CSL™

Driven by Our Promise™

CSL Limited Annual Report 2018/19

Contents

CSL Calendar

2019

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

2020

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

Annual General Meeting

Wednesday, 16 October 2019 at 1 p.m.

New city and venue

The Westin Sydney, Grand Ballroom

1 Martin Place
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited

Postal Address: GPO Box 2975

Melbourne VIC 3001

Enquiries within Australia: 1800 646 882
Enquiries outside Australia: +61 3 9415 4178

Website: investorcentre.com

About this report

This year CSL has combined our financial and non-financial performance in one comprehensive report, linking our sustainability and strategic priorities to our business results. Unless otherwise stated, this Report covers CSL's subsidiaries as listed on page 119. The report is based on results of CSL's biennial (2017) sustainability materiality assessment. In addition to an independent audit of our consolidated financial accounts, limited assurance on a selection of corporate responsibility (CR) metrics has been provided by Ernst & Young, and an assurance statement, along with more detailed Group and CR information including our environmental performance, can be found on CSL.com (Our Company > Corporate Responsibility).

Find out more
CSL.com

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.

Read Kathrin's story on page 11

1 Chairman and CEO's Letter

US$1,919
million in reported net profit after tax.

US$1.85
total full year dividend per share.

Dear Stakeholders,

Each day more than 25,000 employees around the globe come to work at CSL with a shared purpose: delivering on our promise for patients.

Whether they work in a laboratory, an office or one of our manufacturing sites, patients are at the centre of everything we do and our performance this year only serves to underscore our commitment.

CSL once again delivered double-digit profit growth against a strong comparative period, with solid performances from our immunoglobulin, specialty products and influenza vaccines franchises. During the reporting year, we also achieved 24 product registrations or new indications for serious diseases in countries around the world. In addition to delivering solid financial results, we made significant contributions in the communities where we live and work, through both financial contributions and volunteering our time for causes our people care about.

Reflecting on our performance in this report and the many ways in which our people continue to make a profound impact on improving the lives of patients and ensuring public health is a source of pride. In our industry, however, complacency is never an option.

Rapid change is constantly occurring across science, medicine, technology and the markets in which we operate. These dynamics, paired with our promise to patients, compels us to persistently ask, “How can we do better?”

Leading in Innovation

Our ability to innovate is one way we answer this question.

At CSL, innovation occurs right across the company beyond research and development (R&D). We continue to invest and expand our global R&D capabilities because we believe it is the engine that will help drive our sustainable growth. Over the reporting period, CSL invested US$832 million in R&D efforts across our businesses.

This continuous improvement, however, needs to be enterprise-wide to support our sustainable growth mission.

Our employees are constantly adapting the way we work to improve the efficiency of our business and the way in which we help patients.

This includes in our complex global manufacturing network, raw material collection and processing, developing smart technology to incorporate artificial intelligence and data analytics into the business for better outcomes and even building work environments that are flexible and encourage collaboration across all functions.

Throughout CSL, we remain committed to fostering a culture in which our people feel both inspired and encouraged to come to work so patients will benefit. Our culture of innovation grounds our ability to improve our decision-making processes and ensure we are finding better, more effective, agile means of delivering our medicines to the patients we serve for years to come.

Building Collaborative Partnerships

Sometimes delivering innovation requires strategic partnerships to help discover treatment options for the patients we serve. It certainly means investing in the next generation of biomedical researchers before they graduate to ensure we grow our talent pipeline.

Our scientists often work alongside people who may or may not be located in their country or time zone or even their company. Some of our scientists are even co-located with academic researchers. For example, our global hub for Research and Translational Medicine is located at the University of Melbourne in Australia, where our scientists work side-by-side and exchange ideas with their academic counterparts.

In the past year alone, we've entered exciting research collaborations and made significant investments in the future from Bern, Switzerland, to Philadelphia, United States (US), which you will read about in this report.

Ensuring Sustainable Growth

As our business grows and the competitive landscape changes, we are adjusting our operating model to ensure we continue to lead from a position of strength.

We have long embraced a strategy that provides us the framework to further advance our sustainable growth and, most importantly, continue improving people's quality of life and protecting public health across the globe.

As part of this transformation, enhancing our digital capabilities is one area we are focused on. We recognise this capability as a critical element to the delivery of quality medicines into the future and are committed to transforming our business model to realise opportunity for our stakeholders and patients.

Upholding Our Values and Culture

For CSL to continue to grow, make a difference in people's lives through our science and be a highly desirable workplace, we ensure that our values remain the foundation of our culture and the guide for how we work.

This reporting period was a year in which stakeholders took notice of our values-based culture.

We are proud of the external recognition our talented people and innovative workplace have earned, including (to name a few) Top 100 Most Diverse & Inclusive Organizations Globally (Thomson Reuters), Most Attractive Employers in Switzerland (Universum), and America's Best Large Employers (Forbes).

For us, it's not about the accolades, but rather knowing that working at CSL offers both meaningful and promising careers to our colleagues.

This is an exciting time to be part of CSL as we write our next chapter. We are humbled and honoured to continue to serve patients in our roles as Chairman and Chief Executive Officer respectively.

We thank you for your support.

Dr Brian McNamee AO,
Chairman

Paul Perreault,
CEO and Managing Director

More on CSL.com (Investors > Financial Results and Information)

2 2019 Performance

Business performance and highlights

We are proud of our track record in the global marketplace and are committed to delivering value to a broad set of stakeholders. We have included below a snapshot of 2019 business highlights across our focus areas demonstrating our impact as a global biotechnology leader.

Growth

Maximise portfolio value and deliver new product launches

A strong year for CSL with revenue up ↑11%[1] and reported net profit after tax of US$1,919 million, up ↑17% at constant currency.[1]

Continued strong growth in our core immunoglobulin and albumin therapies, with **PRIVIGEN® sales up** ↑23%[1]

HIZENTRA® sales up ↑22%[1]

and ALBUMIN sales up ↑15%[1]

HAEGARDA®, our therapy for patients with Hereditary Angioedema (HAE) and IDELVION®, our therapy for Haemophilia B patients, have been transformational products with sales growth reflecting this – **HAEGARDA® sales grew by** ↑61%[1] **and IDELVION® sales are up** ↑40%[1]

Efficiency

Be the most efficient, highest quality plasma player

Opened ✓30 **new plasma collection centres** in the US.

Rollout of enterprise resource planning systems continues successfully.

Major capital projects at all manufacturing sites progressing to support future demand.

Underwent 440 regulatory inspections of our manufacturing facilities* with no impact to licences or operations.

Influenza

Delivery on influenza strategy

Seqirus is delivering on strategy with strong profit growth. Total sales up ↑19%[1]

FLUAD®, indicated for active immunisation against influenza in the elderly 65 years and older, sales more than doubled.

Compelling real world effectiveness data for FLUCELVAX®, cell culture derived influenza vaccine.

Innovation

Pursue new opportunities to diversify portfolio and enhance growth

New Bio21 research facility opens in premier medical research hub in Melbourne, Australia.

Good progress with early portfolio and in later stage projects with patients in more than 44 countries enrolled in CSL112 phase III for cardiovascular disease and CSL312 (targeting Factor XIIa) phase II study in patients with HAE commenced.

Achieved ✓24 product registrations or new indications in numerous countries.

People & culture

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

Appointment of Chief Operating Officer and also an Executive Vice President and General Manager for Seqirus.

Employee workforce up ↑13% with 57% of our employee base female.

Achieved ✓74% employee engagement score.

Workplace safety improvement plans developed.

Shared value

Support responsible business practice and trust with our stakeholders

✓US$8.4 billion distributed in supplier payments, employee wages and benefits, shareholder returns, government taxes and community contributions.

✓US$56 million in global community investment across our strategic areas of support.

1 Constant currency removes the impact of exchange rate movements to facilitate comparability of operational performance. See page 51 for further details.

* Does not include Ruide.

More on CSL.com (Investor and Company > Corporate Responsibility > Innovation)

Financial highlights

Interim unfranked dividend of
US$0.85
per share

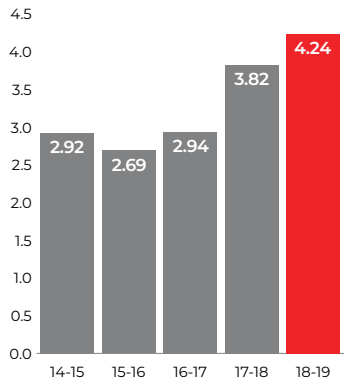
+

Final unfranked dividend of
US$1.00
per share*

=

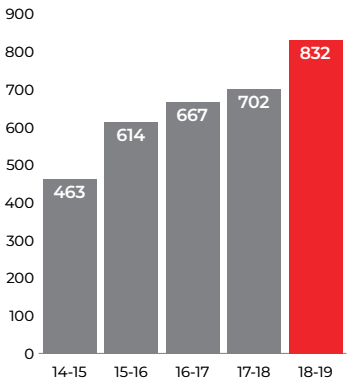
Total ordinary dividends for 2019
US$1.85
per share

CSL Earnings
per share (US$)

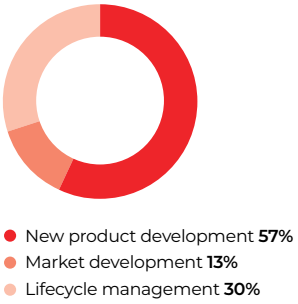


US$4.24
per share

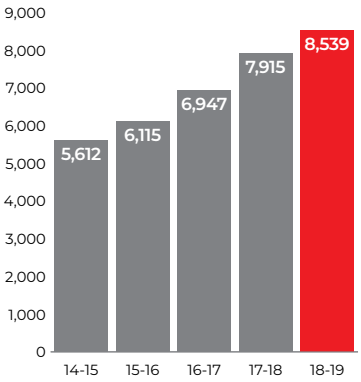
CSL R&D Investment
(US$ millions)



US$832
million

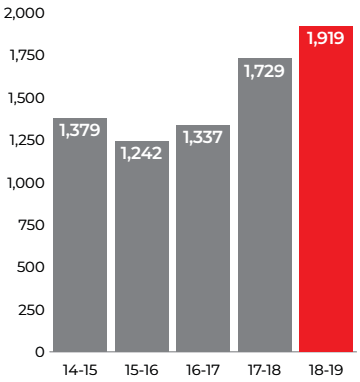


CSL Total operating revenue (US$ millions)



US$8,539
million

CSL Net profit
(US$ millions)



US$1,919
million

Awards and recognition

We are proud of the external recognition our talented people and operations have earned, including:

- FTSE4Good Index Series constituent for meeting globally recognised corporate responsibility standards;
- being reconfirmed for inclusion in the Ethibel EXCELLENCE Investment Register – this selection by Forum ETHIBEL (forumethibel.org) indicates that CSL performs better than average in its sector in terms of corporate social responsibility;
- Top 100 Most Diverse & Inclusive Organizations Globally (Thomson Reuters);
- Forbes' Best Employers for Diversity in the United States (US);
- Most Attractive Employers in Switzerland (Universum);
- America's Best Large Employers (Forbes); and
- Most Charitable Award (*Philadelphia Inquirer*, Corporate Philanthropy Conference and Awards).

* For shareholders with an Australian registered address, the final dividend of US$1.00 per share (approximately A$1.48) will be unfranked for Australian tax purposes and paid on 11 October 2019. For shareholders with a New Zealand registered address, the final dividend of US$1.00 per share (approximately NZ$1.55) will be paid on 11 October 2019. The exchange rates will be fixed at the record date of 11 September 2019.

3 Our Company

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.

In the past century, CSL has grown to become the world's fifth largest biotechnology company with more than 25,000 employees bringing lifesaving medicines to people in nearly 70 countries.

CSL at a glance

35+
Countries of operations around the world

US$8.5
Billion in annual revenue

US$3.3
Billion in R&D investments in the last 5 years advances product pipeline

25,000+
Employees around the world

1,700+
R&D employees

230+
Plasma collection centres across Europe and North America

Our businesses

CSL Behring

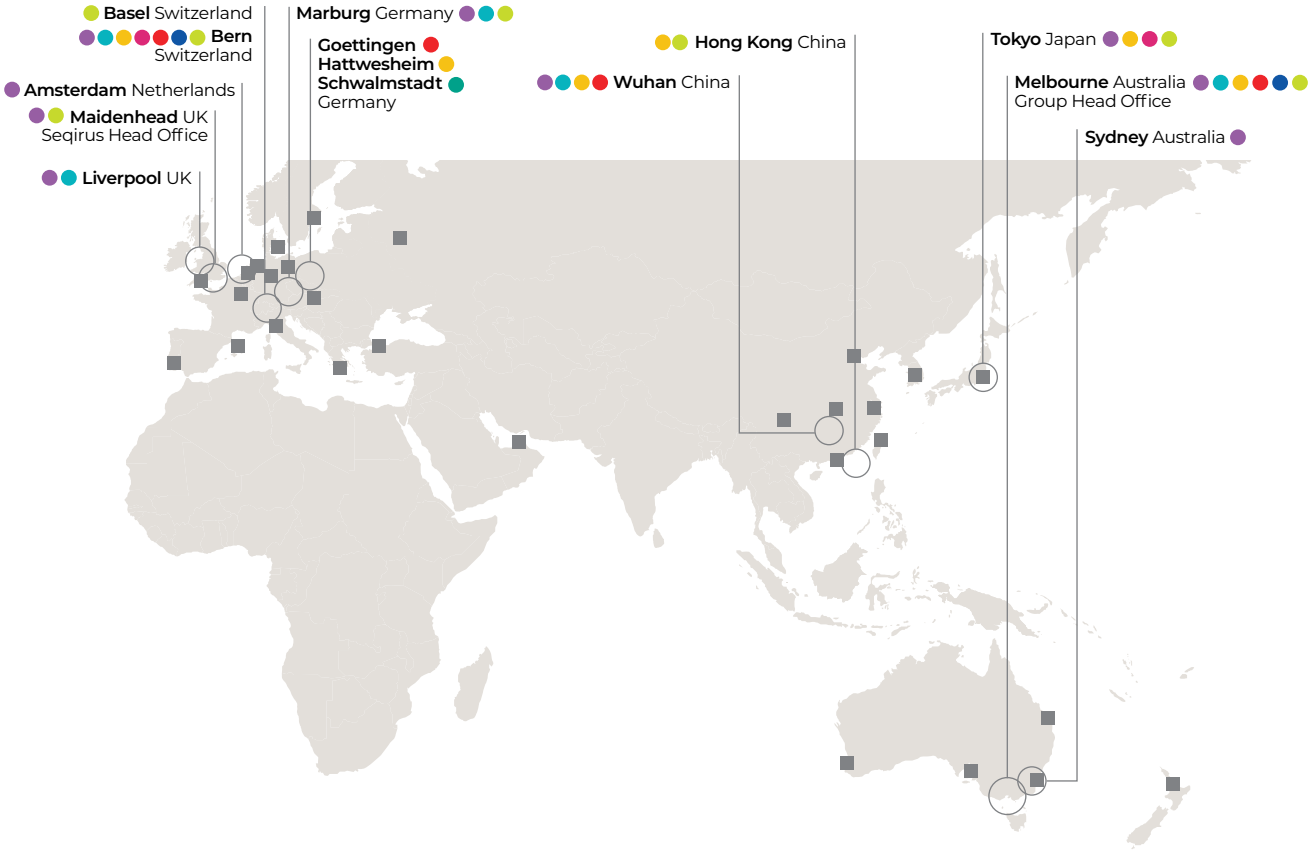
CSL Behring is a global leader in developing and delivering high quality medicines that treat people with rare and serious diseases. Our treatments offer promise for people who are living with conditions in the immunology and neurology; haematology and thrombosis; cardiovascular and metabolic; respiratory; and transplant therapeutic areas. CSL Behring drives more than 85% of overall company revenue with substantial markets in Asia Pacific, Europe and North America.

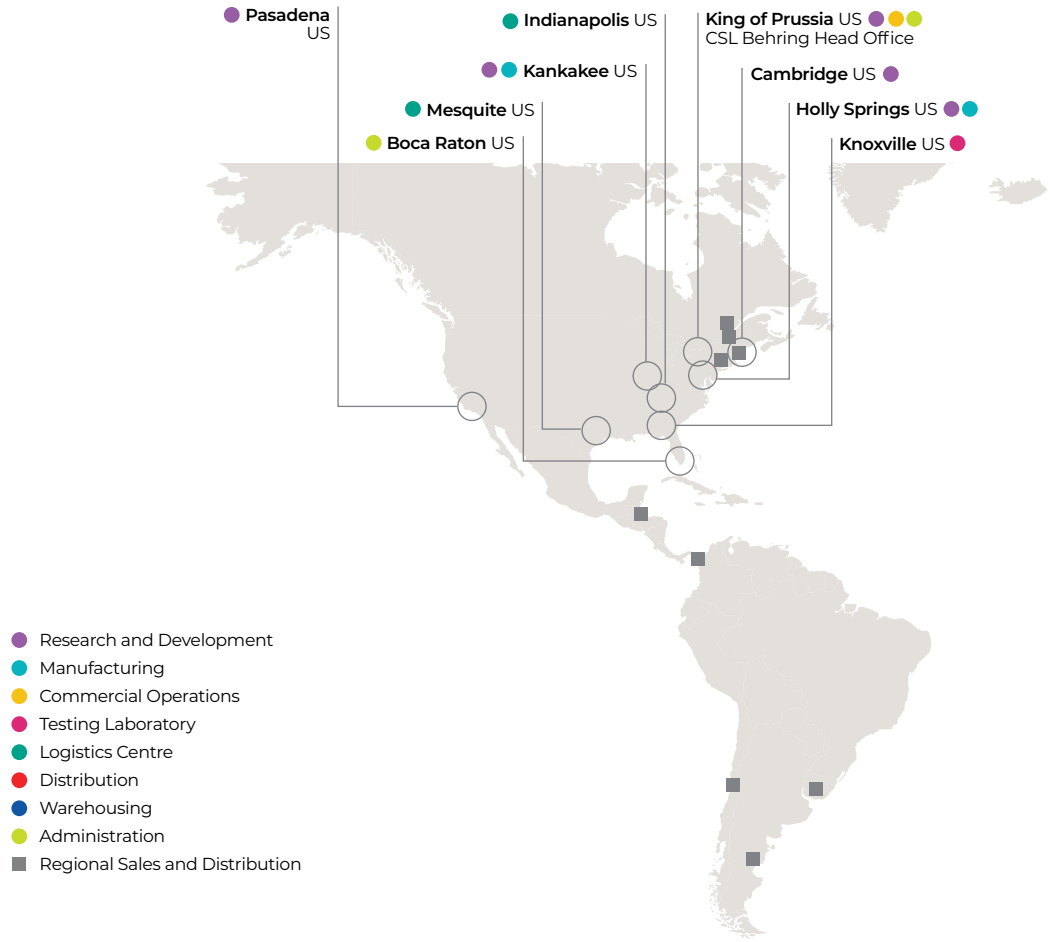
Seqirus

Seqirus was established on 31 July 2015, following CSL's acquisition of the Novartis influenza vaccines business, and subsequent integration with bioCSL. As one of the largest influenza vaccine providers in the world, Seqirus is a major contributor to the prevention of influenza globally and a transcontinental partner in pandemic preparedness.

Seqirus operates state-of-the-art production facilities in the United States (US), the United Kingdom (UK) and Australia and utilises both egg-based and cell-based manufacturing technologies as well as a proprietary adjuvant. It has leading research and development (R&D) capabilities, a broad and differentiated product portfolio and commercial operations in more than 20 countries.

Our locations





- Research and Development
- Manufacturing
- Commercial Operations
- Testing Laboratory
- Logistics Centre
- Distribution
- Warehousing
- Administration
- Regional Sales and Distribution

Our product portfolio

CSL Behring

We meet patients' needs using the latest recombinant and plasma-derived technologies. CSL Behring discovers, develops and delivers the broadest range of products in the industry for treating rare and serious diseases such as haemophilia, von Willebrand disease (vWD), primary immune deficiencies (PI), chronic inflammatory demyelinating polyneuropathy (CIDP), hereditary angioedema (HAE) and inherited respiratory disease. CSL Behring's products are also used in cardiac surgery, burn treatment and for urgent warfarin reversal.

Our therapeutic areas comprise:

- **Immunology and Neurology**
- **Haematology and Thrombosis**
- **Cardiovascular and Metabolic**
- **Respiratory**
- **Transplant**

Seqirus

Our broad range of influenza products meets the needs of different populations around the world. In Australia and the Asia Pacific region, Seqirus is a leading provider of in-licensed vaccines and specialty pharmaceuticals. It is also the world's only supplier of a unique range of products made in the national interest for the Australian Government, including antivenoms and Q fever vaccine.

