AUSTRALIAN SHAREHOLDERS' ASSOCIATION

# Write-downs and leadership change; pay report still at odds with ASA guidelines

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|---|---|
| **Company/ASX Code** | CSL Limited/CSL |
| **AGM time and date** | 10am (AEDT) Tuesday, 27 October 2026 |
| **Location** | Sofitel Melbourne on Collins, 25 Collins Street, Melbourne |
| **Registry** | Computershare |
| **Type of meeting** | Hybrid |
| **Monitor** | Mike Robey assisted by Jonathan Berry |
| **Pre-AGM Meeting** | Yes with Fiona Mead (CoSec), Cameron Price (Director, Chair of HR Committee), and Os Smyth (Rem consultant) |

Monitor Shareholding: an individual involved in the preparation of this voting intention has shareholdings in this company.

## 1. How we intend to vote

| No. | Resolution description | |
|---|---|---|
| 2a | Re-election of Director - Ms Carolyn Hewson AO | For |
| 2b | Election of Director - Mr Gordon Naylor | For |
| 2c | Election of Director - Mr Costa Saroukos | For |
| 3 | Adoption of the Remuneration Report | Undecided. ASA will determine its vote at the AGM following the Chair's response to our questions |

## 2. Summary of Issues and Voting Intentions for AGM/EGM

- CSL reported a statutory loss after tax of US$2.6 billion for FY26, after US$7.1 billion of pre-tax impairments, including US$4.9 billion relating to CSL Vifor. Underlying net profit after tax before amortisation (NPATA) attributable to shareholders fell 4% to US$3.1 billion (2% at constant currency).
- The share price fell from A$239.48 to A$114.74 over FY26 (simple TSR of −50%). CEO Dr Paul McKenzie stepped down in February 2026. Mr Gordon Naylor's return to a non-executive role is now confirmed.
- FY26 incentive outcomes were low: no short-term incentive (STI) for the former CEO, former CFO or Chief Commercial Officer, and no vesting of the long-term

incentive (LTI) tested at 30 June 2026. The Board has also redesigned the framework for FY27.

ASA questions the Board's stated intention to adjust FY26 impairments out of the ROIC tests for LTI awards vesting in 2027 and 2028, and the Interim CEO's one-off share grant, which vests without measurable performance hurdles and was not put to shareholders. ASA remains undecided on the Remuneration Report and will determine its vote at the AGM. ASA will ask the Chair whether retail shareholders can have confidence that the performance requirements for the Interim CEO's one-off share grant are sufficiently demanding and that vesting is not effectively assured.

The skills matrix still does not show each director's skills, an ASA focus issue for 2026–27.

See ASA Voting guidelines and Investment Glossary for definitions.

## 3. Matters Considered

### Accounts and reports

Amounts are in US$ unless stated. Revenue and other income were US$15.8 billion, down 1% at constant currency. CSL Behring revenue fell 1% to US$11.4 billion: immunoglobulin sales were flat after CSL reduced US channel inventory, and albumin sales fell 17% after cost containment measures in China. CSL Vifor revenue rose 3% to US$2.4 billion; CSL expects it to fall by about 25% in FY27 because of generic competition in iron products and the revocation of the EU marketing authorisation for TAVNEOS. CSL Seqirus revenue fell 8% to US$2.0 billion after one-off avian influenza revenue in FY25. FY26 guidance was reduced at the 2025 AGM and again in May 2026. Operating cash flow was US$3.5 billion, net debt was 1.8 times earnings before interest, tax, depreciation and amortisation, the dividend was maintained at US$2.92 per share (unfranked), and CSL completed an A$1.0 billion share buy-back and announced a further A$1.1 billion. FY27 guidance is for revenue in line with FY26 and underlying NPAT growth of about 5% at constant currency.

Financial performance

| (As at FYE) | **2026** | **2025** | **2024** | **2023** | **2022** |
|---|---|---|---|---|---|
| NPAT (US$m) | (2,579) | 3,002 | 2,642 | 2,194 | 2,255 |
| UPAT (US$m) | 3,098 | 3,219 | 2,907 | 2,610 | 2,381 |
| Share price (A$) | 114.74 | 239.48 | 295.21 | 277.38 | 269.06 |
| Dividend (US cents) | 292 | 292 | 264 | 236 | 222 |
| Simple TSR (%) | (50) | (17) | 8 | 4 | (5) |
| EPS (US cents) | (535) | 620 | 547 | 455 | 481 |
| CEO total remuneration, actual (US$m) | 2.06* | 6.06 | 5.9 | 6.0 | 12.7 |

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking) by the share price at the start of the year.

