's Clawback Policy.

This Policy enables the clawback or adjustment of any incentive awards which vest (or may vest), including any gain realised from the disposal of the underlying Shares, as a result of a material misstatement or omission in the financial statements or otherwise as a result of fraud, dishonesty or serious and wilful misconduct.

### **Other information**

Mr Perreault and Professor Cuthbertson are the only Directors (or proposed Directors) who are eligible to participate in the EPA Plan and the Performance Rights Plan.

There is no loan scheme in relation to the PSUs.

In accordance with approval obtained at the 2017 AGM, Mr Perreault was granted 52,052 PSUs under the Performance Rights Plan in October 2017.

Mr Perreault is prohibited from hedging the share price exposure in respect of PSUs.

If Shareholder approval is obtained, details of the PSUs granted to Mr Perreault will be provided in the Remuneration Report for the year ended 30 June 2019.

A copy of the CSL Limited Performance Rights Plan rules, which apply to the PSU awards, is available on request from the Company Secretary.

If shareholders do not approve the grants of PSUs at the AGM, it is intended that awards will be provided to Mr Perreault in cash, subject to performance, service and other conditions.

### **RECOMMENDATION**

The Directors (excluding Mr Perreault) recommend that shareholders vote in favour of Resolution 4.



## RESOLUTION 5 – RE-APPROVAL OF GLOBAL EMPLOYEE SHARE PLAN

### Background

Resolution 5 seeks the re-approval by the Company's shareholders, for the principal purpose of compliance with certain US state securities laws, of the CSL Limited Global Employee Share Plan (the *Global Employee Share Plan*).

The initial adoption of the Global Employee Share Plan was approved by shareholders at the Company's AGM in 2002, and was re-approved by shareholders at the Company's AGM in 2011.

The Board believes that the Global Employee Share Plan continues to be an important initiative of the Company, aimed at further enhancing the relationship between the Company and its employees for their long-term mutual benefit. In particular, the Board considers that the Global Employee Share Plan encourages employees to invest their own funds in CSL shares, which is intended to develop and increase the level of commitment to the Company by more closely aligning the personal objectives of participants with the objectives of the CSL Group.

### Overview of the Global Employee Share Plan

The key terms of the Global Employee Share Plan are set out below.

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**Eligibility and Participation** The Global Employee Share Plan is a voluntary contribution plan which, from time to time, is offered to certain full-time or part-time employees of the Company or its subsidiaries (*Eligible GESP Participants*). Directors of the Company (whether Executive or Non-Executive Directors) are not entitled to participate in the Global Employee Share Plan. Eligible GESP Participants who elect to participate in the Global Employee Share Plan (*GESP Participants*) are entitled to discontinue their participation in the Global Employee Share Plan at any time. Participation will automatically cease if a GESP Participant ceases to be an employee of a CSL Group company or otherwise ceases to be an Eligible GESP Participant. As at 20 August 2018, there are approximately 6,020 GESP Participants in the Global Employee Share Plan, including approximately 2,507 GESP Participants who are resident in the United States.

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### Contributions and Acquisition of Shares

Under the Global Employee Share Plan, certain regular deductions are made from a GESP Participant's after-tax salary, which deductions are then held on trust for each GESP Participant (*Contributions*). At present, each GESP Participant's gross Contributions are limited to the lesser of 20% of the GESP Participant's gross remuneration and A\$12,000 each year.

Shortly after the end of each consecutive six month "Offering Period", the Contributions are used to subscribe for new Shares for the GESP Participant. The subscription price (*Share Issue Price*) is determined by the Board, but must not be less than 85% of the lower of the prevailing Share price at the beginning and the end of the relevant Offering Period.

Funds generated for the Company by the issue of Shares under the Global Employee Share Plan are intended to be used for general corporate purposes.

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## Notice of 2018 Annual General Meeting **continued**