Influenza Vaccines
Egg-based and cell-culture products, seasonal, pre-pandemic and pandemic influenza vaccines

Products of National Significance
Q fever vaccine and antivenoms for venomous creatures in Australia and other Pacific countries

In-licensed Vaccines and Pharmaceuticals
For Australia and New Zealand

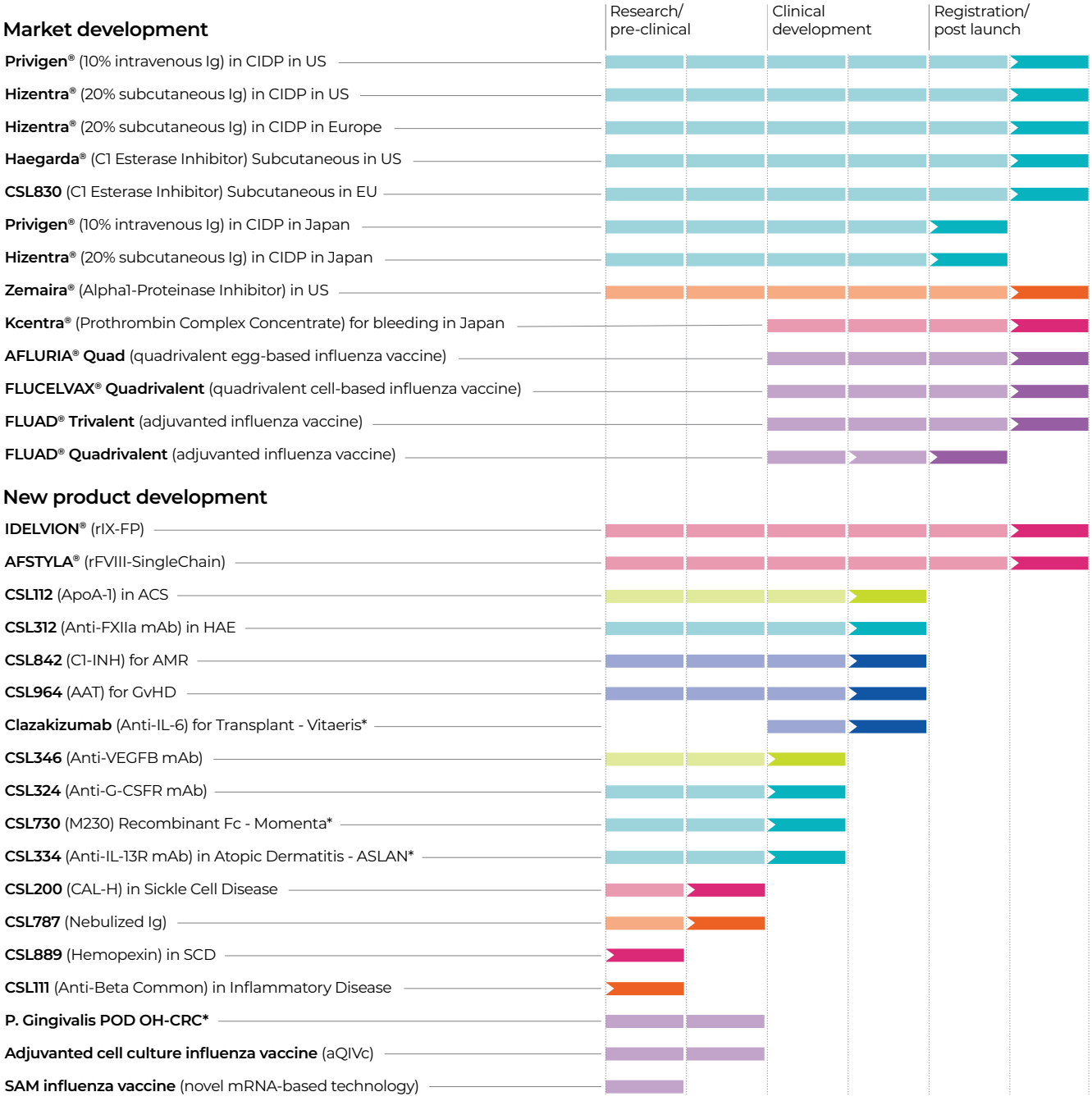
More on CSL.com (Expertise)

Our research and development pipeline

Working every day as if people's lives depend on it, CSL's R&D fuels the company's sustainable growth by advancing world-class science, technology and collaboration. R&D utilises its expertise in plasma fractionation, recombinant technology, cell and gene therapy and vaccine development to develop and deliver innovative medicines that address unmet medical needs or enhance current treatments that help patients lead full lives.

CSL's strong R&D pipeline includes new treatments that align with its leading-edge technology and commercial capabilities across our therapeutic areas.

New products, improved products and manufacturing expertise ensure our continued growth.



* Partnered projects

Core capabilities

- Immunology & Neurology
- Haematology & Thrombosis
- Cardiovascular & Metabolic
- Transplant
- Respiratory
- Vaccines
- ▶ Important advances in 2018/19

CSL's R&D pipeline also includes Life Cycle Management projects which address regulatory post marketing commitments, pathogen safety, capacity expansions, yield improvements and new packages and sizes.

More on CSL.com (R&D)

4 CSL Strategy

At CSL, our deep commitment to delivering on our promise to patients is what unites us as a global biotech leader. As we continue to grow, our Patient Focus has never been more important.

CSL is the world's fifth largest biotechnology company, and our more than 25,000 employees are driven by our promise to discover, develop and deliver lifesaving and life-enhancing medicines to patients across the world.

We are successfully executing our strategy by:

– focusing on patients at the centre of everything we do;

– valuing people as our greatest asset; and

– fostering a culture of innovation across the organisation.

Rapid changes are occurring in science, medicine, technology and the markets in which we operate. These dynamics will impact both CSL and how we care for patients in the future.

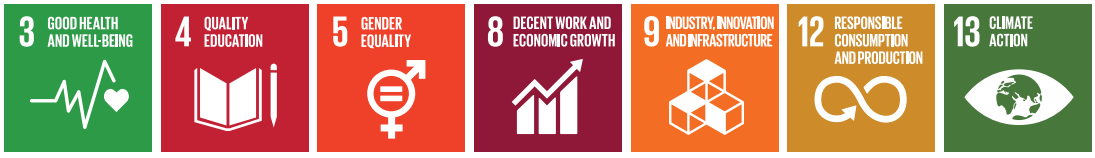
Yet one constant will remain: Our Patient Focus.

As our business continues to grow, saving people's lives and protecting public health across the globe is fundamental to our strategy.

Our talented people and innovative culture will advance our sustainable growth to help us meet the needs and demands of patients into 2030 and beyond.

United Nations Sustainable Development Goals

Visit CSL.com (corporateresponsibility.csl.com/approach)
for how CSL supports the United Nations Sustainable Development Goals, specifically:



Kathrin Schoen

After struggling for years to get an accurate diagnosis, hereditary angioedema (HAE) patient Kathrin Schoen is working to ensure the next generation of patients don't have to wait so long. Kathrin, 25, splits time between studying for her PhD at the University of Marburg, Germany, and working in research and development at CSL Behring's leading-edge manufacturing site nearby. By spreading awareness of HAE in the medical community and beyond, she hopes fellow patients are diagnosed sooner and are able to live active lives, just like hers.

How we create value

What we draw on

Unmet need
Opportunities to improve and protect the quality of life of patients in therapy areas we treat.

Our people
25,000+ people with diverse skills that are driven by our purpose and values.

Natural resources
Includes: plasma donations for rare and serious diseases; influenza virus strains for product manufacture; and environmental inputs such as water and energy.

Financial resources
Cash, equity and debt for future growth.

Physical assets
Plasma centres to collect raw material, manufacturing facilities for our products, warehouses, offices for our people and laboratories for our scientists.

Collaborators and business partners
Accessing and sharing intellectual know to develop and innovate our products.

Value we create

A healthier more productive society
Protecting global health and the wellbeing of individuals, families, businesses and communities from life-threatening and/or complications resulting from influenza.

Saving and/or improving the quality of life of hundreds and thousands of people with rare and serious diseases.

Sustainable financial growth
Delivering consistent, profitable and responsible growth for our investors, which fuels innovation and development of our product pipeline.

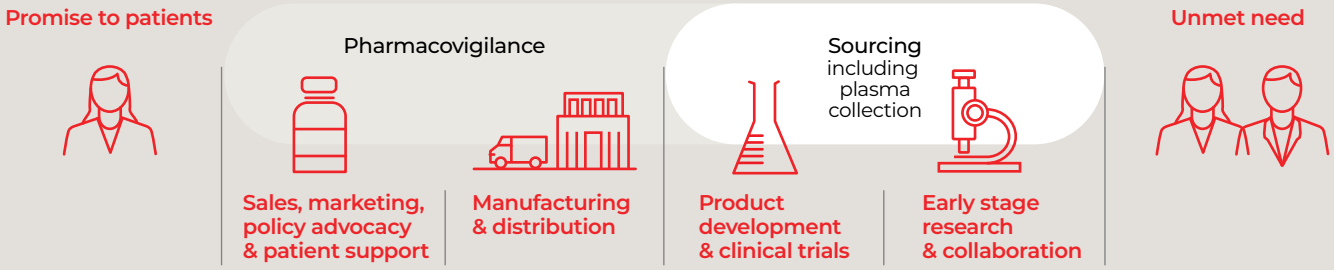
Social and economic opportunity
Enabling hundreds of thousands of people to benefit from opportunity created by growing along with us, including employees, suppliers, plasma donors and research partners.

Our strategy

Most important sustainability topics

1. Access to healthcare
2. Corporate governance
3. Financial performance and business strategy
4. Product safety and quality
5. R&D – products and services innovation
6. Employee recruitment, development and retention
7. Supply chain management
8. Ethical marketing
9. Bribery, corruption and anti-competitive behaviour

Our value chain



CSL's Values and Code of Responsible Business Practice

5 Powered by Innovation

Innovation and collaboration are the engine that drives CSL. We invest in research and development, enabling our continued growth.

Collaboration with and funding of medical research

Collaboration is at the heart of CSL's success and is critical to maintaining a strong pipeline of new therapies. Cross-cultivation of ideas from academia to industry helps translate science into lifesaving medicines that improve the quality of life for people with rare and serious diseases. Over the past year, we've entered exciting research collaborations and made significant investments in the future.

A substantial 5,000m^2 expansion of the Bio21 Institute in Parkville, Australia, incorporating CSL's global hub for research and translational medicine was officially opened in December 2018.

CSL has partnered with the University City Science Center in Philadelphia, US, to identify and help commercialise potential new medicines at research and academic institutions across the Greater Philadelphia region. Through the partnership, the Science Center's framework for technology commercialisation, services and support along with the Science Center's network of research and academic partners, will provide the support and infrastructure for CSL to efficiently evaluate promising technologies from multiple institutions.

In Switzerland, research scientists based in Bern will relocate to the Swiss Institute of Translational and Entrepreneurial Medicine (SITEM). A new Biologics Research Centre constructed at SITEM will provide an ideal environment to facilitate collaboration between clinicians and around 50 CSL researchers with the goal of developing new innovative therapies for patients.

CSL is also involved in initiatives to aid and accelerate the commercialisation of promising biomedical research. Through a commitment of A$25 million, CSL is participating in the Brandon Capital led A$230-million Biomedical Translation Fund and the A$200-million Medical Research Commercialisation Fund (MRCF). These funds, the largest life science funds in Australia's history, are investing in the development of promising Australian biomedical discoveries and increasing the pool of products suitable for later-stage development.

Influenza remains one of our greatest global health threats. CSL is committed to collaborating with like-minded partners to advance understanding of the human response to influenza and to discover new and innovative vaccine solutions. We have joined an international, non-profit venture, the Human Vaccines Project, dedicated to decoding the immune system to develop a universal flu vaccine that affords long-lasting protection against seasonal and pandemic influenza across demographics and geography. The Project unites leading academic research centres, industry partners, non-profits and governments to address the primary scientific barriers to developing new vaccines and immunotherapies. The Project will utilise biomedical and artificial intelligence-based machine learning technologies to develop models of the immune system, to rapidly accelerate vaccine research.

Investment in research and development pipeline

In 2018/19, CSL invested US$832 million in research and development (R&D) efforts across our businesses. CSL's global R&D activities focus on the development of innovative new and improved products and manufacturing processes thereby ensuring our continued growth. Our R&D portfolio is divided into six therapeutic areas – immunology and neurology; haematology and thrombosis; cardiovascular and metabolic; respiratory; transplant; and vaccines. For a detailed view of our diverse and balanced product pipeline see page 9 of this report.

US$832 million

in research and development.*

In addition, key achievements across our therapeutic areas can be found on CSL.com (Our Company > Corporate Responsibility > Innovation).

CSL continues to look for strategic partnerships, such as those executed with Vitaeris and Momenta Pharmaceuticals, Inc. in the past. The integration of Calimmune Inc., which was acquired in 2017, is now complete.

Across our influenza portfolio, CSL has a number of clinical studies underway to expand age indications and further optimise adjuvant and cell-based technologies. Early stage collaborations are exploring other transformational approaches including universal influenza vaccine projects, synthetic seeds, yield optimisation and other vector/expression technologies.

The largest clinical trial ever undertaken by CSL is now underway with CSL112, a novel plasma derived apolipoprotein A-1 infusion therapy. CSL112 has the potential to reduce early recurrent cardiovascular events, experienced by nearly one in five survivors of acute myocardial infarction or heart attack. Patients in over 44 countries have enrolled in the study.

* Indicator externally assured by Ernst & Young.

Our values

Innovation

Lara Jupp, Scientist, Melbourne, Australia.

We turn innovative thinking into solutions

Focus on selected therapeutic areas – specialisation

CSL's business, including our R&D and in-market product portfolios, has advanced considerably over the past few years and looks very different to how it did 10 years ago. New and exciting opportunities allow us to address previously unmet patient needs and these continue to drive us each day. It is important that we have the organisational design and capabilities we need to allow us to achieve sustainable growth towards 2030 and beyond.

CSL Behring is evolving and strengthening its therapeutic area (TA) focus to support continued innovation and continually refine ways in which products can meet patient needs. This will ensure a robust and diverse innovation pipeline based on a foundation of scientific excellence. Each TA will leverage data, networks and expertise to deliver value-based products to the market. The customer voice will be prominent early in the product lifecycle to optimise patient value and commercial viability.

TAs were selected based on areas where we have the capabilities to be successful "in the CSL way" using our existing plasma assets and focusing on rare and serious diseases. The new model categorises our R&D and in-market portfolio into the following five TAs:

– immunology and neurology;

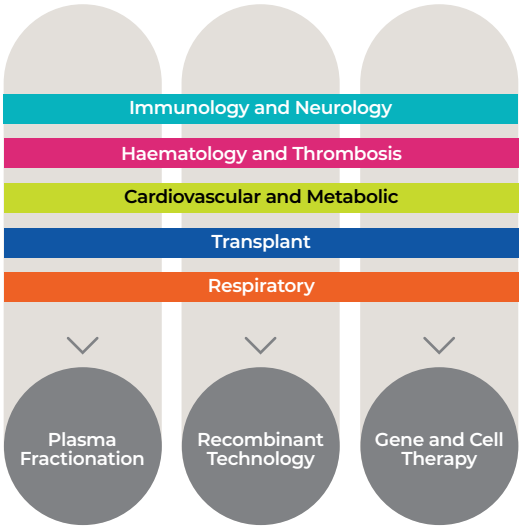
– haematology and thrombosis;

– cardiovascular and metabolic;

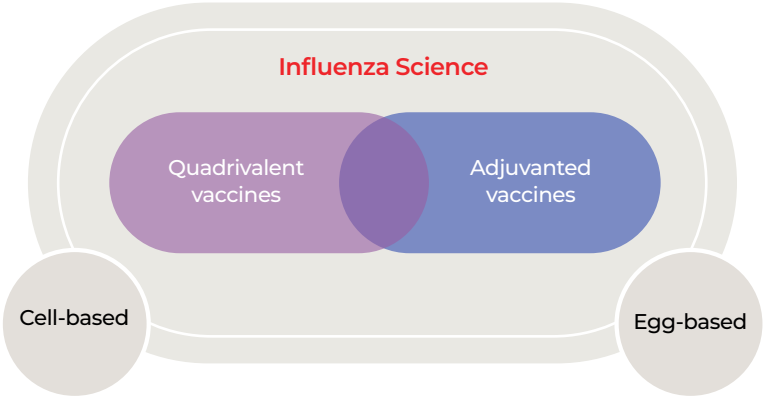
– transplant; and

– respiratory.

We will continue to use our three primary platforms of plasma fractionation, recombinant technology and gene and cell therapies. Unmet medical needs will be identified in each TA, leading to the selection of an indication and the appropriate platform to develop new products, ultimately delivering on our promise to patients.



Seqirus proudly stands on the front-line of influenza protection, supplying vaccines to public health partners around the world to prevent influenza and protect against pandemic threats. Our focus is on improving the effectiveness of our current influenza vaccines while working on longer-term transformational approaches to influenza protection.



New products to market

During the reporting year, we achieved 24 product registrations or new indications for serious diseases.

Strong progress was made in CSL Behring's immunology and neurology portfolio over the past year. In March 2019, Japan's Ministry of Health, Labour and Welfare approved two of CSL's immunoglobulin therapies for the treatment of patients with chronic inflammatory demyelinating polyneuropathy (CIDP). CIDP is a chronically progressive rare autoimmune disorder that affects the peripheral nerves and may cause permanent nerve damage. The myelin sheath, or the protective covering of the nerves, is damaged, which may result in numbness or tingling, muscle weakness, fatigue and other symptoms which worsen over time. HIZENTRA®, previously approved to treat primary immunodeficiency (PI), is now the first and only subcutaneous immunoglobulin approved for maintenance therapy to treat CIDP in Japan. PRIVIGEN®, our intravenous immunoglobulin, is now approved for both acute and maintenance therapy of CIDP in Japan.

In April 2019, CSL Behring gained US Food and Drug Administration (FDA) approval of convenient single-vial dosing for ZEMAIRA®, Alpha1-Proteinase Inhibitor (Human). Alpha 1 antitrypsin (AAT) deficiency is a hereditary condition that can severely affect a patient's lung function. The condition is marked by a low level or absence of AAT, a natural protein that inhibits neutrophil elastase, thereby preventing destruction of lung tissue. Severe deficiency of AAT is associated with a strong tendency for the development of emphysema, a form of chronic obstructive pulmonary disease (COPD), and can significantly impact everyday life and life expectancy. Once commercially launched, the new vial options deliver on CSL's heritage of innovation by providing more alternatives to patients and streamlining their current treatment regimen.

For Seqirus, in December 2018, marketing approval from the European Commission for its cell-based seasonal influenza vaccine, FLUCELVAX® TETRA was achieved. This is the first cell-based quadrivalent influenza vaccine available in Europe. Cell-based technology represents one of the most significant advances in the way influenza vaccines are manufactured since the 1940s. Cell-based technology avoids egg-adapted changes associated with traditional manufacturing methods and may therefore offer a closer match to circulating viruses than traditional egg-based influenza vaccines.

In October 2018, an expanded age indication for AFLURIA® QUADRIVALENT (influenza vaccine) for use in people six months of age and older was approved in the United States (US). This approval also applied to the trivalent formulation of AFLURIA® (influenza vaccine). In February 2019, AFLURIA® QUAD (influenza vaccine) was also granted an expanded indication for use in people six months of age and older in Australia, extending Seqirus' influenza vaccine offerings. In the reporting period, Seqirus supplied 10 million doses of FLUAD for the entire 65 years and above population in the United Kingdom (UK), in the 2018/19 northern hemisphere season.

Following registration approval last year, RAPIVAB®, an intravenous antiviral treatment for influenza was launched in Australia in June 2019, expanding our influenza portfolio in this market.

In Australia and New Zealand, Seqirus' in-licensing business helps provide greater access to a broad portfolio of vaccines and medicines. The Australian neurology portfolio was strengthened with the approval in October 2018 and subsequent listing of two new products, TEGLUTIK® for treatment of patients with amyotrophic lateral sclerosis (ALS) and XADAGO™ for Parkinson's disease.

24

product registrations or new indications for serious diseases.

