

## 2017 AGM

### Responses to Shareholder Questions

This year we gave shareholders the opportunity to submit written questions prior to the Annual General Meeting (**AGM**). We received a considerable number of questions and, whilst we indicated that we would not be replying on an individual basis, set out below is our response to the six most common themes.

#### 1. **How does CSL determine remuneration for executive Key Management Personnel (KMP)?**

The 2017 Remuneration Report contains detailed information in regard to CSL's remuneration policies, the relationship between these policies and CSL's performance and the nature and amount of the remuneration of executive KMP.

Since the 2016 AGM and the 'first strike', members of the Board met with a number of shareholders to better understand their concerns on our remuneration framework. The key messages were to focus on simplicity and transparency, reward real achievement, ensure executive alignment with shareholders' interests, and do a better job of explaining our approach to rewarding senior executives. Following this, we have made many changes to how we now approach remuneration, coupled with the importance of developing a single, globally-competitive pay design for senior executives that secures our future as a global biopharmaceutical company. We have implemented the new CSL executive pay design which we believe will strengthen the Company and gain even better alignment between shareholders and executives.

For our short-term performance incentive, we have reduced the number of key performance areas to Net Profit after Tax, Cash Inflow from Operating Activities plus up to three other business or individual objectives. We have moved to a single hurdled equity vehicle, Performance Share Units, for long-term incentive with a seven year rolling average Return on Invested Capital (or ROIC) measure, selected to focus executives on achieving CSL's long term objectives and to align with shareholder returns. We have replaced fair value with a face value equity allocation methodology. We have also introduced a Board level 'Leading and Managing Modifier' to assist in ensuring that our senior executives deliver sustainable financial, process and people outcomes. We have also formally instituted an annual analysis of pay levels across five different but similarly sized peer groups (the global biopharmaceutical industry, and general industry in four major geographies) for reference purposes.

Further details on how KMP remuneration is determined and the details of that remuneration are set out in the Remuneration Report contained within pages 62 to 80 of CSL's Annual Report for 2016-17, which can be viewed or downloaded from CSL's website at [www.csl.com.au/investors/financial-reports.htm](http://www.csl.com.au/investors/financial-reports.htm).

## **2. Why was CSL's dividend unfranked?**

The reason CSL's recent dividends have been unfranked is that there have been insufficient Australian franking credits available. Australian franking credits are dependent on the Australian profits earned and Australian tax paid. As our business continues to grow successfully offshore our ability to provide franked dividends declines. During FY2017 over 90% of the CSL Group's revenue was generated outside Australia. Australian profit is also reduced by the substantial research and development investment that we make in Australia. It remains CSL's present intention that available franking credits will be passed on to shareholders as and when they are generated in a meaningful amount.

## **3. Why did CSL cease its on-market buyback program?**

Efficient capital management is a significant focus for the CSL Board. The CSL Board considers various means of returning excess capital to shareholders from time to time, including share buybacks, capital returns and increased or special dividends. The CSL Board has determined that, at this time, a further on-market buyback is not appropriate as given the current needs of the business there is no excess capital to return to shareholders.

## **4. Why doesn't CSL have a Dividend Re-investment Programme (DRP)?**

As mentioned above, efficient capital management is a significant focus for the CSL Board and is reviewed from time to time on an ongoing basis. At this time, CSL's balance sheet is very strong and its capital needs are low. As such, there are no immediate plans to re-introduce the DRP. This will continue to be reviewed on an ongoing basis.

## **5. When is CSL going to do another share split?**

CSL last undertook a 3 for 1 share split in 2007. Since that time, after a period where CSL's share price remained relatively flat, CSL's share price has grown strongly. The CSL Board is aware of the interest expressed by some shareholders for a further share split and it is something that the CSL Board reviews periodically. As a share split requires shareholder approval, it can only be done at a General Meeting (normally an Annual General Meeting). Notwithstanding the considerable growth in share price, the number of shareholders for CSL has increased from approximately 95,000 in 2012 to in excess of 145,000 as at 30 June 2017. These shareholders are overwhelmingly Australian retail shareholders.

## **6. Why is the AGM always held in Melbourne?**

Whilst CSL is an international company, our head office is located in Melbourne and Victoria is where we have the largest concentration of shareholders (Victoria 31%, NSW 29%, Western Australia 15% and Queensland 12% - as at 30 June 2017). The venue used has a number of features that meet our needs, for example, ample parking, convenient to public

transport, suitable for our audio visual requirements and has the seating capacity that we require. The AGM is also webcast live, allowing shareholders elsewhere to view the meeting. The Board is, however, looking to hold the AGM in Sydney in 2019.

During the year, CSL continued a series of investor briefings in other Australian States and New Zealand, with briefings in Auckland, New Zealand and Brisbane following on from briefings in Canberra and Sydney in 2016 and Perth and Adelaide in 2015. CSL intends to continue to hold similar events in the future in the various States of Australia and New Zealand on a revolving basis.