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<b>Maximum Number of Shares</b>	<p>The maximum aggregate number of Shares which may be issued under the Global Employee Share Plan is 90,000,000. The Global Employee Share Plan contains other limits on the number of issuable Shares, including that Shares may not be issued under the Global Employee Share Plan if such issuance would result in Shares representing more than 7.5% of the total number of the Company's issued Shares being issued under or in connection with Company employee equity plans.</p>
<b>Adjustment upon significant events</b>	<p>The Global Employee Share Plan rules require certain adjustments to the rules or the terms applicable to relevant offers upon the occurrence of certain significant events. If, during a relevant offering period:</p> <ul style="list-style-type: none"><li>(a) there is a reconstruction or other alteration of the capital of the Company;</li><li>(b) the Company makes a distribution to shareholders other than a cash dividend; or</li><li>(c) any company in the CSL Group is involved in a merger, dissolution, spin-off or other transaction which the Board considers is likely to significantly affect the value of Shares,</li></ul> <p>the Board must adjust either or both the terms of the applicable offer and the Global Employee Share Plan rules (including the method of determination of the Share Issue Price and the maximum number of Shares to be issued under the Global Employee Share Plan) as they apply to the relevant Offering Period to reflect the changed circumstances in a manner in which the Board determines to be fair and equitable or as required by applicable US state securities law.</p>
<b>Non-transferability of Purchase Rights</b>	<p>A GESP Participant's right to purchase Shares under the Global Employee Share Plan is personal and may not be transferred or assigned by the GESP Participant to any other person other than by will or by the laws of succession.</p>
<b>Rights attaching to Shares</b>	<p>Shares issued under the Global Employee Share Plan (<b><i>GESP Shares</i></b>) will rank equally with all existing issued Shares from the date of issue.</p>
<b>Restrictions on dealing with Shares</b>	<p>The Board has the power to impose 'Holding Locks' over the GESP Shares, restricting a GESP Participant's right to sell, encumber or otherwise deal with GESP Shares during specified 'Holding Locks Periods'. It has been the Board's practice, and continues to be their intention, to impose Holdings Locks and, as a general rule, GESP Participants are entitled to select between the imposition of a one year or a three year Holding Lock Period.</p> <p>Any Holding Lock Period will automatically end on the date on which, as a result of a successful takeover or scheme of arrangement in respect of the Company, a person's voting power in the Company increases to more than 50%.</p>

**Amendment**

The Global Employee Share Plan rules may be amended or supplemented by the Board.

The Board may also formulate (and subsequently amend) special rules to apply to GESP Participants located in or connected with particular countries. In this regard, the Board has adopted a schedule to the Global Employee Share Plan rules setting forth rules for GESP Participants in the United States, to reflect that the Global Employee Share Plan is intended to be qualified under Section 423 of the US Internal Revenue Code, and to conform with the requirements of applicable US state securities laws.

**Termination**

The Board may suspend or terminate the operation of the Global Employee Share Plan at any time.

A copy of the Global Employee Share Plan rules (including any schedule) will be sent to a shareholder on request to the Company Secretary.

**Reason for re-approval**

The Global Employee Share Plan includes provision for participation by foreign employees within the CSL Group. In particular, the Global Employee Share Plan has been structured to allow the Company to make offers to foreign employees in a manner that accommodates foreign legal and taxation requirements.

Under the applicable US state securities laws, the Global Employee Share Plan must (among other things) have been approved by the Company's shareholders (and the Board) within the previous ten years. The Global Employee Share Plan was last approved by shareholders at the Annual General Meeting held in 2011. Although that approval will remain valid for ten years, the Board is seeking re-approval of the Global Employee Share Plan at the 2018 Annual General Meeting to permit the Company to continue to offer the benefits of the Global Employee Share Plan to employees of the CSL Group who are resident in the United States (in compliance with those relevant US state securities laws) until 2028. This will then align the currency of approval of the Global Employee Share Plan with the currency of the approval of the Performance Rights Plan (assuming shareholders approve the Performance Rights Plan, which is the subject of Resolution 6).

If shareholders do not approve Resolution 5 (and shareholder approval of the Global Employee Share Plan is not obtained at a subsequent AGM held during or before 2021):

- (a) the Global Employee Share Plan will cease to operate in 2021 in respect of GESP Participants who are resident in the United States, and unused contributions from those GESP Participants at that time will be refunded; and
- (b) the Company will be less able to derive the long term benefits which the Global Employee Share Plan is designed to achieve by aligning the personal objectives of those GESP Participants resident in the United States with the objectives of the CSL Group.

**RECOMMENDATION**

**The Directors recommend that shareholders vote in favour of Resolution 5.**

### **RESOLUTION 6 – RE-APPROVAL OF THE PERFORMANCE RIGHTS PLAN**

#### **Background**

Resolution 6 seeks the re-approval by the Company's shareholders, for the principal purpose of compliance with certain US state securities laws, of the CSL Limited Performance Rights Plan (the *Performance Rights Plan*).

The initial adoption of the Performance Share Plan was approved by shareholders at the Company's AGM in 2003.