Product registrations and indications 2018/19*

Therapy area	Product	Type	Country/region
Immunology and neurology products Focus on improved patient convenience, plasma yield improvements, expanded labels, new formulation science and recombinant technology.	HIZENTRA® Immune Globulin Subcutaneous (Human) 20% Liquid	NR	Indonesia, Singapore
	HIZENTRA® Immune Globulin Subcutaneous (Human) 20% Liquid	NI	Australia, Canada, Chile, Japan, Peru, Puerto Rico, Switzerland
	PRIVIGEN® Immune Globulin Intravenous (Human) 10% Liquid	NR	Indonesia, Japan, Singapore, Uruguay
	PRIVIGEN® Immune Globulin Intravenous (Human) 10% Liquid	NI	Europe, Trinidad and Tobago, United Arab Emirates
	BERINERT® C1-Esterase Inhibitor Intravenous, Human	NR	Iceland
	BERINERT® P C1-Esterase Inhibitor Intravenous, Human	NI	Iran
	RHOPHYLAC® Rho(D) Immune Globulin Intravenous (Human)	NR	Chile, Panama
	TETAGAM® P Tetanus Immunoglobulin (Human)	NR	Malta
	ALBUREX® 5/20, ALBURX® 20/25, Human Albumin	NR	Dominican Republic, Lebanon, Malta, Paraguay, Sri Lanka, Thailand
	XADAGO™ for Parkinson's Disease (Seqirus)	NR†	Australia
	TEGLUTIK® for Amyotrophic Lateral Sclerosis (ALS) a form of Motor Neurone Disease (Seqirus)	NR‡	Australia
Haematology and thrombosis products Maximise the value and performance of our existing coagulation therapies and develop new protein and gene-based therapies.	IDELVION® Coagulation Factor IX (Recombinant) Albumin Fusion Protein	NR	Brazil, Thailand
	AFSTYLA® Coagulation Factor VIII (Recombinant)	NR	Hong Kong, Taiwan
	BERIATE® Coagulation Factor VIII (Human)	NR	Indonesia
	VONCENTO® Coagulation Factor VIII (Human)/von Willebrand Factor (Human)	NR	Brazil
	MONONINE® Coagulation Factor IX (Human) Monoclonal Antibody Purified	NR	Brazil, Honduras
	RiaSTAP® Fibrinogen Concentrate (Human)	NR	New Zealand
Respiratory products Develop new treatments for respiratory diseases using our existing plasma-derived immunoglobulins and proteins and recombinant monoclonal antibody technology.	ZEMAIRA® Alpha1 Proteinase Inhibitor (Human)	NR	Colombia
Vaccines Develop products for the prevention of infectious diseases.	AFLURIA® Trivalent™, seasonal egg-based split trivalent inactivated influenza vaccine	NI	US
	AFLURIA® Quadrivalent™, seasonal egg-based split inactivated quadrivalent influenza vaccine	NI	US
	AFLURIA® QUAD, seasonal egg-based split inactivated quadrivalent influenza vaccine	NI	Australia
	AFLURIA® QUAD Junior, seasonal egg-based split inactivated quadrivalent influenza vaccine	NR	Australia
	AFLURIA® QUAD Junior, seasonal egg-based split inactivated quadrivalent influenza vaccine	PQ	World Health Organization (WHO)
	FLUCELVAX® TETRA, cell culture-based inactivated influenza vaccine	NR	Europe

* First-time registrations or indications for CSL products in the listed countries/regions over the reporting period. NR = New Registration. NI = New Indication. PQ = Prequalification (via WHO).

† XADAGO™ is a trademark of Zambon S.p.A. Under Licence from Newron Pharmaceuticals S.p.A. XADAGO is distributed by Seqirus (Australia) Pty Ltd under licence from Zambon S.p.A.

‡ TEGLUTIK® is a registered trademark of Italfarmaco S.A., Spain. TEGLUTIK® is distributed by Seqirus (Australia) Pty Ltd under license from Italfarmaco S.A., Spain.

Clinical trials in process and new

In 2018/19, CSL had 34 clinical trials in operation across all therapeutic areas. Of those, three had a first patient enrolled in the trial during the year.

CSL conducts ethical clinical trials and adheres to exemplary standards of integrity in the formulation, conduct and reporting of scientific research. This is based upon three primary elements: scientific integrity, patient safety and investigator objectivity.

34
clinical trials in operation across all therapeutic areas.

10
regulatory inspections with no impact to clinical trial licences.

The CSL Clinical Quality Management System allows us to monitor and effectively oversee the quality of our clinical trials and includes all good clinical practice (GCP), pharmacovigilance (PV), good laboratory practice (GLP), and good research laboratory practice (GRLP) audits.

In addition, 10 (three CSL Behring and seven for Seqirus) inspections were undertaken by regulatory agencies such as the US FDA, the Pharmaceuticals and Medical Devices Agency of Japan (PMDA) and the Paul Ehrlich Institute (PEI). All inspections confirmed adherence with GCP requirements, validated the data integrity of our clinical trials and had no impact on clinical trial licences or operations.

Clinical trial transparency

Over the reporting period, 10 clinical trial registrations and 17 clinical trial results were published and made readily available to stakeholders and the general public. These were all disclosed in a timely manner and in compliance with our transparency policy. Our policy reflects international requirements and standards including requirements from the *International Committee of Medical Journal Editors*, WHO guidance and legislative requirements.

Leveraging advanced analytics and artificial intelligence

Data science and artificial intelligence (AI) and their potential to help patients is one of the most discussed topics in healthcare. Data science and AI can potentially decrease the time for patients to receive an accurate diagnosis and help doctors home in on precise treatments.

CSL is pushing to go further by implementing the use of data science in almost every aspect of our operations. It's a strategic shift that will strengthen our ability to deliver on our promise to patients.

A demonstrated commitment

CSL is taking a two-pronged approach to integrating AI into the organisation. Dozens of data scientists are working on projects throughout CSL as part of a Centre of Excellence on advanced analytics and AI. Leaders in various parts of the company who are interested in launching AI initiatives comprise a Community of Practices that can consult the data science team to make sure their plan is the right one for their team and for CSL as a whole.

A global approach

In April, CSL brought together more than 150 of its data science stakeholders for the organisation's first-ever data science summit. The gathering included presentations from CSL leaders on how CSL is integrating data science in everything it does, from developing lifesaving therapies to improving supply chain efficiency.

A key takeaway from CSL's first data science summit was the critical role that AI and data science is playing in CSL's digital transformation and continued growth. Leaders across the organisation shared a common message: data science is essential to CSL's future success.

Innovation across the value chain

Innovation is sparked by a need and a great idea. Bringing an idea to life requires a strong chain in which each link is essential. We deliver on our promise by prioritising ideas, funding those ideas, giving those ideas life through our medicines, and getting those products to the patients who need them.

Innovation across the value chain goes far beyond R&D. We innovate to enhance experiences, efficiency and excellence for patients and their communities, as well as our employees and their communities, adding value that improves their quality of life.

Enhanced convenience for haemophilia B patients

CSL Behring is focused on reducing the burden of care and improving life for people with haemophilia. IDELVION® is helping patients with haemophilia B to spend less time preparing and infusing their medicine and more time leading fuller lives.

IDELVION is becoming the new standard of care for haemophilia B as the only treatment approved by the US FDA for up to 14-day dosing to prevent and control bleeding. Longer dosing means patients don't have to infuse as often.

IDELVION is now offered in five vial sizes in the US to fit any dosing regimen: 250, 500, 1000, 2000 and 3500 IU. The larger size will save time for patients who previously needed to prepare multiple vials for a similar dose, a process that involves set up, sterilisation and mixing. Less reconstitution time pays off in improved convenience which may decrease the potential of patients skipping their treatments.

Virtual reality driving efficiency

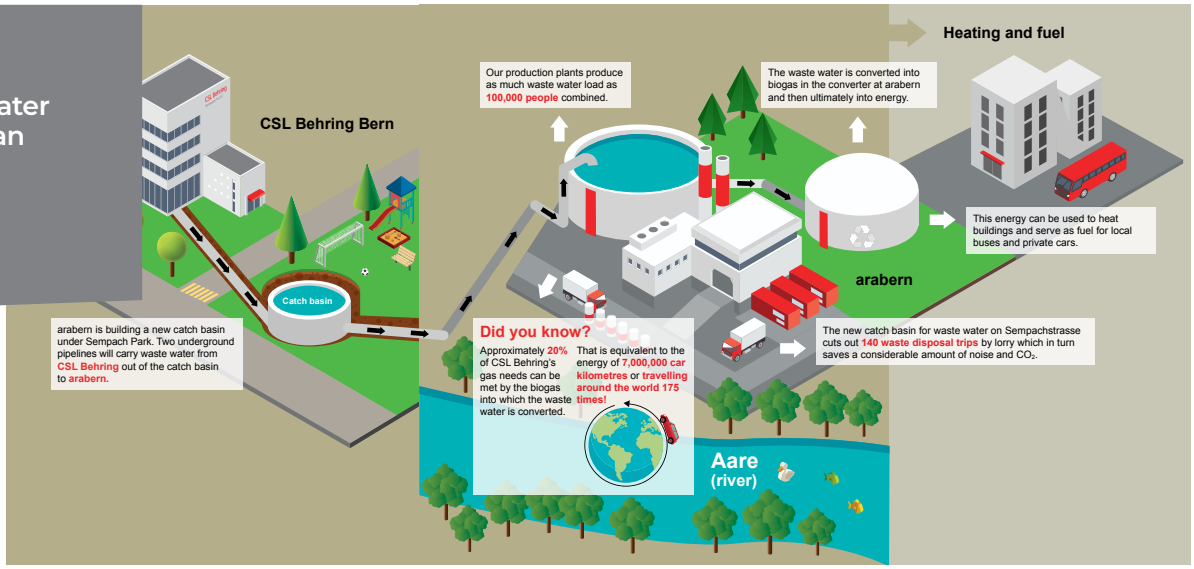
Imagine you're in charge of a delicate operation – fractionating human plasma into components needed to make critical treatments for people who have rare and serious diseases.

Precision matters. Processes happen in parallel. Time is tight. So why not make the process quicker and more efficient with virtual reality? That's the idea behind the augmented reality app "PlasmiX" being developed at CSL Behring's leading-edge manufacturing site in Bern.

For a user wearing mixed reality glasses, PlasmiX makes the invisible visible. Real-time data is projected on real objects, such as manufacturing equipment, and gives employees instant readings. Workers can act rapidly without needing to visit the control room.

The "smart factory" technology recently won gold recognition at the Best of Swiss App Awards 2018. CSL Behring welcomes this immersive technology and is examining the need for further development.

Turning wastewater into clean energy



CSL Behring's leading-edge manufacturing site in Bern, Switzerland, has teamed up with the local wastewater company to both reduce its burden on local utilities and to turn discarded water into alternative fuel.

In manufacturing lifesaving biotherapies for people with rare and serious diseases, the facility produced wastewater equivalent to 100,000 city inhabitants, according to Bern's Ministry of the Environment. Previously, that water had to be processed through Ara Region Bern Ag's (arabern's) wastewater system.

Work was recently finished on an innovative, environmentally friendly approach that first collects the wastewater onsite and then sends it through a dedicated pipeline to an arabern bioreactor on the River Aare. There, it is now being converted into an alternative fuel called biogas. That fuel, similar to natural gas, is providing 20% of CSL Behring's gas needs at the site in Bern.

More on CSL.com (Corporate Responsibility > Environment)

6 Global Reach and Impact

To meet growing global demand and to address unmet need for lifesaving medicines requires global capability. CSL has strategic manufacturing and distribution capability that positions us to meet the needs of patients and healthcare providers worldwide. Our strategy is to focus on efficiency across our business and to drive scale in our operations to supply the expanding global market.

Global reach and focus

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.

In the past five years, CSL has grown rapidly, due to strategic acquisitions, a rise in global demand for our products and investment in increased capacity.

Our management team has significant experience in the industry and the confidence to drive our promise to patients into the next century.

Our commitment to strategic sourcing rather than local sourcing has allowed the business to have a reliable supply of lifesaving therapies in multiple facilities across the globe.

A number of CSL's sites are supporting major capacity expansion projects from Project Sphinx in Marburg for HAEGARDA®, Protinus in Bern for PRIVIGEN®, Aurora in Broadmeadows for base fractionation and Atlas in Kankakee for base fractionation. In November 2018, we announced a US$140 million investment in a manufacturing expansion at Seqirus' Holly Springs, US, facility, to meet the growing demand for vaccine products. These projects are timed to come on line ahead of demand to ensure a seamless supply of product to patients.

Our values

Superior performance

Beverly Fair, Manufacturing, Kankakee, US.

We take pride in our results

More than US$1 billion in investments in large-scale group-wide capital initiatives, across all regions, remain on track.

Research and Development:
Bio21 Institute, Melbourne

A substantial 5,000m² expansion of the Bio21 Institute in Parkville, Australia, incorporating CSL's Global Hub for Research and Translational Medicine was officially opened in December 2018. The new facility doubles the presence of CSL research scientists from 75 to around 150. Our increased presence at Bio21 will enable us to extend our collaboration with University of Melbourne researchers and other research institutes and hospitals in the Parkville precinct and provide a powerful way to build our long-term pipeline of medical therapies.

Photo courtesy Dianna Snape

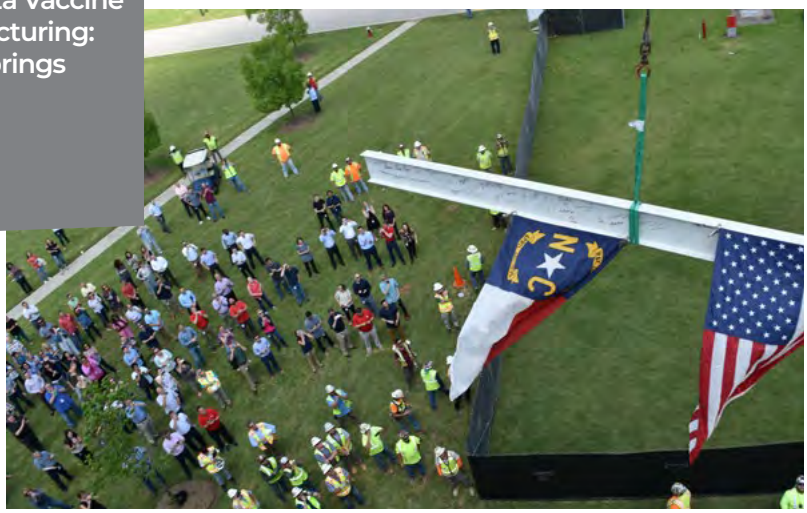
Base Fractionation: Broadmeadows, Kankakee, Marburg

We continue our base fractionation capacity expansion projects across our facilities in Broadmeadows, Kankakee and Marburg. These investments will help to meet the future global demand for our products by expanding production capacity and supporting end-to-end manufacturing of plasma-derived therapies.

Project Protinus: Bern

In order to meet the high demand for immunoglobulin products, CSL Behring is expanding its production capacity in Bern. CSL Behring is investing CHF 300 million in the project which has created around 50 new jobs in the city of Bern. This expansion will allow an additional 90,000 patients a year to live an improved quality of life.

Influenza Vaccine Manufacturing: Holly Springs



A US$140 million expansion in manufacturing will allow Seqirus to increase capacity for formulation, fill and finish manufacturing of cell-based and adjuvanted influenza vaccines for global markets.

Donor management

Since 2011, CSL Plasma, a division of CSL Behring, has grown to become one of the largest plasma collection networks in the world, providing human plasma to CSL Behring for the manufacture and distribution of plasma protein biotherapeutics. Its expanded laboratory and logistics operations have increased CSL Plasma's testing and storage capacity to meet the growing need for plasma-derived therapies.

99%
of plasma donors are willing to donate again.

97%
of plasma donors are willing to refer a friend to a centre.

CSL Plasma has over 235 collection centres globally (US, Germany, Hungary and China) with plasma testing laboratories and logistics centres in the US, Germany and China along with a saline and sodium citrate manufacturing facility in the US. For our donors, CSL Plasma has developed the most efficient processes and systems that focus on donor and plasma safety, along with donor satisfaction.

Efficient and safe donor management contributes to our success by ensuring a supply of raw material which we use in our biotherapy manufacture. Over the reporting period, more than a million surveys completed by our plasma donors indicated 99% would be willing to donate again and 97% would be willing to refer a friend to donate.

Focus on efficiency, standardised manufacturing processes and integrated supply chain

To meet the global demand for CSL's lifesaving medicines, we drive an integrated enterprise approach to manufacturing across our business – with the goal to enhance our production capabilities across all of our product lines. The underlying strategy is to spread risk across our end-to-end manufacturing and supply network and to utilise each node of the network to its utmost potential. We focus on safety, quality and efficiency as core foundations to reliable and high-quality supply.

Development of an end-to-end enterprise network strategy was commenced over the reporting year. This will ensure tighter integration across the network, better utilisation of assets, diversification of risk and improvements in supply reliability and will deliver benefits in the years to come. Currently projects are underway to improve yield and drive operational efficiencies such as an initiative targeting higher yielding immunoglobulin processes that will positively impact PRIVIGEN® plants in Bern, Switzerland, and Broadmeadows, Australia. PACE, CSL Behring's end-to-end process transformation, is delivering improved processes which are already demonstrating more efficient and repeatable processes applied consistently across all manufacturing plants.

For CSL Plasma, the collection of vital human-derived plasma for the development of lifesaving products is industry leading. With careful localised management of operations, including donor remuneration, CSL Plasma facilities minimise donor time via integrated donor management systems including electronic biometric identification and check-in, streamlined floor layouts and an operational excellence approach driving a cohesive culture of efficiency and teamwork.

CSL Plasma donor profile

The socio-demographic background of CSL Plasma donors in the US is very diverse.

Based on self-reported survey data (1 July 2018 to 27 June 2019), CSL Plasma donors related their occupational status (90% of donors reported their occupational status):

- 51% described themselves as working full-time;
- 24% described themselves as unemployed, inclusive of full-time parents, donors who are not looking for work or the unemployed;
- 15% described themselves as part-time;
- 10% described themselves as students; and
- 9% described themselves as other (e.g., military, retired).

In October 2018, Seqirus presented real-world evidence (analysis of 1,353,862 medical records) that FLUCELVAX®, cell-based quadrivalent influenza vaccine, was 36.2% more effective than standard (non-adjuvanted with standard dose of antigen) egg-based quadrivalent vaccines in preventing influenza-like illnesses during the 2017/18 influenza season in the US. This is likely due to the predominance of the H3N2 virus and its propensity for mutation when it is adapted for influenza vaccine production in hen's eggs.

Seqirus influenza vaccine manufacturing facilities are rapidly transitioning from single to multi-product plants to support market expansion. This demands standardised manufacturing and strong change-management to keep our processes in-step with each other. Our strategy aims to create a manufacturing network that is much more flexible and robust, and to reduce costs by minimising the need to airfreight large quantities of finished goods across continents. In 2018/19, Seqirus achieved FDA approval of its next generation cell-based manufacturing process at Holly Springs, US. The approval will enable Seqirus to more than double current production levels of FLUCELVAX® QUADRIVALENT for supply in the 2019/20 influenza season.

Environment, health and safety

CSL is committed to continuously improving our Environment, Health, Safety and Sustainability (EHS²) performance with culture-driven, risk-centred methodologies that are focused on preventing workplace injuries and illnesses and reducing environmental impacts of our operations and products throughout their lifecycle.

Our EHS² Management System provides the platform for policies, procedures and guidelines, which manage our business processes.

The following principles are applied and practised by CSL employees. We:

- adhere to applicable EHS² laws and regulations and in the absence of governmental standards, we apply sound EHS² practices;
- instil ownership at all levels in the organisation;
- establish opportunities for EHS² involvement and expect all employees to be responsible for EHS²;
- set performance objectives and regularly measure and communicate results, progress and opportunity with our employees and stakeholders;
- provide the resources to implement an EHS² culture that proactively identifies and controls EHS² risk;
- share best practices with the intent to improve our operations and our communities;
- conduct internal audits to ensure the integrity of our operations against our EHS² Management System; and
- provide training to all employees to ensure that they have the right level of skills, ability and knowledge to perform their work.

For further information on our environmental performance and participation in voluntary disclosures please see page 54 of our 2018/19 Directors' Report and CSL.com (corporateresponsibility.csl.com/environment).

Supply chain management

In 2018/19, CSL continued to focus on critical suppliers and supplier risk more generally. The investment in transforming the strategic sourcing organisation has paid dividends with many new suppliers being introduced, which has both reduced risk and improved supplier quality performance. In manufacturing operations, the global sourcing team completed a deep review of all suppliers supporting the top products and assessed risks that will emerge due to CSL's continued growth. The review has identified certain risks and due to this forward thinking there is sufficient time to introduce or develop suppliers to mitigate the risk. In addition, collaboration with a number of suppliers has improved process performance and reduced the consumption of filters and packaging materials, having a positive cost and environmental impact.

Sourcing in collaboration with the supplier quality team ensures the required level of quality and performance is demonstrated consistently across the CSL business. The focus on consistency removes variation for suppliers, thus simplifying their efforts to support CSL and further reduces risks and inefficiencies in our operations.

Our global security function is also turning its attention to our supply base as further support for ensuring continuity of supply. This new focus will become more prominent in the coming year with the intention to implement technology to provide early warnings for events that may impact supply.

Logistics remains focused on driving freight to the ocean to reduce cost, our carbon footprint and the risk of temperature deviation. Many new distribution pathways were validated that provide greater opportunity to utilise ocean freight, especially into the emerging Middle Eastern markets.

During the second half of 2018/19, CSL Behring introduced a new capability – supply chain integrity. Once matured, the capability will ensure and demonstrate that CSL's supply chain partners are conducting their business to a standard aligned to CSL's Code of Responsible Business Practice (CRBP) and expectations brought about by supply chain transparency and modern slavery legislation.

This year, Seqirus created new action plans to address materials of strategic significance while increasing our contractual coverage to protect our supply position across all territories.