Amounts in US$ unless stated; share prices in A$. UPAT is underlying net profit after tax before amortisation of acquired intellectual property (NPATA) attributable to CSL shareholders. Dividends are those declared for each financial year (CSL results announcements). Simple TSR for FY26 is ASA's calculation (A$, dividends paid in the year); FY22–FY25 are as reported by CSL (Annual Report page 72). *FY26 combines the realised pay of two part-year CEOs: Dr McKenzie US$1.27m and Mr Naylor US$0.79m; FY22–FY25 CEO pay as reported in ASA's 2024 and 2025 voting intentions. Sources: CSL FY26 Annual Report pages 66 and 72.

**Governance and culture**

Mr Cameron Price (October 2025), Mr Costa Saroukos and Mr Gordon Naylor (December 2025) joined the Board; Dr Megan Clark AC and Ms Marie McDonald retired at the 2025 AGM. Mr Naylor became Interim CEO on 11 February 2026 and is not independent. ASA regards all nine non-executive directors as independent. Four of the ten directors are women. The Board has signalled Chair succession within 12 to 18 months.

**Key events**

**August 2025:** restructuring program and planned demerger of CSL Seqirus announced; the demerger was deferred at the 2025 AGM.

**October 2025:** CFO Ms Joy Linton stepped down, and Mr Ken Lim was appointed.

**February 2026:** Dr McKenzie stepped down as CEO.

**May 2026:** the Interim CEO's 90-day review reduced guidance and flagged further impairments. June–July 2026: EU regulator recommended revoking the TAVNEOS authorisation; CSL's Horizon 2 plasma yield process will require clinical trials from mid-2027.

**September 2026:** agreements with the US Administration on drug pricing and US manufacturing, which CSL expects to have no material financial impact in FY27.

**October 2026:** Deborah Waterhouse was appointed CEO and Managing Director, commencing 1 February 2027.

**Key board or senior management changes**

See Governance and culture above. Chief Commercial Officer Mr Andy Schmeltz is retiring, and Mr Diego Sacristan became Chief Commercial Officer of CSL Behring and CSL Vifor from 1 July 2026.

**Sustainability/ESG**

CSL reports against six sustainability priorities, four of which were achieved between threshold and target for STI purposes in FY26. Selected sustainability metrics were subject to limited assurance by Deloitte. From FY27, 5% of the STI scorecard will relate to greenhouse gas emissions.

**ASA focus issues (not discussed above or under remuneration report or re-election of directors)**

Individual director skills: CSL's skills matrix shows only the number of directors with each skill. ASA asks CSL to disclose each director's skills. AI and cybersecurity: the skills matrix indicates that two of ten directors have this experience; ASA will ask how the Board

oversees these risks. Hybrid AGM: the Notice of Meeting confirms that shareholders attending online can ask questions and vote in real time.

## 4. Rationale for Voting Intentions

### Item 2a - Re-election of Director - Ms Carolyn Hewson AO (For)

Ms Hewson joined the Board in December 2019 and chairs the Corporate Governance and Nomination Committee. She is a former investment banker and a former director of several ASX-listed companies, and is a member of the Reserve Bank Monetary Policy Board. She meets ASA's independence and workload guidelines and holds CSL shares worth more than one year's base fee. The Board has asked her to remain for up to 18 months to oversee CEO, Chair and Board succession, after which she intends to retire. ASA supported the 2025 Remuneration Report and does not treat the 2025 strike as grounds to oppose her. ASA supports continuity through these transitions and asks the Board, through the committee she chairs, to disclose each director's skills. ASA will vote undirected proxies in favour.