The Performance Rights Plan is the long term incentive plan operated by CSL to provide equity incentives to CSL executives as part of their performance based remuneration.

On 1 July 2017 CSL introduced a new executive remuneration framework which includes revised long term incentive arrangements for executives – the EPA Plan – which involves the grant to eligible CSL Group executives of PSUs that entitle the executive to receive one Share for each PSU, subject to the vesting criteria applicable to the PSUs (which include performance

hurdles). The Explanatory Notes for Resolution 4 (regarding the proposed issue of PSUs to Mr Paul Perreault (the Chief Executive Officer and Managing Director)) provide further detail on the EPA Plan and PSUs.

The EPA Plan is administered pursuant to, and the PSUs are issued under, the Performance Rights Plan – in essence, the Performance Rights Plan is the umbrella framework under which the EPA Plan operates.

On 1 July 2017 CSL also introduced another long term incentive program for its Management level employees – the Retain and Grow Plan (*RGP*). The RGP involves the grant to eligible CSL Group employees of Restricted Share Units (*RSUs*) that entitle the employee to receive one Share for each RSU, subject to the vesting criteria applicable to the RSUs (which include individual performance hurdles). The RGP is administered pursuant to, and the RSUs issued under, the Performance Rights Plan.

#### **Overview of the Performance Rights Plan**

The key terms of the Performance Rights Plan are set out below.

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#### **Eligibility**

The class of persons who may participate in the Performance Rights Plan comprise full-time and part-time employees of CSL and its related bodies corporate and any associated company in which CSL has voting power of at least 20%.

The Board has a discretion to determine which of these eligible employees are offered participation in the Performance Rights Plan (*Eligible Employees*).

The Board's current policy is to offer participation to those employees who are identified by the Board as being of strategic and operational importance to the Company and whose performance warrants an offer under the Performance Rights Plan. Currently, executives and management level employees are offered participation in the Performance Rights Plan via the EPA Plan and the RGP, each of which are administered pursuant to the Performance Rights Plan (as described above).

As at 20 August 2018, there are approximately 1,033 Eligible Employees who have accepted an offer of participation in the Performance Rights Plan, including approximately 523 who are resident in the United States.

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## **Grant of Performance Rights**

Those Eligible Employees who accept an offer of participation in the Performance Rights Plan (*PRP Participants*) are granted Performance Rights under the terms of the Performance Rights Plan (*Performance Rights*).

Each Performance Right entitles the PRP Participant to receive one Share for each Performance Right, subject to the vesting criteria applicable to the Performance Rights.

Each PSU granted under the EPA Plan and each RSU granted under the RGP is a Performance Right.

Performance Rights are granted for no consideration and, unless otherwise determined by the Board, have no exercise price.

Performance Rights:

- (a) do not confer on a PRP Participant the right to participate in new issues of Shares or receive dividends;
- (b) may not be transferred without the approval of the Board; and
- (c) are not and will not be listed on any stock exchange.

## **Vesting and exercise**

A Performance Right will only vest and entitle the PRP Participant to receive a Share if the vesting criteria applicable to the Performance Right are satisfied as at the testing date for those vesting criteria.

If the vesting criteria are satisfied, the Performance Right may be exercised and the PRP Participant is entitled to receive one Share in respect of each Performance Right exercised.

The Company currently uses a seven year ROIC ('Return on Invested Capital') vesting criteria for the PSUs granted to PRP Participants under the EPA Plan. Details of these vesting criteria and test dates are set out in the Explanatory Notes for Resolution 4 (regarding the proposed issue of PSUs to Mr Paul Perreault (the Chief Executive Officer and Managing Director)).

The Company currently uses an individual performance condition under its Performance Management Framework as the vesting criteria for the RSUs granted to PRP participants under the RGP.