CSL's Statement on the Prevention of Human Trafficking, Slavery and Forced Labour can be found on CSL.com (corporateresponsibility.csl.com/workplace/employee-relations-and-diversity).

Supplier assessments

In 2018/19, CSL conducted 580 quality audit of suppliers.* This level of effort reflects our continued focus on understanding our suppliers across our value chain and the expansion of the numbers of suppliers to accommodate growth. A risk-based methodology was introduced; this resulted in an initial spike in audits which is expected to decline and improve efficiency in the coming year.

Our CRBP includes a commitment to forbid the solicitation, facilitation or any other use of slavery or human trafficking, and under no circumstance should any engagement with CSL deprive individuals of their freedom. From 1 July 2018 to 30 June 2019, no instances related to human trafficking or slavery and forced labour were reported.

* Does not include Ruide. Indicator externally assured by Ernst & Young.

7 A Trusted Health Partner

We respect the trust that is placed in us by our stakeholders globally. To continue to earn that trust is a driving force throughout our business and is critical to our ongoing success. Trust drives value.

We earn stakeholders' trust by demonstrating responsible behaviour in our activities and decisions. Responsible conduct in the marketplace protects our reputation and sustains organisational growth.

Around the world, patients and healthcare professionals know that they can rely on the quality, safety and efficacy of our therapies. International organisations such as the World Health Organization rely on us to help prevent and prepare for pandemics. Governments and regulators understand the ethical approach we bring to development and registration of our products and our commitment to fair pricing. Investors see that this trust and positive reputation is reflected in our strong financial performance.

US$8.4 billion

distributed in supplier payments, employee wages and benefits, shareholder returns, government taxes and community contributions.*

Product quality and safety

The development, manufacture and supply of high-quality and safe products is critical to our ability to continue to protect public health, save lives and improve the health and wellbeing of patients with rare and serious diseases. CSL employs an integrated quality function that strives to maintain the highest standards through the use of global quality standards.

These are reflected in global and local policies and procedures, as well as global and local electronic systems to support management of the quality processes. In 2018/19, CSL's quality systems, plasma collection and manufacturing operations were subject to 440 good manufacturing practice (GMP) regulatory agency inspections around the world. These independent and rigorous inspections resulted in no changes to our product marketing licenses and confirm that the quality systems established globally by CSL are established and in line with regulatory agency expectations.

440

regulatory inspections of our manufacturing facilities† with no impact to licences or operations.

580

quality audits of our suppliers.†

During the reporting period, CSL initiated three voluntary safety-related product recalls.* No recalls were initiated by regulators. In August 2018, CSL Behring initiated a recall of three units of KYBERNIN® P in Switzerland due to units being distributed from a lot in quarantine during a requested emergency delivery. In February 2019, CSL Behring initiated a recall in Canada for albumin vials due to a gelatinous and opaque appearance of the product. In May 2019, CSL Behring voluntarily recalled five batches of ZEMAIRA vials, in the US market, as a precautionary measure due to a potential for inadequate aseptic technique during the filling process.

To assure continued consistent high-quality materials from our partners, CSL Behring and Seqirus conducted a combined 580 quality (GMP) audits of suppliers worldwide.

Over the reporting period, there were 11 reported cases of counterfeit product; one of these was confirmed as counterfeit, six were CSL products, with the remaining four cases having limited data available or remaining under investigation.

Oversight and management of pharmacovigilance and clinical safety affords our patients the opportunity to fully realise the benefits of our products. CSL's Global Clinical Safety and Pharmacovigilance function continues to assure the safety of patients and clinical study participants while further deepening its capabilities and improved quality outputs. Compliance metrics have remained at high and increasing levels.

64

pharmacovigilance audits of CSL and third-party operations with no outcomes diminishing reliable supply of quality product.

Over the reporting period, CSL Behring pharmacovigilance quality assurance (PVQA) performed a total of 64 pharmacovigilance (PV) audits:

- 16 on internal systems and processes across our sites, including affiliates; and
- 48 on third parties that undertake PV responsibilities on CSL's behalf in various countries all over the world.

None of these audits resulted in an outcome which affected our ability to reliably supply product.

The safety of our donors, employees and the plasma we collect is of paramount importance. To ensure the continuous safety of the donors and the plasma supply, donors are carefully screened and tested for infectious diseases. Plasma and plasma products undergo rigorous safety controls and inspections throughout every step of the manufacturing process, from the collection of plasma to the final packaging of the finished product, to ensure that our plasma products are of the highest quality and safety.

* Indicator externally assured by Ernst & Young.

† Does not include Ruide. Indicator externally assured by Ernst & Young.

Our values

Collaboration

Irina Staxen, Manufacturing Sciences and Technologies, Holly Springs, US.

We are stronger together

For Seqirus, the focus this year was transforming pharmacovigilance and associated risk management (PVRM) into a smart, innovative, results-focused function in line with our strategic direction. A number of internal audits were conducted to oversee the maintenance and continuous improvement of the Seqirus global pharmacovigilance system, ensuring it is compliant, of the highest quality and fit for purpose. Targeted, industry-leading, good vigilance practice (GVP) compliance has been maintained throughout the year at the desired level.

Value and access

CSL invests in programs to develop and supply innovative vaccines and therapies that protect public health, and extend the lives of people living with serious and rare diseases. The value our products provide to patients and society is enormous. Our therapies save lives, improve clinical outcomes and quality of life, and our vaccines prevent life-threatening illnesses, each contributing to the reduction of overall healthcare costs around the world.

We are proud of these contributions and work diligently to ensure that patients and communities have access to our lifesaving vaccines and therapies. CSL engages in a number of initiatives to help improve access to our products. We work with governments and health insurance payers to support timely market entry and access, as both play a critical role in the development of reimbursement frameworks and patient access regimes. We articulate and communicate comprehensive evidence on the value of our innovations to inform access and reimbursement decisions. And, we provide patient assistance programs and support advocacy efforts that improve access to care.

In 2018/19, CSL's investment for humanitarian access programs and product support initiatives totalled US$21.7 million* (see page 37 for examples of our humanitarian access programs). In the US, access programs are critical to patients who are uninsured, underinsured or who cannot afford therapy.

US$21.7 million

supporting product access across the world.*

We are also committed to pricing practices that reflect the value our products bring to patients and society. To that end, we evaluate real-world and clinical trial data that demonstrate the benefit they deliver relative to alternative treatments and the cost savings they provide to overall healthcare. We also consider patient preferences and the improvements they provide to patients' quality of life and productivity.

As a leader in our space, we are committed to dialogue with all interested stakeholders on how best to ensure continued patient access and affordability of medicines, and to preserve an ecosystem that sustains medical innovation for patients today and in the future.

In 2018/19, there were no findings against CSL relating to a breach of any fair trading or competition laws.

* Indicator externally assured by Ernst & Young.

Public policy engagement

We also engage with governments directly and through active membership in industry groups, and contribute to public policy through engagement with patient organisations, public health agencies, and other stakeholders at a national and global level.

CSL recognises the importance of participating in political and public policy matters that directly impact business operations. Public policy initiatives are focused in key geographies where appointed senior personnel are responsible for representing the company and engaging with governments and other key stakeholders.

Over the reporting period, CSL contributed a total of US$3,000 in political contributions in the US and A$29,895 to political organisations in Australia solely for attendance at political party conferences, roundtables and/or fundraising events (such as breakfast briefings, lunches or dinners). In all other regions, CSL made no political contributions.

CSL also provides for the administrative costs of a political action committee (PAC), which enables eligible employees in the US to have a voice in the political process by voluntarily pooling funds that can be contributed to candidates for elective office. The PAC is run by an employee PAC Board and is fully compliant with US election laws and reporting requirements.

Examples of public policy initiatives across our regions

Asia

CSL has offered its expertise to Chinese government stakeholders in exploring solutions to address the unmet needs of rare disease patients in China.

Australia

CSL has continued to engage with the biotech sector and the Australian Federal Government in relation to the research and development (R&D) tax incentive. We provided written and oral input to a Senate inquiry specifically opposing proposed changes which would have disadvantaged companies which manufacture in Australia.

Europe

CSL Behring is engaging with stakeholders on the European Blood Directive to promote an environment for efficient and safe collection of plasma that meets the need of patients in Europe.

CSL Behring is also collaborating with leading patient organisations such as EURORDIS, European Haemophilia Consortium or Alpha-1 for joint initiatives on improving patient access to rare disease therapies.

To help supply information for policy analysis and discussion, Seqirus sponsored the International Longevity Center (ILC -UK) to conduct, “An economic analysis of flu vaccination”. This report presents findings from a new economic model on cost-benefit analyses for differing uptake and efficacy scenarios for the English flu vaccination program.

Given the rapidly ageing population of the UK and growing pressures on the National Health Service (NHS), tackling influenza is an important challenge, especially during the winter months when flu and other related health conditions are most prevalent. Vaccinations are recognised as a crucial defence against flu outbreaks, helping to protect individuals directly and by creating herd immunity. Key findings include that vaccination averts between 180,000 and 626,000 cases of influenza per year in England, and that flu vaccination helps avert between 5,678 and 8,800 premature deaths per year.

North America

CSL Behring has supported the efforts of state haemophilia associations in Arizona and Virginia, US, in addition to the Immune Deficiency Foundation, to secure legislation that restricts co-pay accumulator programs in those states. Co-pay accumulator programs are used by health insurers to track utilisation of pharmaceutical manufacturer-sponsored co-payment assistance programs and ensure that the manufacturer contribution does not count toward a patient’s deductible or otherwise reduce the patient’s responsibility for out-of-pocket expenses. Patients whose insurers utilise co-pay accumulator programs are unable to benefit from assistance, and as a result, must pay more directly out of pocket.

At a global level, Seqirus continues to be an active member of the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA), with the focus this year on supporting greater understanding amongst the public health community of the impact of the Nagoya Protocol on the access and benefit sharing of influenza viruses.

Seqirus has also worked with the World Health Organization (WHO) to enhance policies to support capacity-building for seasonal influenza vaccination and pandemic preparedness. Additionally, we have supported projects to advance a life-course approach to vaccination and to raise awareness of the role of vaccines in preventing anti-microbial resistance.

Secure and reliable supply

Our investment in innovative products and reliable supply is critical to achieving access to lifesaving and life-enhancing medicines. Responsible pricing is key to maintaining our research and development pipeline.

We continue to invest heavily in advanced manufacturing in key global locations, to support reliable and responsive supply (see page 22 for more).

CSL Plasma is the world leader in plasma collection and achieved a record year in centre openings with 30 over the reporting period, taking the global fleet above 235. While these up-front investments take time to yield products for patients, they are critical to ensuring the strong demand for our products can be delivered without interruption. In 2018/19, CSL Plasma also acquired a liquid saline and sodium citrate facility in South Carolina, US, to support its vast plasma collection network.

CSL remains compliant with all product serialisation regulations having achieved implementation milestones in Europe in 2018/19 and preparing for regulations in various other countries.

Pandemic and emergency response

A measure of the trust we have built is our position as a global leader in pandemic preparedness and response. Seqirus has three state-of-the-art manufacturing facilities on three different continents, together with a global fill and finish network located close to our end markets. Our facility in the US, built in a partnership with the US Government, is unique as it utilises cell-based technology for influenza vaccine production which has the potential for the rapid ramp up of pandemic vaccine production.

Each Seqirus facility provides pandemic response solutions to its host country, to WHO and to a number of nations willing to reserve pandemic vaccine doses to protect their populations in the event of an influenza pandemic. In addition, several governments have entered into agreements with Seqirus to procure pre-pandemic vaccine stockpiles that could be deployed to first-responders upon a declaration of a pandemic.

During the reporting period, Seqirus entered 16 new pandemic vaccine agreements with governments in the America and Europe regions. We also submitted a biological license application to the US FDA for an MF59-adjuvanted cell-based pandemic (H5N1) vaccine produced at our Holly Springs facility.

As part of our contribution to protect public health worldwide, Seqirus continued its support for the Pandemic Influenza Preparedness Framework operated by WHO, which aims to build pandemic preparedness capacity in low and middle-income countries.

This year, Seqirus has joined the Private Sector Roundtable (PSRT), a coalition of companies that acts as a central touchpoint for industry engagement to support countries in achieving the goals of the Global Health Security Agenda (GHSA). As a core member on the PSRT Steering Committee, Seqirus aims to contribute to addressing global health security challenges and, in particular, explore ways to help countries become more resilient to pandemic influenza threats.

Relationships with healthcare professionals, regulators and patient groups

We have strong and deep relationships with key stakeholders across the sector including healthcare professionals, regulators, patient and clinical groups. These ties are an important part of the social capital that adds value to our business.

CSL patient focus requires a commitment to working with a broad set of healthcare professionals including regulators to help patient groups and CSL advance collective expertise across our therapy areas. We actively collaborate with patient organisations to help fulfill their mission of building patient communities, increasing knowledge awareness and diagnosis of conditions.

In 2018, CSL launched a new initiative to look at how we translate our strong patient-focused culture into our work, helping us better define what it means to be a patient-focused organisation in today's changing healthcare environment. Employees from across the organisation are exploring how CSL can ensure that working with patients and for patients is embedded across our diverse operations. Participants are advancing practical opportunities to co-create with our patients throughout the product lifecycle; for example, deeper consultation with patients on clinical trial design and understanding the unmet need from the patients' perspective. Working in defined streams and leveraging leading practice, the ideas and focus areas will be explored more deeply for implementation across the organisation to ensure CSL continues to deliver on its promise to patients.

Responsible marketing and promotion

Responsible marketing of prescription medicines is vital to maintaining consumer trust and ensuring patients receive the maximum benefits from our products and services. Government regulation and industry codes oversee the marketing of our medicines across key regions where we operate.

CSL recognises that reputation in the marketplace and success as a reliable supplier of biopharmaceuticals relies on ensuring our medicines are honestly represented in our interactions with healthcare professionals, consumers and other customers. Promotional Review Committees, comprising cross-functional members, operate across CSL business units to ensure compliance with all applicable local laws, regulations and accepted industry codes, such as Medicines Australia Code of Conduct (MA Code) and the European Federation of Pharmaceutical Industries and Associations Code for European Union member countries. The committees are responsible for ensuring information on medicines, vaccines and therapy areas is balanced, supported by scientifically valid data and compliant with relevant laws and codes.

During 2018/19, neither CSL Behring Australia nor Seqirus Australia were found to be in breach of the MA Code. For international operations, CSL (including CSL Behring and Seqirus) was not found to be in breach of any regulation of the US FDA or the European Medicines Agency (EMA) with respect to the promotion or marketing of medicines, vaccines and therapies.

0

breaches of product marketing and promotional activities by the US FDA, EMA or Medicines Australia.*

Our expanding footprint

CSL reaches patients in more than 70 countries and we continue to deliver on our promise to make our novel therapies available to patients around the world.

The Commercial Operations Senior Leadership Team oversees the delivery of our marketplace strategy and the CSL Board has strategic oversight and monitors performance through key subcommittees.

The decision to enter new markets is a long-term commitment driven by a desire to understand and respond to patients' needs. We continue to see the benefits of our expanding footprint, including double-digit growth from our local investments in the developing countries of Russia, Turkey and within Latin America.

While we invest locally to improve disease awareness and access to medicines, we also bring global benefits to the markets we serve. Our people are passionate about connecting local healthcare providers and other stakeholders to the global rare disease community, which in turn accelerates their ability to learn and exchange best practice.

Highlights for the reporting period include the following:

Argentina

In April, Seqirus formally launched its operations in Argentina, working with local partners to supply influenza vaccines to the national Ministry of Health. The vaccines are then provided to the public to help prevent seasonal influenza. Argentina will act as a hub for further expansion across Latin America.

China

CSL Behring completed its acquisition of plasma-derived therapies manufacturer Wuhan Zhong Yuan Rui De Biological Products Co. Ltd. from Humanwell Healthcare Group Co. Ltd in August 2017 and acquired the remaining 20% equity in 2018. The acquisition provides CSL with a strategic presence in the Chinese domestic plasma fractionation market and complements the leadership position that CSL Behring has built over the past 20 years as a provider of imported albumin in China. It also enables CSL to continue expanding our commercial footprint and contributing our global expertise for the benefit of patients with rare and serious diseases in China.

Dubai

CSL Behring established new regional headquarters at Dubai Science Park, strengthening the company's presence in the Middle East and Africa region, where we have seen increasing demand for our medicines.

Emerging Europe

In August, CSL Behring transformed its presence in Poland, Hungary, and the Czech Republic into fully fledged, independent affiliates. This resulted in each affiliate obtaining full legal entity status, together with a licence for wholesale activities.

Korea

CSL Behring established a new office in South Korea. This is the first step to strengthening our market presence and delivering CSL Behring's promise to care for patients and strengthen the public health.

France

In June, Seqirus signed a distribution agreement with French pharmaceutical marketer Laboratoire Arrow to enter the French market. Whilst a date has not yet been set for the formal launch of FLUCELVAX® TETRA, this agreement is a great milestone in our journey to provide influenza protection to the people of France.

* Indicator externally assured by Ernst & Young.

Risk management

CSL has adopted and follows a detailed and structured Risk Framework to ensure that risks in the CSL Group are identified, evaluated, monitored and managed. This Risk Framework sets out the risk management processes and internal compliance and control systems, the roles and responsibilities for different levels of management, the matrix of risk impact and likelihood for assessing risk, and risk management reporting requirements.

The risk management processes and internal compliance and control systems are made up of various CSL policies, processes, practices and procedures, which have been established by management and/or the Board to provide reasonable assurance that:

- established corporate and business strategies are implemented, and objectives are achieved;
- any material exposure to risk is identified and adequately monitored and managed;
- significant financial, managerial and operating information is accurate, relevant, timely and reliable; and
- there is an adequate level of compliance with policies, standards, procedures and applicable laws and regulations.

Further details of CSL's risk management framework are contained in CSL's Corporate Governance Statement. A description of CSL's key risks and key risk management activities for each risk can be found in the Directors' Report on page 52 (and on CSL.com).

Ethical conduct

CSL operates in a diverse and complex marketplace where bribery and corruption are risks that could expose the organisation and employees to possible prosecution, fines and imprisonment. CSL has a number of commercial arrangements with governments and related agencies across various geographies, presenting both challenges and opportunities.

Market practices are governed by company-specific policies and procedures. Internal compliance mechanisms and control systems are overseen by CSL's Audit and Risk Management Committee of the Board and the Global Compliance Committee (GCC), including the Global Business Integrity team.

Based on these controls, we consider our overall risk relating to corruption to be low and are committed to ensuring full compliance in how we conduct our operations across all regions in which we operate and are seeking to enter.

CSL's Code of Responsible Business Practice (CRBP) underpins our commitment to operating with the highest integrity in the marketplace. In 2018/19, all employees, including contingent workers, undertook training on CSL's CRBP, achieving a 93% completion rate (the movement of contractors impedes achievement of a higher completion rate).

From 1 July 2018 to 30 June 2019, 135 reports were identified for the attention of management through our global hotline. For substantiated allegations, corrective actions were taken to the extent warranted. For matters closed during the reporting period, no allegations resulted in any regulatory action or action by law enforcement authorities indicating any increased risk profile.

135

hotline reports received with no violations of law or increased risk to our organisation.

In addition, over 2018/19, our operations conducted a biannual assessment of bribery and corruption risk within their businesses. This is achieved by means of a standardised questionnaire that is completed and the responses are then reviewed with the GCC. During the reporting period, these assessments did not identify any significant corruption risks.

More on CSL.com (Our Company)

8 Promising Futures

Every day, CSL is relying on our team of more than 25,000 talented employees around the globe to deliver on our promise to our patients and our communities. In return, we are continually investing in our workplace and in our employees. We are building a diverse, flexible and engaging workplace where individuals can have promising futures. It is a workplace where people collaborate and innovate around global challenges and where everyone can make a difference.

CSL's global workforce has grown to a total of 25,031 employees (as at 28 June 2019) – up 13% from the previous year. Our people are in 38 countries across a number of geographic regions. As with past years, our workforce continues to grow to accommodate an expanding network of CSL Plasma centres, an expansive market presence in more than 70 countries and a growing manufacturing footprint that includes facilities in Australia, China, Germany, Switzerland, United Kingdom (UK) and United States (US).

Our Parkville, Australia, site is located in one of the world's premier medical research and development hubs. This proximity to one of Australia's elite medical research communities fuels our early stage research efforts. Similarly in Germany, Switzerland and the US, our affiliation with universities supports our global 1,700-plus scientists in our research efforts.

25,031
employees in 38 countries

13%
up on prior year

57%
Female

43%
Male

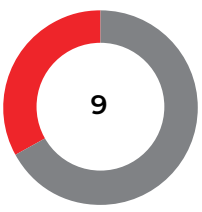
Diversity

Our commitment is to build a global workplace where people may fulfil their career aspirations, realise their potential, and be inspired to be part of a purpose-driven company with a values-based culture. This goal requires us to have a culture of inclusion where all employees are respected, valued and able to freely share their perspectives. We define diversity in the broadest of terms, including gender, nationality, ethnicity, disability, sexual orientation, gender identity, generation/age, socioeconomic status, religious beliefs, professional and educational background as well as global and cultural experiences.