### Item 2b - Election of Director - Mr Gordon Naylor (For)

Mr Naylor spent 33 years at CSL, including as Chief Financial Officer and President of Seqirus, joined the Board in December 2025 and has been Interim CEO since February 2026. He is a director of Orica and holds about 95,800 CSL shares. ASA supports his election while he is Interim CEO. Mr Naylor will continue as Interim CEO until 1 February 2027 and return to a non-executive Board role following the transition.

ASA's guidelines do not support a former CEO returning to the board as a non-executive director, and ASA will consider its position at his first re-election after he reverts. ASA will vote undirected proxies in favour.

### Item 2c - Election of Director - Mr Costa Saroukos (For)

Mr Saroukos is a finance executive with more than 25 years in the pharmaceutical industry, including as Global CFO and a board member of Takeda Pharmaceutical. He chairs Mitsubishi Tanabe Pharma and is a director of Olympus Corporation. His workload is within ASA's guideline. ASA will ask how potential conflicts from his other pharmaceutical roles are managed. He joined in December 2025 and has not yet acquired CSL shares (he holds 512 rights under the NED Rights Plan); ASA expects him to meet its shareholding guideline within three years. ASA will vote undirected proxies in favour.

### Item 3 - Adoption of the Remuneration Report (Undecided)

The FY26 outcomes reflect the company's performance: the former CEO, former CFO and Chief Commercial Officer received no STI. Ken Lim, who became CFO in October 2025, received 25% of his target. The LTI tested at 30 June 2026 did not vest.

Dr Paul McKenzie received a US$1.82 million termination benefit, principally relating to a restraint-of-trade arrangement and retention of pro-rated outstanding LTI awards subject to performance conditions. NED fees are unchanged.

For FY27 the Board has replaced NPATA with statutory NPAT in the STI, replaced ROIC and EPS with relative TSR in the LTI, and strengthened minimum shareholding requirements. ASA acknowledges these changes. However, the Board states that it intends to adjust the FY26 impairments out of the ROIC tests for LTI awards vesting in 2027 and 2028. ASA's guidelines require earnings-based hurdles to include write-downs, which shareholders have borne in full.

The Interim CEO also received a one-off grant of restricted share units worth A$5.8 million (200% of fixed pay) that vests after about 12 months subject to a Board assessment of individual performance, without measurable hurdles and without shareholder approval.

The FY26 STI arrangements were entirely cash-based. The incoming CEO's package introduces 30% STI deferral into equity for two years, and the new relative TSR measure begins vesting at the median. The interim CEO will receive no STI at all.

Following a second remuneration strike in 2025, CSL has responded to shareholder concerns by strengthening the link between financial performance and executive incentives for FY2027.

ASA remains undecided. At the AGM, ASA will ask the Chair what specific performance requirements the Interim CEO must meet for his one-off share grant to vest, how demanding those requirements are, and whether the Board would reduce or withhold vesting if performance falls short. ASA will determine its vote following the Chair's response

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## Appendix 1- Remuneration framework detail

| CEO rem. Framework for FY26 (Interim CEO, Mr Naylor) | Target* US$m | % of Total | Max. Opportunity US$m | % of Total |
|---|---|---|---|---|
| Fixed Remuneration | 1.96 | 33.3% | 1.96 | 33.3% |
| STI - Cash | 0.00 | 0.0% | 0.00 | 0.0% |
| STI - Equity | 0.00 | 0.0% | 0.00 | 0.0% |
| One-off restricted share unit grant (outside the LTI plan; subject to Board assessment of individual performance, without measurable performance hurdles) | 3.92 | 66.7% | 3.92 | 66.7% |
| Total | 5.88 | 100.0% | 5.88 | 100% |

The amounts in the table above are the 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. Some remuneration framework set a maximum opportunity amount, but not all.

Amounts in US$m, converted by CSL from A$ at 1.48024 (fixed remuneration A$2.9m; one-off grant A$5.8m); excludes an accommodation allowance of about US$0.07m a year. For comparison, the former CEO's FY26 framework was: fixed US$1.93m; target STI US$2.32m (maximum US$4.63m), all cash; LTI US$8.21m at full vesting (US$3.13m at threshold vesting). Total target US$12.45m as disclosed by CSL (US$7.37m with LTI at threshold, the basis used in ASA's 2024 and 2025 reports); maximum US$14.77m. Source: CSL FY26 Annual Report pages 66 and 69–72.

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