<b>Lapse of Performance Rights</b>	<p>Performance Rights lapse in certain circumstances, including where:</p> <ul style="list-style-type: none"><li>(a) the vesting criteria applicable to the Performance Rights have not been satisfied within the required time period;</li><li>(b) although vested, the Performance Rights have not been exercised before their nominated expiry date;</li><li>(c) any forfeiture event specified in relation to the Performance Rights has occurred;</li><li>(d) subject to the relevant PRP Participant being a Good Leaver (see below) or the Board determining otherwise, the PRP Participant ceases to be an employee of the CSL Group; and</li><li>(e) the relevant PRP Participant acts fraudulently or dishonestly or is in material breach of his or her obligations to the Company or any other Group Company.</li></ul> <p>Upon the lapse of a Performance Right, all rights of the PRP Participant in respect of that Performance Right cease.</p>
<b>Change of Control</b>	<p>If there is a change of control of the Company, unless otherwise determined by the Board, a pro-rata number of Performance Rights granted to a PRP Participant, based on the time elapsed since the issue date will be tested against the vesting criteria and will vest based on the extent to which the performance measures have been met.</p> <p>To the extent permitted by law, the Board may elect to settle any Performance Rights that so vest by way of a cash payment (rather than the delivery of Shares).</p>
<b>Cessation of Employment</b>	<p>If a PRP Participant ceases employment with CSL before the Performance Rights vest, then all unvested Performance Rights will lapse.</p> <p>However, if a PRP Participant ceases employment by retirement, redundancy, death, total or permanent disability or another 'Good Leaver' reason as determined by the Board in its absolute discretion, the PRP Participant will retain a pro-rated number of Performance Rights based on the period elapsed from the issue date to the date of cessation. Any Performance Rights under the EPA Plan will be retained subject to the original terms and conditions of the awards, with any Performance Rights retained under the RGP accelerated to vesting on cessation of employment.</p> <p>To the extent permitted by law, the Board may elect to settle any Performance Rights that so vest by way of a cash payment (rather than the delivery of Shares).</p>
<b>Adjustment upon significant events</b>	<p>If at any time before a Performance Right is exercised an event occurs which affects the number or type of securities on issue in the capital of the Company (including a subdivision, consolidation, reduction, redemption or further issue of securities whether by way of rights issue, bonus issue or otherwise), the Performance Rights must be restructured in a manner which is fair and equitable to the PRP Participants and which is consistent with the ASX Listing Rules or as required by applicable US state securities law.</p>
<b>Rights attaching to Shares</b>	<p>Shares delivered under the Performance Rights Plan will rank equally with all existing issued Shares from the date of issue.</p>

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**Clawback**

Performance Rights are subject to the Company's Clawback Policy.

This Policy enables the clawback or adjustment of any incentive awards which vest (or may vest), including any gain realised from the disposal of the underlying shares, as a result of a material misstatement or omission in the financial statements or otherwise as a result of fraud, dishonesty or serious and wilful misconduct.

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**Amendment**

The Performance Rights Plan rules may be amended or supplemented by the Board.

The Board may also formulate (and subsequently amend) special rules to apply to PRP Participants located in or connected with particular countries. In this regard, the Board has adopted a schedule to the Performance Rights Plan rules setting forth rules for PRP Participants in the United States to conform with the requirements of applicable US state securities laws, including (i) a limit of 5,000,000 on the maximum aggregate number of Shares that may be issued to residents of California, (ii) a prohibition on the transferability of Performance Rights other than upon death or as permitted under US securities laws, and (iii) a ten year term on the offering of the Performance Rights Plan to residents of California (which expires on 1 March 2028).

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**Termination**

The Board may suspend or terminate the operation of the Performance Rights Plan at any time.

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A copy of the Performance Rights Plan rules (including any schedule) will be sent to a shareholder on request to the Company Secretary.

**Reason for re-approval**

The Performance Rights Plan includes provision for participation by foreign employees within the CSL Group. In particular, the Performance Rights Plan has been structured to allow the Company to make offers to foreign employees in a manner that accommodates foreign legal and taxation requirements.

Accordingly, the Performance Rights Plan is subject to certain US securities laws in respect of PRP Participants who are resident in the United States. Under the applicable US state securities laws, the Performance Rights Plan must (among other things) have been approved by the Company's shareholders (and the Board) within the previous ten years. The Board is seeking re-approval of the Performance Rights Plan at the 2018 Annual General Meeting to permit the Company to offer the benefits of the Performance Rights Plan to employees of the CSL Group who are resident in the United States – in particular offers of RSUs under the RGP to employees of the CSL Group

who are resident in the United States – in compliance with those relevant US securities laws until 2028.

If shareholders do not approve Resolution 6:

- (a) offers under the Performance Rights Plan will no longer be able to be made to certain employees of the CSL Group who are resident in the United States and any such outstanding offers will be rescinded; and
- (b) the Company will be less able to derive the long term benefits which the Performance Rights Plan is designed to achieve by aligning the personal objectives of those PRP Participants resident in the United States with the objectives of the CSL Group.