CSL has a global diversity policy, which is integral to our talent and culture strategies. We also set annual diversity objectives. Our most recent objectives focus on sustaining our values-based culture, building greater diversity in our leadership populations, and investing in leadership development to advance women in STEM careers.

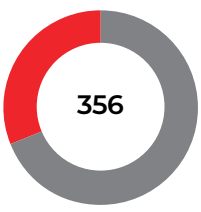
Our multigenerational workforce includes employees ranging from ages 16 to 81. The following graphs highlight proportion of women and men on the Board, in senior executive positions (senior director and above), in other management roles and across the whole organisation as at 28 June 2019.

Board Members



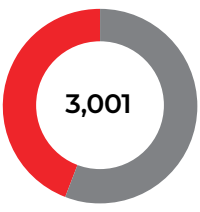
- Male **67%**
- Female **33%**

Senior Executives



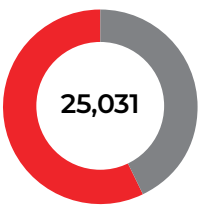
- Male **69%**
- Female **31%**

People Managers



- Male **56%**
- Female **44%**

All Employees



- Male **43%**
- Female **57%**

Our values

Integrity

Bruce Wynne, Global Clinical Operations, King of Prussia, US.

We walk the talk

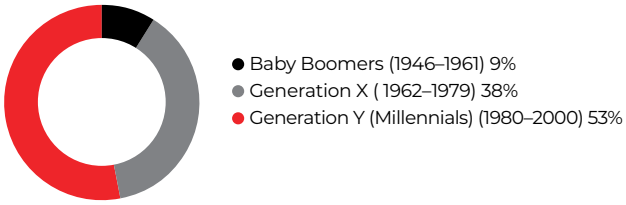
Attraction and retention

How we identify, recruit and develop our employees is paramount to the long-term sustainability of our business, which is why our talent acquisition and talent development efforts are a key element of our overall human resource strategy.

CSL has a global network of internal recruiting experts and external partners focused on positively positioning the CSL brand among both active and passive job candidates. Global advertisement campaigns and recruiting events, as well as specialised diversity recruiting training, allow the team to target high-demand talent populations, including engineers and scientists.

To ensure new hires are able to quickly integrate and contribute productively, CSL has a global onboarding program that covers everything from the company's background to our CSL Values, benefits, training, technology and more.

CSL's Diversity Profile



Data as of 28 June 2019 and includes all employees globally where birthday is recorded (98% of workforce).

Supporting best and brightest into biotechnology

CSL Behring made an ongoing investment in the next generation of biotech leaders through a growing partnership with Pennsylvania State University (PSU), a world-class public research institution based in the US.

In 2019, CSL Behring's leading-edge facilities in Bern and Marburg hosted PSU Professor Dr Ali Demirci, director of the multi-million-dollar CSL Behring Fermentation Facility on the PSU campus that opened its doors in 2018. Dr Demirci shared vital insights gained from his sabbatical spent with CSL with his students to further prepare them for a rewarding career in biotech.

PSU students are also a core part of CSL's cross-functional Master of Business Administration Rotational Program, which exposes high-potential MBA candidates to all aspects of CSL and the biotechnology industry. Additionally, this unique partnership demonstrates CSL's promise as a leader in the biotechnology industry, including in Pennsylvania which enjoys a growing reputation as a biotech and innovation hub.

Training and development

A key underpinning of CSL's brand is the investment we make in the growth, learning and development of our people. We want to ensure that once on board, CSL employees have access to opportunities that help them achieve superior performance in their current position and/or prepare for their next position. Highlights from the past year include:

- Hosting a multi-day leadership summit for senior leaders from around the world. During the summit, we launched our 2030 strategy, workshopped potential ideas to support that strategy, heard first-hand from our patients and explored ways to lead innovative teams.
- Holding six 1-day leadership and development conferences across all of our major sites for leaders and employees. The programs included site management discussions, external thought leaders, networking and teambuilding opportunities, and development resources. We also created a leadership day toolkit for our remote leaders to leverage with their local teams.
- Investing in training programs for our front line people managers that allow them to develop their skills through both instructor-led and virtual learning experiences on a range of topics, including building effective teams, coaching, managing change and delivering effective feedback.

Employee engagement

We conduct an employee feedback survey to ensure we are listening to employees when it comes to their work experiences and expectations. The survey captures feedback on everything from the company's future vision to collaboration, decision-making, processes and living the CSL Values. In the most recent survey conducted in April/May, over 15,500 employees shared their thoughts and opinions with CSL's overall engagement index score remaining steady with the comparable prior period and two percentage points above the world norms database 2019.

74% employee engagement score
2% higher than world norms database.*

* Indicator externally assured by Ernst & Young.

Safety and wellbeing

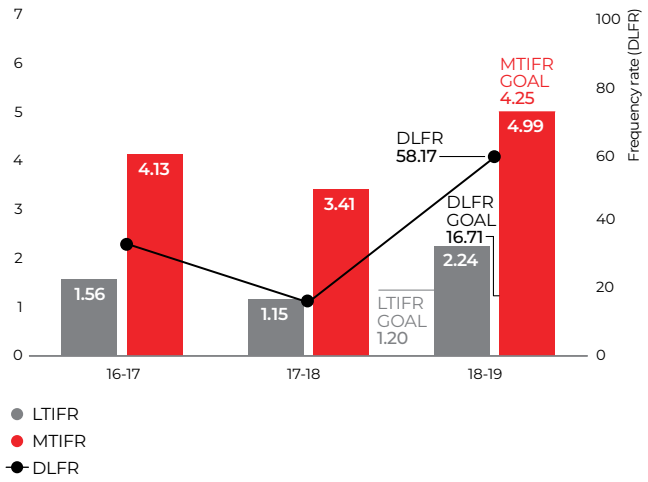
In order to achieve Environment, Health, Safety and Sustainability (EHS[2]) excellence and stay true to our commitment to promising futures, CSL has in place a robust, flexible and global approach to EHS[2] management that ensures our operations are safe and environmentally responsible. Our EHS[2] Management System seeks to uphold our EHS[2] principles that aim to keep people safe, protect the environment and build trust internally and externally. Each year, CSL establishes robust key performance indicators to measure our adherence to our values and drive improved results. Against the prior comparable period, CSL experienced an increase across these indicators. A higher number of strain and sprain, fall, and struck by injuries were experienced at some sites.

The EHS[2] team works collaboratively with site operations management and employees to proactively identify and correct workplace hazards, strengthen communication, define roles and responsibilities and promote a company-wide culture of safety at all of our manufacturing, laboratory and office locations. This safety culture improvement journey fosters employee involvement in our workplace EHS[2] programs, promotes awareness and strives to maintain a safe workplace for all. With our unwavering commitment to employees we have established targeted improvement plans to address our performance.

Over the reporting period, there were no fatalities across our employee and contractor workforce.

Performance across our indicators was down. Improvement plans have been established to address performance.

Our Health and Safety Performance*



* Data externally assured by Ernst & Young. The frequency rate is the number of occurrences of injury or disease for each one million hours worked. DLFR = days lost frequency rate. LTIFR = lost time injury frequency rate (occurrences that resulted in a fatality or time lost from work of one day/shift or more). MTIFR = medical treatment incident frequency rate (occurrences which were not lost-time injuries and for which medical treatment was administered). Contractor injuries and hours are not included; however, injuries and hours for directly supervised workers, such as contingent workers, have been included for some sites.

* Indicator externally assured by Ernst & Young.

More on CSL.com (Our Company > Corporate Responsibility)

9 Working with Our Communities

Strong relationships with communities – especially healthcare providers, patient support communities and areas in which we operate – are critical to delivering on our promise. More than that, these relationships keep us connected to the evolving needs of patients and other stakeholders, so we can better support them, including with improved medicines and advocacy programs.

Our approach

CSL's approach to community support is guided by our Code of Responsible Business Practice and supplemented by our Global Community Contributions Policy. The policy applies to all CSL businesses and employees and is intended to be implemented to guide decision-making and management of any form of community contribution, financial or by other means. The core of the policy is our community contributions framework, which sets out our key focus areas of support.

Support for patient communities

- Enhancing quality of life for patients in the conditions our therapies treat
- Improving access to our biological medicines

Aligns with CSL's Values of Patient Focus & Integrity. Supports CSL's *growth* strategic objective by improving patient outcomes.

Support for biomedical communities

- Advancing knowledge in medical and scientific communities
- Fostering the next generation of medical researchers

Aligns with CSL's Values of Innovation & Collaboration. Supports CSL's *innovation* strategic objective by fuelling new breakthroughs, enhancing scientific knowledge and building capability and capacity.

Support for local communities

- Supporting community efforts where we live and work
- Supporting communities in times of emergency

Aligns with CSL's Value of Superior Performance. Supports CSL's *workplace culture* strategic objective by creating an environment that employees feel proud to perform within.

Nurturing relationships with communities is an important part of our commitment to advance scientific knowledge and foster the next generation of medical researchers, as well as enhance the quality of life for patients and improve access to our medicines. In 2018/19, CSL contributed US$56 million to patient, biomedical and local communities, significantly higher than the previous period largely due to increased support of our longstanding partner the World Federation of Hemophilia.

US$56 million in community contributions

74% to patient communities

24% to biomedical communities

2% to local communities

Our values

Patient focus

Christoph Zuercher, Chemical Quality Control, Bern, Switzerland.

We deliver on our promise to patients

Support for patient communities

Our support for patient communities continues as a priority, with the majority of total funding directed towards programs that enhance patient quality of life, protect public health and improve access to our medicines.

Some of these strategic programs are detailed following.

Bleeding disorders

Empowering patient communities through education and advocacy

In 2018, donated coagulation factor product supported patients in 27 countries.

The World Federation of Hemophilia (WFH) works to improve the lives of people with haemophilia and other inherited bleeding disorders. As a not-for-profit global network of patient organisations, WFH organises programs that help improve diagnosis and access to care for patients in developing countries, provides medical training, increases awareness, establishes education initiatives and achieves government support through advocacy. Support from longstanding industry partners, like CSL Behring, helps to deliver these important programs to patients, caregivers and healthcare professionals.

In 2019, CSL Behring once again renewed its partnership with the WFH by entering into a fourth multiyear commitment to support critical WFH programs. Since being the first company to establish a multiyear agreement with WFH in 2009, CSL Behring has expanded its support in 2019 to become a Visionary Corporate Partner for another three years. This agreement establishes CSL Behring as a “Leadership Partner” of WFH’s Global Alliance for Progress (GAP) Program that aims to increase the diagnosis and treatment of patients with haemophilia and other bleeding disorders in developing countries. In 2018, CSL Behring’s product donations supported patients in Afghanistan, Angola, Armenia, Bangladesh, Barbados, Belize, Benin, Burkina Faso, Cambodia, Congo-Brazzaville, El Salvador, Gabon, Guyana, India, Jordan, Kenya, Mali, Mauritania, Mongolia, Morocco, Nigeria, Philippines, Rwanda, Sri Lanka, Togo, Uganda and Zambia.

Bleeding disorders continued

Mohammed and his younger brother AL Bara'a, both with severe haemophilia B, receiving WFH Humanitarian Aid Program treatment at Al Bashir hospital – Amman, Jordan.
Photo courtesy of the WFH Humanitarian Aid Program

CSL Behring will also participate as a "Collaborating Partner" of the World Bleeding Disorders Registry (WBDR), the only global registry collecting standardised clinical data on haemophilia patients. In addition, CSL Behring will continue to be a significant contributor to the WFH Humanitarian Aid Program's efforts to provide consistent and predictable treatment access through product donations and financial support.

All of these programs reinforce our promise to patients by empowering them through education and advocacy, raising awareness, advancing scientific knowledge and improving access to care.

Influenza

Commitment to donate 10% of influenza vaccine output in the event of a global pandemic.

In 2018, Seqirus continued its support for the World Health Organization's (WHO) Pandemic Influenza Preparedness (PIP) Framework with a corporate contribution. The program aims to improve the sharing of influenza viruses with pandemic potential and the equitable access to products necessary to respond to pandemic influenza (e.g., vaccines, antiviral medicines and diagnostic products). Seqirus has also agreed to donate 10% of influenza vaccine output in real time to WHO for deployment to developing countries in the event of a global pandemic emergency.

Seqirus has continued to support the Partnership for Influenza Vaccine Introduction (PIVI), a key program of the Task Force for Global Health, a not-for-profit, independent, nongovernmental organisation based in the US. An innovative public/private program, PIVI works in partnership with the Centers for Disease Control and Prevention (CDC), Ministries of Health, corporate partners and others to create sustainable, routine, seasonal influenza vaccination programs in low and middle-income countries. In the past year, our financial support to PIVI has focused on the establishment of a global coalition to explore the value of a coordinated stakeholders plan for epidemic and pandemic influenza preparedness.

Snakebite

600 vials of snake and marine antivenom donated to Papua New Guinea.

The first year of a three-year multi-year stakeholder partnership, to help save lives from snakebite in Papua New Guinea (PNG) was successfully completed. PNG has some of the highest rates of snakebite mortality in the world, caused mainly by taipan and death adder envenomation. The same snake species are found in Australia, where Seqirus antivenom has been in use for decades. The partnership, involving the PNG National Department of Health, the Australian High Commission, Seqirus and the Charles Campbell Toxinology Centre, at the University of Papua New Guinea, is intended to significantly improve access to antivenoms by combining a large product donation with healthcare worker training and a purpose-built cold-chain distribution and product management system. Seqirus donated 600 vials of snake and marine creature antivenoms, valued at more than A$1 million to PNG in this first year.

Support for biomedical communities

To help advance scientific knowledge in areas of unmet patient need, CSL engages in direct collaborations with medical research institutes and universities.

We also offer research grants to institutes, hospitals and patient organisations. Additionally, CSL funds investigator-initiated studies (IIS), projects undertaken by researchers outside CSL's research and development (R&D) activities to better understand the potential use of its products to treat new indications or therapy areas.

For an IIS, CSL does not have any role in the conduct of the study and does not claim exclusivity over research outcomes, but does provide support through the provision of product and/or financial grants. In 2018/19, there were 42 studies in operation, spanning a multitude of areas including acquired bleeding, reversal of oral anticoagulants, haemophilia A and B, von Willebrand disease, antibody-mediated rejection after transplantation, immunodeficiency, chronic inflammatory demyelinating polyneuropathy, alpha 1 antitrypsin deficiency and hereditary angioedema.

At CSL, we are committed to supporting established researchers and the researchers of tomorrow – the scientists whose discoveries will help patients lead longer, fuller lives.

The CSL Centenary Fellowships are competitively selected, high-value grants available to mid-career Australians who wish to continue medical research in Australia. Two individual, five-year, A$1.25 million fellowships are awarded each year. The 2019 CSL Centenary Fellowships were awarded to Dr Connie Wong from Monash University and Dr Daniel Pellicci from the Murdoch Children's Research Institute. Dr Wong is using her Fellowship to understand why as many as one-fifth of deaths following stroke are caused by pneumonia and other infections. Dr Pellicci is using his Fellowship to focus on people suffering from tuberculosis. He hopes his work will lead the way to an improved vaccine plus other new immune therapies.

2019 CSL Centenary Fellowship recipients

In Europe, Seqirus has established a €50,000 research grant annually for three years, for a Fellowship through the European Society for Paediatric Infectious Diseases. This will be awarded to researchers specialising in paediatric patients, whose immune systems are considered "immature" and who are therefore at increased risk of developing severe influenza.

Progress through strategic partnerships

In October, CSL Behring and the University City Science Center in Philadelphia joined forces to identify promising technologies and support the commercialisation pathways of potential new discoveries.

Researchers at academic and research institutions throughout the region were invited to submit proposals for projects with a focus on therapeutics that fit within CSL Behring's areas of expertise, including inflammatory and autoimmune diseases; haematological and coagulation disorders; transplantation; cardiovascular and metabolic diseases; respiratory diseases; and neurological disorders.

Through the agreement, the Science Center's framework for technology commercialisation and network of research and academic partners will provide the support and infrastructure for CSL Behring to efficiently evaluate promising technologies from multiple institutions. CSL Behring's operational headquarters is located near Philadelphia in King of Prussia, Pennsylvania, US.

In 2019/20, two US$250,000 CSL Behring grants will be awarded to researchers, with the recipients also afforded the opportunity to work alongside CSL experts to help transform their ideas into groundbreaking therapies to improve patients' health.

Support for local communities

Local community initiatives are centred on engaging employees in local giving, both financially and through volunteered time. These programs invite the broader participation of our employees in the community. While seeking to address a community need or gap, support for the local community encourages teamwork and collaboration and builds a sense of pride in the workplace and organisation. A number of activities are undertaken across our sites to support local organisations.

Family-friendly and "People of Respect" recognition in Marburg

For years, the community of employees at CSL Behring's leading-edge manufacturing site in Marburg, Germany, has embodied what a successful family-friendly workplace looks like.

Picture parents leaving their kids at the company's day-care centre "Froschkoenig", and the same parents working flexible hours that allow them to spend more time with their families. Imagine a holiday camp for the children of employees, helping parents who need childcare during the six-week summer break from school.

In 2018, CSL Behring received the award "Continuity and Sustainability" for its activities centred on "Family Friendliness", a seal of quality from the City of Marburg and Marburg-Biedenkopf County for supporting parents in the workplace.

Organised by CSL Behring's local human resources team, eight 2-week theme holiday camps give children, aged 6 to 12, the opportunity to enjoy educational experiences, ranging from exploring the forest to serving as honorary scientists. The Marburg site has offered the camps for 12 consecutive years.

Employees at Marburg were also named "People of Respect" in 2018 by the German State Government of Hesse, in recognition of their support for the community.

Since 2010, CSL Behring employees have been giving "cents for a good cause", in which they donate the cents from their monthly net earnings to benefit local causes. In awarding the honour, officials noted that the idea for the initiative started with employees, was supported by management and is a beacon of social responsibility that should inspire other companies.

STEM program earns community award

As part of its promise to science, CSL Behring is committed to promoting educational opportunities for students interested in pursuing a career in science, technology, engineering and math (STEM) fields.

Dr Laurel Omert, Medical Director of Specialty, North America Commercial Operations for CSL Behring, leads students through a demonstration.

CSL Behring this year was recognised by the *Philadelphia Inquirer*, the leading daily publication in the Philadelphia-region, for its support of Young Men and Women in Charge (YMWIC), a Philadelphia-area program that works to empower and prepare youth to become leaders in STEM fields. CSL Behring hosts YMWIC participants several times a year for mentoring sessions that range from brand-building workshops to shadowing CSL Behring professionals on the job. For CSL Behring, it's a chance to support the local community while making an early investment in STEM leaders of tomorrow.

Disaster relief

In September 2018, Hurricane Florence hit the east coast of the US causing catastrophic damage in the Carolinas.

With Seqirus' Holly Springs facility located in North Carolina, this was particularly close to home. Populations impacted by natural disasters are especially vulnerable, often having to flee homes without medications, which is particularly dangerous if they suffer from chronic medical conditions that are already at increased risk of complications of influenza. Seqirus donated 20,000 doses of influenza vaccine to support the disaster relief efforts.

Seqirus also donated 20,000 doses of influenza vaccine in February 2019 to help protect vulnerable islander communities of Puerto Rico. The response is a result of a spike in influenza cases experienced by communities rebuilding after the deadly category five Hurricane Maria struck the country in 2017.

More on CSL.com (Our Company > In the Community & Corporate Responsibility)

10 Governance

CSL Limited's Board and management team maintain high standards of corporate governance as part of CSL's commitment to maximise shareholder value. This is achieved through promoting effective strategic planning, risk management, transparency and corporate responsibility.

Governance structure

Our approach to corporate governance and the role it plays goes well beyond meeting our compliance obligations. We believe that our governance framework fosters our high performing and respectful culture while underpinning our values of integrity, patient focus, collaboration, innovation and superior performance. The Board has a formal charter documenting its membership, operating procedures and the allocation of responsibilities between the Board and management. CSL's Board charter is central to the governance framework at CSL as it embodies our corporate purpose, strategy and values and defines when we are successful.

CSL's Board of Directors is responsible for oversight of the management of CSL and providing strategic direction. It monitors operational and financial performance, human resources policies and practices and approves CSL's budgets and business plans. It is also responsible for overseeing CSL's risk management, financial reporting and compliance framework.

The Board has delegated the day-to-day management of CSL, and the implementation of approved business plans and strategies, to the Managing Director, who in turn may further delegate to senior management.

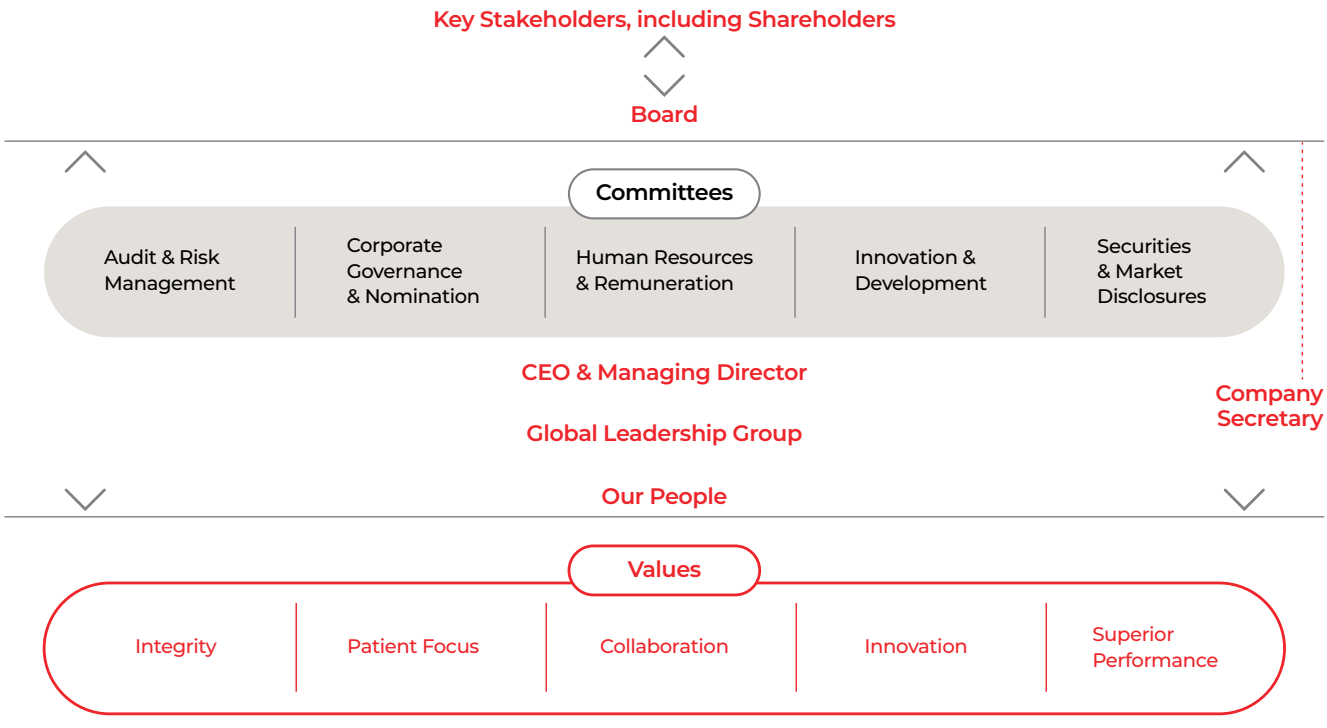
The diagram shows the governance framework of CSL. Robust processes are in place to ensure the delegation flows through the Board and its committees to the CEO and Managing Director, the Global Leadership Group (GLG) and into the organisation. The CEO and GLG have responsibility for the day-to-day management of the Group. Our governance framework also aligns the flow of information and accountability from our people, through the management levels, to the Board and ultimately our shareholders and key stakeholders.

Board composition

Throughout the year there were nine or ten directors on the Board. As at the date of this report, there were nine directors on the Board, comprising seven independent, non-executive directors. One new director, Professor Andrew Cuthbertson AO, was elected to the Board during the financial year.

Two directors, Professor John Shine AC and Mr David Anstice AO, retired from the Board during the financial year. Dr Brian McNamee AO, Mr Abbas Hussain and Professor Andrew Cuthbertson AO were re-elected as directors, at the 2018 Annual General Meeting (AGM).

The Board is focused on maintaining an appropriate mix of skills and diversity in its membership. This includes range of skills, experience and background in the pharmaceutical industry, international business, finance and accounting and management, as well as gender diversity. A detailed matrix of Board skills is available in CSL's 2018/19 Corporate Governance Statement available on CSL.com.



Board of Directors

Brian McNamee AO

MBBS, FTSE
Age 62

Chairman and Independent Non-executive Director

Director of CSL Limited since February 2018 and Chairman from October 2018

Dr McNamee has deep executive experience in the biopharmaceutical industry, with a focus on strategy and creating long-term shareholder value. Dr McNamee has a broad global perspective and understanding of long-term capital projects in the pharmaceutical industry, with proven health, safety, environment and corporate responsibility.

Dr McNamee was the Chief Executive Officer and Managing Director of CSL from 1990 until 2013. Since leaving his executive role at CSL, Dr McNamee has served as a Senior Advisor to private equity group Kohlberg Kravis Roberts. He has also pursued a number of private equity and interests in small cap healthcare companies, and in 2014 served on the panel of the Australian Government's Financial System Inquiry. In 2009, he was made an Officer of the Order of Australia for service to business and commerce.

Other directorships and offices (current and recent):

– Chairman of GenesisCare Limited (from July 2019).

Board Committee Memberships:

– Chairman of the Innovation and Development Committee.

– Member of the Corporate Governance and Nomination Committee.

Paul Perreault

BA (Psychology)
Age 62

Non-independent Executive Director

Director of CSL Limited since February 2013, and appointed Chief Executive Officer and Managing Director in July 2013.

Mr Perreault has more than 35 years of experience across both the global biotech and pharmaceutical industries.

He was appointed Chief Executive Officer and Managing Director of CSL Limited in July 2013, and was appointed to the CSL Board of Directors the same year. Since then, CSL has grown to become the fifth largest biotech company in the world with more than 25,000 employees bringing lifesaving medicines to people in more than 70 countries.

Mr Perreault, who previously served as CSL Behring's President, joined CSL in 2004 with the acquisition of Aventis Behring. Prior to CSL, he spent more than 15 years in key senior roles at Wyeth-Ayerst Laboratories, now part of Pfizer. Mr Perreault holds a bachelor degree in psychology from the University of Central Florida and completed advanced business management training at the Kellogg and Wharton schools of business.

Andrew Cuthbertson AO

BMedSci, MBBS, PhD, FTSE, FAHMS
Age 64

Non-independent Executive Director

Director of CSL Limited since October 2018, and appointed Chief Scientific Officer and R&D Director in 2000.

Professor Cuthbertson has over 35 years' experience in medical research and biotech development with large biopharmaceutical companies and medical organisations. He also has non-executive director experience.

Professor Cuthbertson joined CSL in April 1997 as the Director of Research. Prior to CSL, he was a Senior Scientist at Genentech Inc, a biotechnology company dedicated to pursuing groundbreaking science to discover and develop medicine for people with life-threatening diseases. After completing medical training at the University of Melbourne and PhD in Immunology at the Walter and Eliza Hall Institute in Australia, Professor Cuthbertson spent five years doing molecular biology research as a staff member at the Howard Florey Institute in Melbourne and the National Institutes of Health in the United States. In 2016, he was made an Officer of the Order of Australia and appointed Enterprise Professor at the University of Melbourne.

Other directorships and offices (current and recent):

– Director of the Centre of Eye Research Australia (since March 2017); and

– Director of the Grattan Institute (since January 2019).

Board Committee Memberships:

– Member of the Innovation and Development Committee.

Bruce Brook

BCom, BAcc, FCA, MAICD
Age 64

Independent Non-executive Director

Mr Bruce Brook has been a Director of CSL Limited since August 2011.

Mr Brook has an extensive breadth of executive experience in diverse industries, including mining, finance, manufacturing and chemicals. In particular, Mr Brook has valuable insight and experience in relation to risk, capital discipline, change management, corporate culture and creating shareholder value.

Mr Brook was Chief Financial Officer of WMC Resources Limited from 2002 to 2005. He also held key executive roles including Deputy Chief Finance Officer of ANZ Banking Group Limited, Group Chief Accountant of Pacific Dunlop Limited and General Manager, Group Accounting positions at CRA Limited and Pasminco Limited.

Other directorships and offices (current and recent):

– Director of Newmont Goldcorp Corporation (since October 2011);

– Director of Incitec Pivot Limited (since December 2018);

– Director of Guide Dogs Victoria (since November 2018);

– Former Director and Chairman of Programmed Group (from June 2010 to October 2017); and

– Former Director of the Deep Exploration Technologies Co-operative Research Center Limited (from August 2011 to September 2018).

Board Committee Memberships:

– Chairman of the Audit and Risk Management Committee.

– Member of the Corporate Governance and Nomination Committee.

Megan Clark AC

BSc (Hons) PhD
Age 61

Independent Non-executive Director

Dr Megan Clark AC has been a Director of CSL Limited since February 2016.

Dr Clark has significant executive and non-executive experience across a broad range of sectors including scientific research, health, investment banking and financial services, education and mining. Through her roles, Dr Clark brings a broad strategic perspective and global experience, with a focus on risk and proven health, safety and environment and technology performance.

Dr Clark was Chief Executive of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) from 2009 until November 2014. Prior to joining CSIRO, she was a Director at NM Rothschild and Sons (Australia) and held senior positions at BHP, including Vice President Technology and Vice President Health, Safety and Environment.

Other directorships and offices (current and recent):

– Director of Rio Tinto Limited and Rio Tinto Plc (since November 2014);
– Director of Care Australia Limited (since May 2015);
– Member of the Australian advisory board of the Bank of America Merrill Lynch (since July 2010);
– Member of Council of Monash University Council (since April 2015); and
– Head of the Australian Space Agency (since June 2018).

Board Committee Memberships:

– Chairman of the Human Resources and Remuneration Committee.
– Member of the Corporate Governance and Nomination Committee.
– Member of the Innovation and Development Committee.

Abbas Hussain

BSc (Hons)
Age 54

Independent Non-executive Director

Mr Abbas Hussain has been a Director of CSL Limited since February 2018.

Mr Hussain has executive experience in the biopharmaceutical industry and deep biotechnology industry insight. Through his executive and non-executive roles, Mr Hussain has a broad global perspective and understanding of pharmaceutical manufacturing, product development, risk, health, safety, environment and corporate responsibility.

Mr Hussain was the Global President, Pharmaceutical at GlaxoSmithKline (GSK) serving from 2008 to late 2017, where he managed a global pharmaceutical and vaccine business across 150 markets including the US, Europe, Japan and emerging markets. Before GSK he held senior roles with global responsibilities at Eli Lilly.

Other directorships and offices (current and recent):

– Director of Immunocore Limited (since May 2017);
– Director of Cochlear Limited (since December 2018);
– Senior Advisor on the Advisory Board of CellResearch Corporation (since August 2017);
– Senior Advisor at C-Bridge Capital (since October 2017); and
– Former Director of ViiV Healthcare Limited (from October 2009 to July 2017).

Board Committee membership:

– Member of the Innovation and Development Committee.
– Member of the Human Resources and Remuneration Committee.

Marie McDonald

BSc (Hons), LLB (Hons)
Age 63

Independent Non-executive Director

Ms. Marie McDonald has been a Director of CSL Limited since August 2013

Ms McDonald has significant executive and non-executive experience in a number of sectors including law, medical research, manufacturing and chemicals. Through these roles, Ms McDonald brings experience and insight on financial markets, risk and compliance and change management.

Ms McDonald is a former lawyer with over 30 years' experience in the legal sector. She was previously a partner of Ashurst, specialising in mergers and acquisitions and corporate governance. She held the role of National Head of Mergers and Acquisitions and was Chair of the Corporations Committee of the Business Law Section of the Law Council of Australia and a Member of the Australian Takeovers Panel for nine years.

Other directorships and offices (current and recent):

– Director of Nanosonics Limited (since October 2016);
– Director of Nufarm Limited (since March 2017); and
– Director of the Walter & Eliza Hall Institute of Medical Research (since October 2016).

Board Committee membership:

– Member of the Audit and Risk Management Committee.
– Member of the Human Resources and Remuneration Committee.

Christine O'Reilly

BBUS
Age 58

Independent Non-executive Director

Ms Christine O'Reilly has been a Director of CSL Limited since February 2011.

Ms O'Reilly has non-executive experience in a number of sectors including infrastructure, property, private health insurance, energy and medical research. She also has deep strategic and operational leadership experience, with a focus on corporate transformational change, debt and equity capital markets and merger & acquisitions.

Ms O'Reilly was the Co-Head of Unlisted Infrastructure Investments at Colonial First State Global Asset Management from July 2007 until September 2012. Prior to this, she was the Chief Executive Officer of the GasNet Australia Group. Ms O'Reilly's early work history includes participating in the reform and establishment of the regulatory framework for the Australian gas industry, eight years with the investment bank, Centaurus Corporate Advisory Services, and audit experience with Price Waterhouse where she qualified as a chartered accountant.

Other directorships and offices (current and recent):

– Director of Transurban Group (since April 2012);
– Director of Medibank Private Limited (since March 2014);
– Director of Stockland Limited (since August 2018);
– Director of Baker Heart and Diabetes Institute (since July 2013); and
– Former Director at Energy Australia Holdings Limited (from September 2012 to August 2018).

Board Committee membership:

– Chairman of the Corporate Governance and Nomination Committee.
– Member of the Audit and Risk Management Committee.
– Member of the Human Resources and Remuneration Committee.

Tadataka "Tachi" Yamada KBE

MD, BA
Age 74

Independent Non-executive Director

Dr Tadataka Yamada has been a Director of CSL Limited since September 2016.

Dr Yamada has broad and extensive experience with global corporate and not-for profit organisations in the pharmaceutical and medical sector. He has a deep understanding of medical technologies, research and development and provides strategic global insight to understanding the health access issues and the changing external environment.

Prior to this, he was the Chief Medical and Scientific Officer at Takeda Pharmaceuticals, as well as a Member of the Board. He has also held the role of President on the Bill & Melinda Gates Foundation Global Health Program and prior to that was Chairman of Research and Development at GlaxoSmithKline. Dr Yamada has received an honorary appointment as Knight Commander of the Most Excellent Order of the British Empire.

Other directorships and offices (current and recent):

– Director of Agilent Technologies Inc. (since March 2011);
– Chairman of Clinton Health Access Initiative (since March 2017); and
– Venture Partner at Frazier Healthcare (since June 2015).

Board Committee membership:

– Member of the Innovation and Development Committee.

Fiona Mead

LLB (Hons), BComm
Age 50

Company Secretary and Head of Corporate Governance

Ms Mead was appointed Company Secretary and Head of Corporate Governance effective June 2018. Previously, she was the Company Secretary and a member of the Executive Leadership Team at Tabcorp Holdings Limited. Prior to that, Ms Mead was the Company Secretary at Asciano Limited, and earlier, Assistant Company Secretary at Telstra. Fiona began her career as a lawyer with law firm Ashurst.

Ms Mead is a fellow of the Governance Institute of Australia and a Graduate member of the Australian Institute of Company Directors. She is also the Chairman of St Michael's Grammar School.

Board committees

The Board has established a number of standing committees as a mechanism for considering detailed issues and, where appropriate, making recommendations for consideration by the Board. These committees have charters setting out matters relevant to the composition, responsibilities and membership of each committee.

More on CSL.com (Our Company > Board and Management)

Leadership team

Our Global Leadership Group is responsible for driving company performance so that we can keep our promises to our patients, our employees and our shareholders. They have earned their roles because of their experience, achievements, unwavering ethics and commitment to our core values.

Paul Perreault

BA (Psychology)
Age 62

Chief Executive Officer and Managing Director

Paul was appointed to the CSL Board in February 2013 and was appointed as the Chief Executive Officer and Managing Director in July 2013. He joined a CSL predecessor company in 1997 and has held senior roles in sales, marketing and operations with his most recent prior position being President, CSL Behring. Paul has also worked in senior leadership roles with Wyeth, Centeon, Aventis Bioservices and Aventis Behring. He was previously Chairman of the Global Board for the Plasma Protein Therapeutics Association. Paul has had more than 35 years' experience in the global healthcare industry.

David Lamont

BCom, CA
Age 54

Chief Financial Officer

David was appointed as Chief Financial Officer in January 2016. As Chief Financial Officer, he is responsible for managing the financial aspects of CSL's strategy which includes financial planning and reporting, capital management, tax, treasury and investor relations. Immediately prior to joining CSL, he was the Chief Financial Officer and an Executive Director at MMG since 2010. Prior to this, David served as CFO for several leading multi-national public companies across a range of industries since 1999 – including MMG Limited, Oz Minerals Limited, PaperlinX Limited, BHP Billiton's energy and coal and carbon steel materials divisions, and Incitec Pivot Limited. He is a qualified chartered accountant and a member of the Institute of Chartered Accountants (Australia).

Andrew Cuthbertson AO

BMedSci, MBBS, PhD, FTSE, FAHMS
Age 64

Chief Scientific Officer and R&D Director

Andrew joined CSL in 1997 as Director of Research and was appointed Chief Scientific Officer and R&D Director in 2000. In 2018 he was elected to the Board as an Executive Director. Andrew trained in medicine and science at the University of Melbourne, the Walter and Eliza Hall Institute, the Howard Florey Institute and the National Institutes of Health in the US. He was then a Senior Scientist at Genentech, Inc. in San Francisco. In 2016, Andrew was made an Officer of the Order of Australia (AO) and appointed Enterprise Professor at the University of Melbourne.

Greg Boss

JD, BS (Hon)
Age 58

Executive Vice President, Legal and CSL Group General Counsel

Greg was appointed Group General Counsel in 2009 and is responsible for worldwide legal operations for all CSL Group companies. He joined CSL in 2001, serving as General Counsel for what became the CSL Behring business. In addition to his legal role, Greg is also responsible for overseeing risk management and compliance for the Group as well as global communications and public affairs. Prior to joining CSL, Greg was Vice President and Senior Counsel for CB Richard Ellis International, after working ten years in private legal practice. In 2016, Greg received the World Recognition of Distinguished General Counsel from the Directors Roundtable.

Bill Campbell

BSc (Business Administration)
Age 60

Executive Vice President, Chief Commercial Officer

Bill was appointed in September 2017 as Executive Vice President, Chief Commercial Officer. He has responsibility for a variety of global functions including sales, marketing, commercial development, medical affairs and public policy. Prior to being appointed to his current role, Bill led CSL Behring's North American commercial operations since 2014. He has more than 35 years of diverse pharmaceutical and biotechnology experience across a range of therapeutic areas, including oncology, women's health, vaccines and plasma proteins. Bill has held senior management positions at a number of pharmaceutical and biotechnology companies. He is a member of the Board of Directors for the Biotechnology Innovation Organization (BIO).

Elizabeth Walker

BA, MS (Organisational Development and Leadership)
Age 49

Executive Vice President, Chief Human Resources Officer

Elizabeth was appointed as Chief Human Resources Officer in December 2017. She joined CSL Behring as Chief Talent Officer in 2016 and served as interim Chief Human Resources Officer from October 2017. Prior to joining CSL, Elizabeth was Vice President Global Talent Management at Campbell Soup Company. She has more than 25 years of experience in both management consulting and human resources. Elizabeth has worked across a variety of industries, including healthcare, financial services and food manufacturing.

Bill Mezzanotte

MD, MPH
Age 60

Executive Vice President, Head Research & Development (from October 2018)

Bill was appointed as Head of Research and Development in October 2018. He joined CSL as Head of Clinical Development in April 2017. Prior to CSL, Bill was Senior Vice President and Therapeutic Area Head, Respiratory for Boehringer Ingelheim and spent 16 years with AstraZeneca in research and development, assuming roles of increasing leadership and management responsibility across multiple therapeutic areas.

Alan Wills

BA (Zoology), MBA
Age 55

Executive Vice President, Strategy and Business Development

Alan joined the company in February 2015. He is responsible for strategy, portfolio management and business development activities at CSL. Prior to joining CSL, Alan was Executive Vice President, Corporate Development at Auxilium Pharmaceuticals. He was previously head of corporate strategy for Bristol-Myers Squibb and Pfizer, and has worked in strategy and business development roles at United Healthcare and Stanford Medical Center. Alan began his career with the Boston Consulting Group.

Paul McKenzie

PhD (Chemical Engineering)
Age 53

Chief Operating Officer (from June 2019)

Paul was appointed Chief Operating Officer in June 2019 and leads CSL's global end-to-end operations organisation and its accompanying strategy. Prior to joining CSL, he served as Executive Vice President of Pharmaceutical Operations and Technology at Biogen. With more than 25 years of experience, Paul also held various senior roles in research and development and manufacturing for Johnson & Johnson, Bristol-Myers Squibb and Merck & Co.

Anjana Narain

BA (English), MBA
Age 52

Executive Vice President and General Manager, Seqirus (from August 2019)

Anjana was appointed as Executive Vice-President and General Manager of Seqirus in August 2019. She leads the global strategy for the Seqirus business as well as its end-to-end operations. Prior to joining CSL, Anjana spent nine years leading major businesses at GSK, including global influenza commercialisation, general management of vaccines and primary care. With more than 25 years of experience in vaccines and biopharmaceuticals, she has also held senior leadership roles at Merck & Co. and Bayer Inc., and been recognised for her work in inclusion and diversity.

In 2018/19, Gordon Naylor retired from the organisation. Due to reporting line changes, Val Romberg and Karen Etchberger were no longer members of the GLG from 30 June 2019.