**RECOMMENDATION**

**As each Executive Director has a personal interest in Resolution 6, each Executive Director abstains from providing a recommendation to shareholders in respect of Resolution 6.**

**The Non-Executive Directors recommend that shareholders vote in favour of Resolution 6.**

### **RESOLUTION 7 - RENEWAL OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS IN CONSTITUTION**

#### **Background**

The Corporations Act permits a company to include in its constitution provisions prohibiting the registration of a transfer of securities resulting from a proportional takeover bid, unless the relevant holders of the securities in a meeting approve the bid.

It is a requirement of the Corporations Act that such provisions in a company's constitution apply for a maximum period of three years, unless earlier renewed. In the case of the Company, such proportional takeover bid approval provisions (existing rule 98 of the Constitution) were adopted by shareholders in 2012. As rule 98 of the Constitution was last renewed at the 2015 Annual General Meeting on 15 October 2015, it will cease to apply on 15 October 2018.

The Directors consider that it is in the best interests of shareholders to renew these provisions in their existing form. Accordingly, a special resolution is being put to shareholders under section 648G of the Corporations Act to renew rule 98 of the Constitution.

If renewed by shareholders at the meeting, rule 98 will continue to operate for a further three years from the date of the meeting (ie, until 17 October 2021), subject to further renewal.

#### **Effect of provisions**

The effect of rule 98 of the Constitution, as renewed, will be that where a proportional takeover bid is made for securities in the Company (ie, a bid is made for a specified proportion, but not all, of each holder's bid class securities), the Directors must convene a meeting of holders of the relevant securities to vote on a resolution to approve that bid. The meeting must be held, and the resolution voted on, at least 15 days before the offer period under the bid ends.

To be passed, the resolution must be approved by a majority of votes at the meeting, excluding votes by the bidder and its associates. However, the Corporations

Act also provides that, if the meeting is not held within the time required, then a resolution to approve the proportional takeover bid will be deemed to have been passed.

If the resolution to approve the proportional takeover bid is passed or deemed to have been passed, the transfer of securities resulting from acceptance of an offer under that bid will be permitted, and the transfers registered, subject to the Corporations Act and the Constitution of the Company.

If the resolution is rejected, the registration of any transfer of shares resulting from an offer under the proportional takeover bid will be prohibited, and the bid deemed to be withdrawn.

Rule 98 of the Constitution, as renewed, will not apply to full takeover bids.

#### **Reasons for proposing the resolution**

The Board considers that shareholders should continue to have the opportunity to vote on a proposed proportional takeover bid.

In the absence of Rule 98 of the Constitution, as renewed, a proportional takeover bid for the Company may enable effective control of the Company to be acquired by a person who has not offered to acquire 100% of the Company's shares (and, therefore, has not offered to pay a 'control premium' that reflects 100% ownership).

As a result, if a proportional takeover bid for the Company is made:

- shareholders may not have the opportunity to dispose of all their shares; and
- shareholders risk becoming part of a minority interest in the Company or suffering loss following such a change of control if the market price of the Company's shares decreases or the Company's shares become less attractive and, accordingly, more difficult to sell.



If Rule 98 of the Constitution is renewed, the Board considers that this risk will be minimised by enabling shareholders to decide whether a proportional takeover bid should be permitted to proceed.

### **Present acquisition proposals**

At the date of this notice, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

### **Review of proportional takeover approval provisions**

The Corporations Act requires these Explanatory Notes to discuss retrospectively the advantages and disadvantages, for directors and members, of the proportional takeover provision proposed to be renewed.

While the proportional takeover approval provisions have been in effect, there have been no takeover bids for the Company, either proportional or otherwise. Consequently, there are no actual examples against which to review the advantages or disadvantages of the existing proportional takeover approval provisions contained in rule 98 of the Constitution. The Directors are not aware of any potential takeover bid which was discouraged by rule 98 of the Constitution.

### **Potential advantages and disadvantages**

In addition to a retrospective discussion of the provisions proposed to be renewed, the Corporations Act also requires these explanatory notes to discuss the potential future advantages and disadvantages of the proposed rule for both directors and members.

The Directors consider that there are no such advantages or disadvantages for them as they remain free to make a recommendation on whether a proportional takeover bid should be accepted.

For members, the potential advantages of rule 98 of the Constitution, as renewed, are that they will provide all relevant holders with the opportunity to consider, discuss in a meeting called specifically for the purpose, and vote on whether a proportional takeover bid should be approved. This affords the relevant holders of shares an opportunity to have a say in the future ownership and control of the Company and help the members to avoid being locked into a minority. The Directors believe this will encourage any proportional takeover bid to be structured so as to be attractive to at least a majority of the relevant holders of shares. It may also discourage the making of a proportional takeover bid that might be considered opportunistic. Finally, knowing the view of a majority of the relevant holders of shares may help each individual holder to assess the likely outcome of the proportional takeover bid and decide whether or not to accept an offer under the bid.