More on CSL.com (Our Company > Board and Management)

Ethics and transparency

CSL's Code of Responsible Business Practice (CRBP) underpins our approach to corporate governance. It defines CSL's values and purpose and fosters a culture that rewards high ethical standards, personal and corporate integrity and respect for others.

At CSL, we are committed to conducting all aspects of our businesses in an ethical and transparent way. We deliver this through our unwavering commitment to compliance with all applicable local laws, regulations, guidelines and pharmaceutical industry standards and codes of conduct in the countries where we operate.

Each of our employees is responsible for complying with the applicable local laws of the countries in which we operate. In certain aspects of our business, such as the marketing of our products, our relationships with other healthcare professionals and our research and development, we have made further commitments to comply with both local and internationally accepted pharmaceutical industry codes of conduct.

We expect third parties with which we work to comply with the applicable local laws and regulations of the countries in which they operate, and to observe all of the principles set out in our Code of Responsible Business Practice.

We have internal control systems to ensure financial statements comply with the applicable local laws of the countries in which we operate and to prevent fraud and other improper conduct.

93%

of CSL global employees and contingent workers completed CRBP training in 2018/19.

Disclosure

As a publicly listed company on the Australian Securities Exchange (ASX), CSL has obligations under Australian law and the ASX Listing Rules. Subject to limited exceptions, we must continuously disclose to the ASX information about CSL that a reasonable person would expect to have a material effect on the price or value of CSL securities.

We have a policy that sets clear guidelines and describes the actions that the directors and all employees should take when they become aware of information that may require disclosure.

We adhere to the ASX Corporate Governance Council's Guidance Corporate Governance Principles and Recommendations (3rd Edition) through this report, our Corporate Governance Statement (available on CSL.com) and our website.

Tax transparency

In 2018 we increased our disclosures to provide more information in relation to our international tax footprint, reflecting the global nature of our business.

While CSL's roots are proudly Australian, CSL is a truly global company, with more than 90% of our revenues and profits derived outside of Australia.

We are subject to the different tax regimes that apply in each of those countries and comply with applicable taxation laws in all the jurisdictions in which we operate.

CSL's approach to tax is underpinned by our value of Integrity. This is consistent with our commitment to complying with all tax laws in the countries in which we operate. CSL has a low tax risk appetite and does not engage in aggressive tax planning.

CSL supports efforts to promote prevention of tax avoidance and tax transparency in order to support a fairer economy and ensure there is confidence in the robustness of country tax regimes.

We encourage governments to continue to work together to ensure tax requirements balance compliance administration with a globally consistent approach to implementing Organization for Economic Cooperation and Development (OECD) recommendations.

Operating with transparency forms a core part of CSL's tax management philosophy and as such our annual tax transparency reports can be found on CSL.com.

More on CSL.com (Our Company > Corporate Responsibility)

11 Financial Performance

Contents

Directors' Report

The Board of Directors of CSL Limited (CSL) has pleasure in presenting this report on the consolidated entity for the year ended 30 June 2019.

1. Directors

The Directors who served at any time during FY2019 or up until the date of this Directors' Report were Professor John Shine AC, Dr Brian McNamee AO, Mr Paul Perreault, Professor Andrew Cuthbertson AO, Mr Bruce Brook, Mr David Anstice AO, Dr Megan Clark AC, Mr Abbas Hussain, Ms Marie McDonald, Ms Christine O'Reilly and Dr Tadataka Yamada KBE.

Further details of the current Directors are set out in section 10 of CSL's 2018/19 Annual Report or CSL's website, CSL.com. These details include the period for which each Director held office up to the date of this Directors' Report, their qualifications, independence, experience and particular responsibilities, the directorships held in other listed companies since 1 July 2016 and the period for which each directorship has been held.

Professor John Shine retired as Chairman and a Non-executive Director of CSL on 17 October 2018, having been a Non-executive Director of CSL since June 2006. Dr Brian McNamee AO assumed the role of Chairman of CSL from 17 October 2018.

Mr David Anstice served as a Non-executive Director of CSL from September 2008 until his retirement on 17 October 2018.

Professor Robert Andrew Cuthbertson AO was appointed as an Executive Director of CSL with effect from 17 October 2018.

2. Company Secretaries

Ms Fiona Mead, B.Com/LLB (Hons) FGIA, GAICD, was appointed and commenced in the position of Company Secretary and Head of Corporate Governance on 4 June 2018 and continues in office as at the date of this report. Ms Mead was previously the Company Secretary and a member of the Executive Leadership Team at Tabcorp Holdings Limited. Prior to that, she was the Company Secretary at Asciano Limited. Ms Mead also served as Assistant Company Secretary at Telstra Corporation.

On 16 August 2011, Mr J A G Levy, CPA, was appointed as Assistant Company Secretary and continues in office as at the date of this report. Mr Levy has held a number of senior finance positions within the CSL Group since joining CSL in 1989.

3. Directors' Attendances at Meetings

The Board meets as often as necessary to fulfil its role. Directors are required to allocate sufficient time to CSL to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During the reporting year, the Board met seven times, with six of those meetings held in Australia and one in the United States.

Members of the Global Leadership Group and other members of senior management attend Board meetings by invitation. Attendance at Board and standing Board committee meetings during FY2019 is set out in table 1 below. The Directors also visited various locations of the CSL Group's operations inside and outside Australia and met with local management.

Table 1: FY2019 Director Attendance at Board and Committee meetings

	Board of Directors		Audit & Risk Management Committee		Securities & Market Disclosure Committee		Human Resources & Remuneration Committee		Innovation & Development Committee		Corporate Governance & Nomination Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
B McNamee	7	7		4*	6	6		4*	3	3	3	3
J Shine	2	2							2	2		
D Anstice	2	2							2	2		
B Brook	7	7	5	5				1*		3*	3	3
M Clark	7	7		2*			5	5	3	3	3	3
A Cuthbertson	5	5							3	3		
A Hussain	7	7		2*			5	5	3	3		
M McDonald	7	7	5	5			5	5		3*		
P Perreault	7	7		5*	6	6		5*	3	3		3*
C O'Reilly	7	7	5	5			5	5		2*	3	3
T Yamada	7	7							3	3		

A Number of meetings held whilst a member.

B Number of meetings attended.

Board Committee Meetings are open to all Directors to attend. Where a Director attended a meeting of a Committee of which they were not a member, it is indicated with an asterisk*.

4. Principal Activities, Strategy and Operating Model

CSL is a leader in global biotechnology, which develops and delivers innovative medicines that save lives, protect public health and help people with life threatening medical conditions live full lives. CSL's strategy is delivered through its five strategic objectives: Growth, Efficiency, Innovation, Influenza and People and Culture. More detail on CSL's performance against its strategic objectives is available on CSL.com and in the 2018/19 Annual Report.

The principal activities of the consolidated entity during the financial year were the research, development, manufacture, marketing and distribution of biopharmaceutical and allied products.

CSL's operating model for its two businesses, CSL Behring and Seqirus, leverages multifunctional teams that connect to share best practice. CSL's operating model is based around four key value creation activities: early stage research, product translation, manufacturing and patient access. CSL's commercial and functional areas operate at a global level, with the Global Leadership Group responsible for the day-to-day management of the group and delivery of CSL's strategic objectives.

CSL discloses financial performance primarily by business. This provides the most meaningful insight into the nature and financial outcomes of CSL's activities and facilitates greater comparability against industry peers. The operating review of each business is summarised below.

5. Operating and Financial Review and Future Prospects

(a) Financial Review

CSL announced a net profit after tax of US$1,919 million for the twelve months ended 30 June 2019, up 11% when compared to the prior comparable period. Net profit after tax at constant currency[1] grew 17% when compared to the prior comparable period.

Sales revenue was US$8,205 million, up 11% on a constant currency basis when compared to the prior comparable period, with research and development expenditure of $832 million. Net cash inflow from operating activities was US$1,644 million.

(b) Operating Review

CSL Behring

Total revenue was US$7,343 million, up 10% at constant currency basis when compared to the prior comparable period.

Immunoglobulin (Ig) product sales of US$3,543 million grew 16% on a constant currency basis underpinned by strong demand for Privigen® (10% liquid Ig) and Hizentra® (subcutaneous Ig).

Global demand for immunoglobulin has continued, driven by increasing disease awareness and diagnosis as well as increased usage of immunoglobulin for the treatment of chronic therapies, including Primary Immune Deficiency and Chronic Inflammatory Demyelinating Polyneuropathy.

In 2018, Privigen® and Hizentra® were both approved in the USA for the treatment of Chronic Inflammatory Demyelinating Polyneuropathy, which is the largest Ig indication, and this contributed to the strong growth in immunoglobulin sales achieved in 2019.

Also contributing to immunoglobulin sales growth has been the expanding utilisation of the collective group of secondary immune deficiencies.

Specialty product sales of US$1,572 million grew 6% on a constant currency basis. The two main drivers of this growth were Haegarda® and Kcentra®.

Haegarda®, CSL Behring's subcutaneous C1 esterase inhibitor product for patients with hereditary angioedema, was successfully launched in the previous financial year supported by the product's strong clinical profile. Building on this momentum, sales of Haegarda® increased 61% on a constant currency basis driven by new patients.

Sales of Kcentra® (4 factor pro-thrombin complex concentrate) in the USA were strong, driven by an expansion of new accounts and expanding usage in existing accounts.

Growth in specialty products was tempered by lower sales of Zemaira® (alpha-1 proteinase inhibitor) due to manufacturing constraints, and lower wound healing sales in Japan following the return to market of a competitor.

Haemophilia product sales of US$1,051 million declined 3% on a constant currency basis.

The decline in Haemophilia sales was attributable to the decrease in plasma-derived coagulation products, which fell by 12% on a constant currency basis. This was largely driven by Haemate®, CSL Behring's plasma derived product containing factor VIII and von Willebrand factor, which experienced weaker sales following a new entrant in the market. Sales in Beriate® and Monine® also declined due to competitive pressures.

This sales pressure was offset to a large extent by the positive performance of CSL Behring's recombinant coagulation factors, which grew 7% on a constant currency basis over the prior comparable period.

Idelvion®, CSL's Behring's novel long-acting recombinant factor IX product for the treatment of Haemophilia B launched in 2016, continued to grow strongly and gain market share as patients recognised the benefits of Idelvion®.

Afstyla®, a novel recombinant factor VIII product for the treatment of Haemophilia A patients, has also delivered strong growth since its launch in 2016. Despite intense competition in the Haemophilia A market, Afstyla continued to gain new patients in the USA and Europe.

Albumin sales of US$1,018 million increased 15% on a constant currency basis underpinned by strong demand in China and to a lesser extent European markets.

1 Constant Currency removes the impact of exchange rate movements to facilitate comparability of operational performance for the Group. This is done in three parts: a) by converting the current year net profit of entities in the group that have reporting currencies other than US Dollars, at the rates that were applicable to the prior comparable period (***Translation Currency Effect***); b) by restating material transactions booked by the group that are impacted by exchange rate movements at the rate that would have applied to the transaction if it had occurred in the prior comparable period (***Transaction Currency Effect***); and c) by adjusting for current year foreign currency gains and losses (***Foreign Currency Effect***). The sum of translation currency effect, transaction currency effect and foreign currency effect is the amount by which reported net profit is adjusted to calculate the result at constant currency.

Seqirus

Total revenue was US$1,196 million, up 12% at constant currency basis driven by increased sales of seasonal influenza vaccines and Seqirus' adjuvanted influenza vaccine FLUAD®.

Seqirus' portfolio of influenza vaccines has transitioned to higher valued products in recent years. The major drivers have been the shift to Quadrivalent influenza vaccines – Flucelvax® and Afluria® and a significant increase in demand for FLUAD®, which is designed to offer increased protection for over 65 year olds.

(c) Future Prospects (including Key Risks)

In the medium term CSL expects to continue to grow through developing differentiated plasma-derived and recombinant products, expanding markets and indications for those products as well as seasonal and pandemic influenza vaccines through Seqirus, and the commercialisation of emerging technologies. Over the longer term CSL intends to develop new products which are protected by its own intellectual property and which are high margin human health medicines marketed and sold by CSL's global operations.

These strategies are underpinned by CSL's research and development strategy that comprises five Therapeutic Areas:

- Immunology & Neurology – support and enhance the current portfolio with improved patient convenience, yield improvements, expanded labels and new formulation science;
- Haematology & Thrombosis – support and enhance the current portfolio with new plasma-derived products, recombinant coagulation factors and coagulation research;
- Transplant – expand the use of speciality plasma-derived products and investigate novel technologies in the area of transplantation;
- Respiratory – explore new opportunities for plasma-derived respiratory therapies and develop new therapies for significant unmet medical needs; and
- Cardiovascular & Metabolic – explore new plasma-derived opportunities for treatment of acute coronary syndrome, as well as novel biotechnology therapies for treating diabetes.

Additionally, Seqirus is innovating in manufacturing technologies, product development, and delivery methods of vaccines for the prevention of seasonal and pandemic influenza.

Further information on CSL's future prospects has been omitted as it could unreasonably prejudice the interests of CSL.

In the course of CSL's business operations, CSL is exposed to a variety of risks that are inherent to the pharmaceutical industry, and in particular the plasma therapies industry. The following details some of the key business risks that could affect CSL's business and operations, but are not the only risks CSL faces. Key financial risks are set out in Note 11 to the Financial Statements. Other risks besides those detailed below or in the Financial Statements could also adversely affect CSL's business and operations, and key business risks below should not be considered an exhaustive list of potential risks that may affect CSL.

Additional information on CSL's operations and performance can be found on CSL's website, CSL.com.

Description of Key Risk	Key Risk Mitigation
Research and Development/Commercialisation	
• CSL's future success depends significantly on the ability to innovate and successfully develop new products. The success of such development efforts involves great challenge and uncertainty. To achieve this CSL must conduct, either at its own expense or with collaboration partners, early stage research and clinical trials to demonstrate proof of concept and the safety and efficacy of the product candidates. Clinical trials can take multiple years to complete and are uncertain as to outcome. • Commercialisation requires effective transition of research and development activities to business operations.	• CSL seeks to ensure that all of its research and development programs, including early stage research and clinical trials, are run responsibly, ethically and comply with local regulations. CSL's programs operate within appropriate governance frameworks that take into account multiple decision points when identifying and assessing the science and commercialisation opportunities. • CSL undertakes extensive advance planning and transitioning work so that research and development activities and technologies are effectively transitioned to business operations. • CSL also actively sources partners/ subcontractors, where necessary, to support business continuity in product development or general operations.
Patient Safety & Product Quality	
• As for all pharmaceutical products, the use of CSL's products can produce undesirable or unintended side effects or adverse reactions (referred to cumulatively as "adverse events"). The occurrence of adverse events for a particular product or shipment may result in a loss, and could have a negative impact on patients, business and reputation, as well as operations.	• CSL seeks to maintain processes and procedures that meet good pharmacovigilance practice standards. CSL seeks to ensure that product information is up to date and contains all relevant information to assist healthcare practitioners to appropriately prescribe CSL products.
Talent and Culture	
• CSL is dependent on having the right people in the right position doing the right jobs, including executives and scientific teams. Providing a safe and rewarding work environment is critical to sustainability of talent.	• CSL has in place a robust workplace health and safety management system in line with industry best practice. CSL seeks to ensure that its remuneration and retention arrangements are competitive in the employment markets in which it operates. CSL has plans and processes in place to develop future leaders, including succession planning and talent development.

Description of Key Risk	Key Risk Mitigation
Manufacturing Operations	
• The manufacture of CSL's products in accordance with regulatory requirements entails complex processes. Any challenges experienced in the continuity of this process, and/or the quality of supply, could have a negative impact on business results. • CSL's manufacturing processes utilise specialised equipment that, if damaged or experiencing malfunction, may require considerable time and cost to replace which can lead to a possible interruption of production and other operations.	• CSL has a robust management process and strategy to support the continuity of manufacturing and supply. This includes adoption of, and compliance with, a broad suite of internationally recognised standards (GxP) including Good Manufacturing Practice (GMP). • CSL has a robust preventative maintenance program and access to remedial maintenance, when necessary. CSL also maintains a stock of unique parts and equipment, as well as strong relationships with critical equipment suppliers and fabricators in order to assure expedition of repairs and replacement equipment.
Competitive Pressures	
• CSL faces competition from pharmaceutical and biotechnology companies. The introduction of new competitive products or follow-on biologics by competitors may result in reduced product sales and lower prices. In addition, industry-wide shifts in demand for CSL products may affect business and operations.	• Along with regular reviews of key markets and geographies of strategic value and potential, CSL monitors its competitive markets to understand what new competitive products are emerging and the ongoing demand for CSL products. CSL has a diverse product pipeline that incorporates product lifecycle development, and seeks to ensure pricing of products remains competitive.
Corporate Transformation	
• Potential business combinations could require significant management attention and prove difficult to integrate with CSL's business. • CSL may not realise the anticipated benefits, or it may take longer to do so than anticipated, from any business combination undertaken in the future and any benefits realised may not justify the acquisition price. • Accessing fast-growing or strategic markets and executing on value-creating business development deals are key growth opportunities for CSL. If these activities are unsuccessful, CSL's business and financial performance could be adversely affected.	• CSL takes a disciplined approach to acquisitions. CSL focuses on strategically aligned opportunities, including those where it can derive synergies through its substantial existing knowledge and expertise. CSL also seeks to ensure that a detailed review and assessment of potential business combinations occurs prior to any acquisition. • CSL seeks to ensure that integration activities are well planned and executed, leveraging existing capabilities and knowledge base, as well as those of highly qualified and reputable advisors. • CSL identifies and assesses new business development and market expansion opportunities that align with long term strategic objectives. CSL will engage a broad cross section of functions during the due diligence phase to test the evaluation, integration and operational business continuity should CSL enter fast-growing strategic markets or make an acquisition.
Business Integrity	
• CSL's marketplace is diverse and complex, presenting many opportunities and challenges. Breach of regulations, local or international law, or industry codes of conduct, may subject CSL to financial penalty and reputational damage. Such instances may invite further regulation that may negatively affect CSL's ability to market therapies. • CSL operates in many countries and changes in the regulatory framework under which it operates in these countries could present challenges to business and operations. Healthcare industry regulations address many aspects of the business including, but not limited to, clinical trials, product registration, manufacturing, logistics, pharmacovigilance, reimbursement and pricing.	• CSL seeks to ensure its employees, contractors and suppliers are aware of CSL's expectations in relation to their interaction with stakeholders. CSL undertakes relevant training and monitoring of the Code of Responsible Business Practice. CSL undertakes internal audits of functions, processes and activities across its operating geographies. • CSL works to understand the current and emerging regulatory environment to be able to meet requirements and also engages with government bodies to present constructive views and information regarding the regulatory policy framework.
Supply Chain	
• CSL depends on a limited group of companies that supply raw materials, and supply and maintain equipment. If there is a material interruption to the supply or quality of a critical raw material or finished product, this could disrupt production or commercial operations.	• CSL seeks to maintain appropriate levels of inventory and safety stock and seeks to ensure that, where practicable, alternative supply arrangements are in place. CSL undertakes quality audits of suppliers and maintains and reviews business continuity plans which can be actioned in the event of any significant event.
Plasma	
• CSL depends on plasma donors for the supply of plasma. Ineffective management of donors has the potential to impact supply and may also have reputational consequences.	• CSL responsibly sources plasma from donors, complying with voluntary and regulatory standards. The comfort, health and safety of donors is closely monitored.

Description of Key Risk	Key Risk Mitigation
Cyber Security and Data Protection	
• Most of CSL's operations are computer-based and information technology (IT) systems are essential to maintaining effective operations. The data maintained within these systems is also essential to the operation of the business and considered private or proprietary to CSL. • CSL's IT Systems are exposed to risks of complete or partial failure of IT systems or data centre infrastructure, the inadequacy of internal or third-party IT systems due to, among other things, failure to keep pace with industry developments and the capacity of existing systems to effectively accommodate growth, unauthorised access and integration of existing operations.	• CSL is continuously monitoring and assessing threats and implementing security control for its IT systems, data centre infrastructure, and data sets based on its understanding of known threats and best practice industry knowledge. Through regular training and awareness campaigns, CSL seeks to ensure employees are prepared to respond appropriately to relevant threats. • CSL employs robust IT disaster recovery planning and business continuity planning to mitigate operational interruptions. CSL also seeks to continuously improve, update and implement new IT systems to meet regulatory requirements, advance information security, and enhance the manufacture and supply of products and integration of operations.
Intellectual Property	
• CSL relies on an ability to obtain and maintain protection for its intellectual property (IP) in the countries in which it operates. • CSL's products or product candidates may infringe, or be accused of infringing, on one or more claims of an issued patent, or may fall within the scope of one or more claims in a published patent application that may be subsequently issued and to which it does not hold a licence or other rights.	• CSL seeks appropriate patent and trademark protection and manages any specifically identified IP risks. Along with dedicated IP personnel to manage IP opportunity and risk, it engages specialist advisors by jurisdiction to inform this approach. • CSL seeks to ensure that projects, products and related activities include an appropriate assessment of any third party IP profile and its IP profile.