On the other hand, a potential disadvantage for members arising from rule 98 of the Constitution, if renewed, is that proportional takeover bids may be discouraged by the further procedural steps that the rule will entail and, accordingly, this may reduce any takeover speculation element in the price of the Company's securities. Shareholders may be denied an opportunity to sell a portion of their securities at an attractive price where the majority rejects an offer from persons seeking control of the Company.

These advantages and disadvantages of rule 98 have been applicable during the period that the rule has already been in effect. It should be noted that during the period that rule 98 has already been in effect, no takeover bid for securities in the Company (whether proportional or otherwise) has been announced or made.

### **RECOMMENDATION**

**The Directors recommend that shareholders vote in favour of Resolution 7.**

## GETTING TO THE ANNUAL GENERAL MEETING

### AGM Venue

The CSL AGM on Wednesday, 17 October 2018 at the Melbourne Convention and Exhibition Centre (MCEC) – Clarendon Auditorium, Level 1, 2 Clarendon St, South Wharf, Melbourne.

### TRAM

Tram routes 96 and 109 (Stop 124A Casino/MCEC) will take you to the Clarendon St entrance. Otherwise, tram routes 48 and 70 (Stop D5) will take you to Flinders St. From there, it's just a short walk up Clarendon St until you reach the centre. Please allow sufficient time to arrive at the AGM venue and register your attendance prior to 1pm.

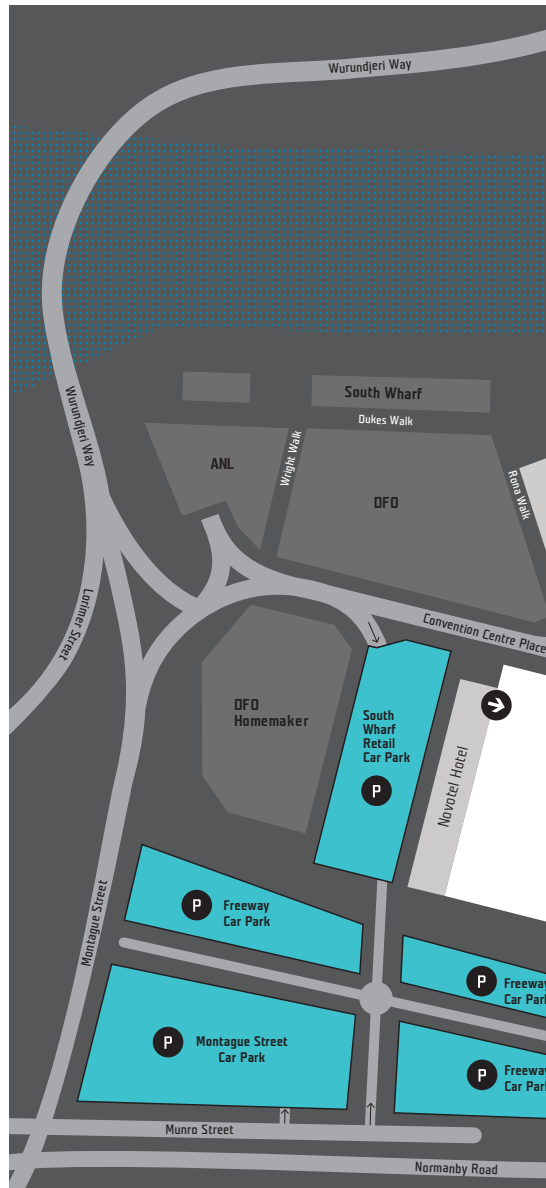
### TRAIN

Southern Cross is the closest train station. Once you exit the station, you can catch the 96, 109 or 12 tram routes to arrive at MCEC Clarendon St entrance. Please allow sufficient time to arrive at the AGM venue and register your attendance prior to 1pm.

### CAR PARKING

If driving, the closest car parking facility is the Exhibition Centre car park which can be accessed via Normanby Rd where parking fees will apply. If using the Normanby Rd car park, once you have entered the main exhibition head towards Clarendon St to make your way up the stairs (or elevators) to the Clarendon Auditorium. Please allow approximately 10 minutes to arrive at the AGM venue.

Visit [mcec.com.au](http://mcec.com.au) for more information on getting to the venue.





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