6. Dividends

On 14 August 2019 the Directors resolved to pay a final dividend of US$1.00 per ordinary share, unfranked, bringing dividends per share for 2019 to US$1.85 per share. In accordance with determinations by the Directors, CSL does not operate a dividend reinvestment plan.

Dividends paid during the year were as follows:

Dividend	Date Resolved	Date Paid	Unfranked Dividend per Share US$	Total Dividend US$
Final Dividend for Year Ended 30 June 2018	15/08/2018	12/10/2018	0.93 cents	$420.3m
Interim Dividend for Year Ended 30 June 2019	13/02/2019	12/04/2019	0.85 cents	$386.5m

Dividends are determined after period-end and announced with the results for the period. Interim dividends are determined in February and paid in April. Final dividends are determined in August and paid in October. Dividends determined are not recorded as a liability at the end of the period to which they relate.

7. Significant changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year not otherwise disclosed in this report or the financial statements.

8. Significant events after year end

Other than as disclosed in the financial statements, the Directors are not aware of any other matter of circumstance which has arisen since the end of the financial year which has significantly affected or may significantly affect the operations of the consolidated entity, results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

9. Environment, Health, Safety & Sustainability Performance

CSL has an Environment, Health, Safety and Sustainability (EHS[2]) Strategic Plan that its facilities operate to industry and regulatory standards. This strategy includes compliance with government regulations and commitments for continuous improvement of health and safety in the workplace, as well as minimising the impact of operations on the environment. To drive this strategy, CSL implemented an EHS[2] Management System (EHSMS) Standard. Internal audits at three sites demonstrated compliance with EHSMS. Completion of the remaining internal audits are scheduled over the next two years.

Development, implementation, and improvement of employee safety & health processes and programs continue to focus on enhancement of a strong safety culture. Our Australian operations continue classification as an Established Licensee in respect to CSL's self-insurance licence as granted by the Safety, Rehabilitation and Compensation Commission.

The Environment Protection Authority (EPA) in Victoria, Australia or any other equivalent Australian interstate or foreign government agency in relation to CSL's Australian, European, North American or Asia Pacific operations have not issued any notice for environmental breaches during the year ended 30 June 2019. CSL is currently finalising plans for remediation of impacted groundwater from historical contamination in a small portion of the Parkville site.

In 2018/19, CSL, Parkville, closed out the Stage 1 non-compliance notice issued by the local water authority for elevated sulphide in wastewater discharged from the Parkville site. CSL implemented corrective and preventive actions and continues sampling to demonstrate ongoing compliance.

In July 2018, Seqirus, Liverpool, reported a refrigerant leak on a newly installed system. The local Environmental Authority responded with an inspection and compliance notice. Corrections were completed with no fines issued.

In May 2019, CSL Behring, Broadmeadows, received a Stage 1 non-compliance notice from the local water authority for an elevated concentration of acetic acid in a sample of wastewater discharged to the sewer. CSL is investigating this event and is cooperating with the authority to resolve the issue.

Australian and foreign laws regulate environmental obligations and waste discharge quotas. Government agency audits and site inspections monitor CSL environmental performance. The EHS[2] function continues to refine standards, processes, and data collection systems so CSL is ready to meet the new regulatory requirements.

As part of compliance and continuous improvement in regulatory and voluntary environmental performance, CSL continues to report on key environmental aspects including energy consumption, emissions, water use and management of waste as part of CSL's annual reporting on CSL.com (see Corporate Responsibility) and submission to the CDP (previously known as Carbon Disclosure Project). CSL has met its reporting obligations under the Australian Government's National Greenhouse and Energy Reporting Act (2007) and Victorian Government's Industrial Waste Management Policy (National Pollutant Inventory).

Monitoring environment, climate change risks, and control measures means that CSL is ready for new and emerging regulatory requirements.

CSL's environmental performance is particularly important and relevant to select stakeholders and CSL reaffirms its commitment to continue to participate in initiatives such as CDP's (climate change and water disclosures) to help inform investors of its environmental management approach and performance.

Additional EHS[2] performance details, including workplace safety, will be provided in Section 8 of CSL's 2018/19 Annual Report and on CSL.com.

10. Directors' Shareholdings and Interests

At 30 June 2019, the interests of the Directors who held office at 30 June 2019 in the shares, options and performance rights of CSL are set out in the Remuneration Report – Tables 10 and 11 for executive Key Management Personnel (KMP) and Tables 17 and 18 for Non-Executive Directors. It is contrary to Board policy for KMP to limit exposure to risk in relation to these securities. From time to time the Company Secretary makes inquiries of KMP as to their compliance with this policy. There were no shares, performance rights or options granted between 30 June 2019 and the date of this Directors' Report.

11. Directors' Interests in Contracts

Section 13 of this Report sets out particulars of the Director's Deed entered into by CSL with each director in relation to access to Board papers, indemnity and insurance.

12. Performance Rights and Options

As at 30 June 2019, the number of unissued ordinary shares or interests in CSL under options and under performance rights are set out in Note 18 of the Financial Statements.

Holders of options or performance rights do not have any right, by virtue of the options or performance rights, to participate in any share issue by CSL or any other body corporate or in any interest issued by any registered managed investment scheme.

The number of options and performance rights exercised or vested during the financial year and the exercise price paid to acquire fully paid ordinary shares in CSL is set out in Note 18 of the Financial Statements.

Since the end of the financial year, there has been no change to the information contained in Note 18 to the Financial Statements.

13. Indemnification of Directors and Officers

During the financial year, the insurance and indemnity arrangements discussed below were in place concerning directors and officers of the consolidated entity.

CSL has entered into a Director's Deed with each director regarding access to Board papers, indemnity and insurance. Each deed provides:

a. an ongoing and unlimited indemnity to the relevant director against liability incurred by that director in or arising out of the conduct of the business of CSL or of a subsidiary (as defined in the *Corporations Act 2001*) or in or arising out of the discharge of the duties of that director. The indemnity is given to the extent permitted by law and to the extent and for the amount that the relevant director is not otherwise entitled to be, and is not actually, indemnified by another person or out of the assets of a corporation, where the liability is incurred in or arising out of the conduct of the business of that corporation or in the discharge of the duties of the director in relation to that corporation;

b. that CSL will purchase and annually renew a liability insurance program which covers all past, present and future directors and officers against liability for acts and omissions in their respective capacity on behalf of CSL. Coverage will be maintained for a minimum of seven years following the cessation of office for each director appointment for acts or omissions during their time served; and

c. the relevant director with a right of access to Board papers relating to the director's period of appointment as a director for a period of seven years following that director's cessation of office. Access is permitted where the director is, or may be, defending legal proceedings or appearing before an inquiry or hearing of a government agency or an external administrator, where the proceedings, inquiry or hearing relates to an act or omission of the director in performing the director's duties to CSL during the director's period of appointment.

In addition to the Director's Deeds, Rule 95 of CSL's constitution requires CSL to indemnify each "officer" of CSL and of each wholly owned subsidiary of CSL out of the assets of CSL "to the relevant extent" against any liability incurred by the officer in the conduct of the business of CSL or in the conduct of the business of such wholly owned subsidiary of CSL or in the discharge of the duties of the officer unless incurred in circumstances which the Board resolves do not justify indemnification.

For this purpose, "officer" includes a director, executive officer, secretary, agent, auditor or other officer of CSL. The indemnity only applies to the extent CSL is not precluded by law from doing so, and to the extent that the officer is not otherwise entitled to be or is actually indemnified by another person, including under any insurance policy, or out of the assets of a corporation, where the liability is incurred in or arising out of the conduct of the business of that corporation or in the discharge of the duties of the officer in relation to that corporation.

CSL paid insurance premiums in respect of a contract insuring each individual director of CSL and each full time executive officer, director and secretary of CSL and its controlled entities, against certain liabilities and expenses (including liability for certain legal costs) arising as a result of work performed in their respective capacities, to the extent permitted by law.

14. Indemnification of auditors

To the extent permitted by law, CSL has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during the financial year or since its end.

15. Non-audit services and auditor independence

CSL may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with CSL and/or the consolidated entity are important.

Details of the amounts paid or payable to the entity's auditor, Ernst & Young, for non-audit services provided during the year are set out below. The directors, in accordance with the advice received from the Audit and Risk Management Committee, are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to confirm that they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for CSL, acting as an advocate for CSL or jointly sharing economic risks and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* accompanies this Report.

Ernst & Young and its related practices received or are due to receive the following amounts for the provision of non-audit services to CSL and its subsidiaries in respect to the year ended 30 June 2019:

	US$
Audit and Audit related Services	5,010,806
Non-audit services (3.6% of total)	188,495
Total remuneration for all services	**5,199,301**

Normally the signing partner for the auditor is rotated, at least, every five years. Mr Rodney Piltz and Ms Kylie Bodenham are the signing partners for Ernst & Young for the 2019/20 financial year following their appointment. Mr Rodney Piltz, as the lead auditor, is required to make an independence declaration annually. The Audit and Risk Management Committee undertakes a formal review of the appropriateness of continuing with the incumbent audit firm prior to approving the appointment of a new signing partner by rotation.

16. Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $100,000 (where rounding is applicable) unless specifically stated otherwise under the relief available to CSL under ASIC Corporations Instrument 2016/191. CSL is an entity to which the Instrument applies.

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Building a better working world

Auditor's Independence Declaration to the Directors of CSL Limited

As lead auditor for the audit of the financial report of CSL Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CSL Limited and the entities it controlled during the financial year.

Ernst & Young

Rodney Piltz
Partner
13 August 2019

17. Remuneration Report

Dear Shareholder,

On behalf of the Board, I am pleased to present CSL's Remuneration Report for the year ended 30 June 2019. This Report contains detailed information regarding the remuneration arrangements for the directors and senior executives who are the Key Management Personnel (KMP) for CSL during 2019.

The Board is committed to an executive remuneration framework that is focused on driving a performance culture and linking pay to the achievement of CSL's long-term strategy and business objectives. These in turn drive long-term shareholder value.

Two years ago, CSL overhauled its remuneration framework to reflect the global nature of our business, simplify our approach, create stronger alignment with shareholders and, attract and retain executives of the requisite calibre. Our current plan has been in place since 2017 and we consider it important that our executives are provided with a period of clarity and certainty in respect to the basis of their remuneration.

The Board firmly believes that our current framework is fit for purpose for CSL. Our framework is effective, aligned to shareholders and supports our global talent in their achievement of CSL's long-term global business goals. Our framework is effective at attracting talent as evidenced by the recent addition of our new Chief Operating Officer and the EVP, GM Seqirus.

CSL's strategy is to develop and deliver innovative medicines that save lives, protect public health and help people with life-threatening medical conditions live full lives. Consistent with this strategy CSL has delivered sector-leading growth through growth in plasma production and product sales, expansion in existing and new markets, and expansion of our product portfolio in existing and new therapeutic areas.

The remuneration outcomes for 2019 reflect delivery of our strategy across CSL's operational and development activities. These results are further outlined across this Directors' Report.

CSL's sector-leading performance and global reach have delivered against our objective of growing shareholder value with a 12.91% increase in Total Shareholder Return (TSR) over the 12 month period. As a result, CSL has grown to be the third largest listing on the Australian Securities Exchange (ASX) as at June 30 2019. We note that CSL ranks second in our global pharmaceutical / biotechnology peer group with a TSR outcome of 163.75% over the period 1 July 2015 to 30 June 2019, ahead of companies such as AstraZeneca, Bayer, GlaxoSmithKline and Merck.

Key measures of the results achieved in 2019 included:

- 17% increase in Net Profit After Tax (NPAT) on a constant currency basis;
- 11% increase in revenue on a constant currency basis;
- 16% increase in earnings per share on a constant currency basis;
- Return on Invested Capital (ROIC) for 2019 of 24.30%;
- Opening of 30 new plasma centres taking our total to 237 centres globally;
- Acquiring South Carolina Haemonetics manufacturing facility and assets;
- Seqirus record revenue and profit and expansion of its products globally;
- Patient recruitment for CSL112 trial for cardiovascular disease progressing ahead of target;
- Progress of major capital projects to increase future capacity;
- Progressing our diversity strategy with 57% female representation in our workforce. We have surpassed our target percentage of 30% for female representation across our senior executive positions and our target of 40% female representation for all people management positions; and
- Employee engagement scores above IBM norms across CSL.

2019 Chief Executive Officer Remuneration Outcomes

In 2019, our Chief Executive Officer and Managing Director (CEO), Mr Paul Perreault, received no increase to his fixed reward from the previous year remaining at US$1,751,000, and no increase to his STI percentage of 120% for target performance and 180% for outstanding performance.

The STI outcome for Mr Perreault was 94% of target based on the two key measures of above target performance for NPAT and below target performance for Cash Flow From Operations (CFO), resulting in a cash payment of US$1,979,386 (to be paid in September 2019). This was 34% lower than the previous year. Our CFO below target performance outcome was primarily due to a decision taken to build inventory to ensure future supply of our plasma-derived products over the coming years.

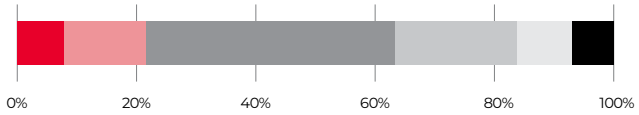
As part of the long term incentive (LTI) program, Mr Perreault was granted 37,449 PSUs (representing 350% of fixed reward) in October 2018 which are subject to both time and performance hurdles over the next four years.

Total statutory remuneration as described in table 9 is 4% higher than the previous year at US$11,718,242.

2019 CEO 'Realised' Remuneration

The Board believes that CEO and Executive KMP 'realised' remuneration (or 'take home' pay) is a simple and transparent view of what was actually earned in 2019. We have disclosed the CEO 'realised' remuneration in the graph below with a full view of all Executive KMP 'realised' remuneration details in section 6.6, table 13. Mr Perreault's 'realised' remuneration for 2019 was US$23,261,473 and this is a 215% increase from the prior year. This increase was mainly due to vesting of both current and legacy LTI awards in 2019, with high value outcomes for our CEO based on exceptional share price growth over the life of the awards – there was an increase in value of US$14,652,591 from the face value at grant, to the face value at vesting. Next year we expect to see significant LTI outcomes due to share price growth during the period from grant to vest. In 2020, we see the cessation of legacy programs with the final vesting under the Executive Deferred Incentive Plan. Remaining legacy plans will cease to be reported in 2021.

2019 CEO Realised Remuneration



- 2019 Total Fixed Reward
- Total STI Received
- LTI Received – Options (2015)
- LTI Received – Performance Rights (2014/2015)
- LTI Received – Performance Share Units (2018)
- LTI Received – Notional Shares (2016)

Changes to Remuneration for 2020

Taking into consideration shareholder feedback and global market positioning, the Board has determined to make no increase to Fixed Reward or STI target and maximum opportunity for the fourth year in a row to the CEO. Consistent with CSL's guiding principles for remuneration the Board has decided to continue to rebalance the remuneration pay-mix toward the LTI. To ensure our CEO has market appropriate incentives and remains aligned with the interests of our shareholders, in 2020 he will receive an increase in his LTI target from 350% to 400% which is both time and performance hurdled.

For our Executive KMP in 2020, the Board has approved an increase to base salary for one Global Leadership Group (GLG) member, not increased short term incentive targets (including maximum opportunity) for any GLG member and has increased LTI targets for five GLG at an average of 22%. These increases have been applied to address the position in market, recognise the criticality of these roles to our CSL strategy and delivery, and also recognise the breadth of knowledge, deep skills and experience Executive KMP bring to their roles.

A review of Board and Committee workload and fees against the median of the ASX top 12 companies was completed. Accordingly, Board Chair and Director fees will increase by an average 1.9%. Adjustments to fees were made within the existing aggregate fee pool approved by shareholders in 2016. The Board considers that sufficient headroom remains within the existing fee pool and is not seeking shareholder approval for an increase in the pool. CSL has a Non-Executive Director Rights plan, described in more detail in this Report, which enables directors to more quickly build a meaningful level of equity in the Company and which restricts disposal of shares acquired under the plan for three to fifteen years.

Shareholder Engagement and Framework Changes

Over the year, many of our shareholders provided feedback on our executive remuneration framework – for this we thank you. The primary concerns raised were in respect of our LTI plan and the use of a single metric, ROIC, to measure performance over a rolling seven year period, which included a retrospective review, and a short vesting period for the first two tranches of the award.

Taking this feedback into consideration, in 2019, the Board has introduced an annual threshold of ROIC performance that must be achieved before vesting can occur – the measure is the Investment Hurdle Rate (IHR). The IHR is the minimum return we require on our investments to ensure we are making sound investment decisions and appropriately manage risk and cover our cost of capital. This has been added as a provision of the LTI target to ensure that the ROIC is delivering an appropriate return each financial year as well as over the seven year rolling average period and aligns with shareholder outcomes and expectations.

CSL is a long term business where developing a new medical product can take more than ten years from science to market. The ROIC measure as the hurdle for our LTI Plan, has been chosen because it is a business critical (high ROIC equals high performance), single (preferred over two measures), and is an absolute return measure (preferred over relative), which is easily understood by shareholders and management alike. The ROIC target has been set at a high performance level both in absolute terms and relative to our peers. It gives a very good indication of our actual capacity to generate returns through utilisation of productive assets. Our vesting schedule ensures our Executive KMP have "skin in the game" earlier, building longer term economic alignment between management and shareholders, and encouraging share ownership and retention.

The Board has discretion over all remuneration outcomes, including the vesting of LTI awards. The Board can adjust, including to zero, at any time. The Board wants to ensure the soundness of any outcome and that it reflects actual CSL Group performance and the experience of shareholders.

Your Board believes that the reward framework remains appropriate and that outcomes for 2019 remuneration reflect the performance of the CSL Group and are fair. We will continue to regularly review the framework and will make adjustments in the future as necessary to ensure the right outcomes are being delivered and rewarded. We welcome your ongoing feedback.

Thank you for supporting CSL and our patients around the world.

Dr Megan Clark AC
Chair
Human Resources and Remuneration Committee

Contents

Independent audit of the report

The Remuneration Report has been audited by Ernst & Young. Please see page 131 of the Financial Statements for Ernst & Young's report.

1. CSL Key Management Personnel

This Report sets out remuneration information for Key Management Personnel (KMP) which includes Non-Executive Directors (NEDs), Executive Directors (i.e. the Chief Executive Officer and Managing Director (CEO) and Chief Scientific Officer) and those key executives who have authority and responsibility for planning, directing and controlling the activities of CSL during the financial year (together with the Executive Directors, herein referred to as Executive KMP). The CSL KMP during 2019 are outlined in Table 1. Table 2 outlines changes to KMP that were made in 2019.

Table 1: CSL Key Management Personnel in 2019

Non-Executive Directors
Chairman Dr Brian McNamee AO
Mr David Anstice AO – retired 17 October 2018
Mr Bruce Brook
Dr Megan Clark AC
Mr Shah Abbas Hussain
Ms Marie McDonald
Ms Christine O'Reilly
Professor John Shine AC – retired 17 October 2018
Dr Tadataka Yamada KBE

Executive Key Management Personnel
Executive Director and Chief Executive Officer and Managing Director (CEO) Mr Paul Perreault
EVP Legal & Group General Counsel Mr Greg Boss
EVP & Chief Commercial Officer Mr William Campbell
Executive Director and Chief Scientific Officer Dr Andrew Cuthbertson AO
EVP Quality & Business Services Ms Karen Etchberger
Chief Financial Officer Mr David Lamont
EVP Research & Development Dr William Mezzanotte – commenced 1 October 2018
President, Seqirus Mr Gordon Naylor
EVP Manufacturing Operations & Planning Mr Val Romberg
EVP & Chief Human Resources Officer Ms Elizabeth Walker

Table 2: Changes in Key Management Personnel in 2019

KMP	Nature of Change	Date of Change
Appointment of Key Management Personnel		
Non-Executive Directors		
Dr Brian McNamee AO	Chairman of the Board	17 October 2018
Executive Key Management Personnel		
Dr Andrew Cuthbertson AO	Executive Director	17 October 2018
Dr Paul McKenzie	Executive KMP	1 July 2019
Dr William Mezzanotte	Executive KMP	1 October 2018
Cessation of Key Management Personnel		
Non-Executive Directors		
Mr David Anstice AO	Retirement	17 October 2018
Professor John Shine AC	Retirement	17 October 2018
Executive Key Management Personnel		
Ms Karen Etchberger	Reporting line change	30 June 2019
Mr Gordon Naylor	Retirement	30 June 2019
Mr Val Romberg	Reporting line change	30 June 2019

2. Remuneration Framework

As a leading global biotechnology company, CSL develops and delivers innovative biotherapies and influenza vaccines that save lives, and help people with life-threatening medical conditions live full lives. This requires a research to commercialisation lifecycle that can extend seven to ten years. Accordingly, we have designed a reward framework that effectively incentivises and rewards our executives over the long term.

Our reward framework combines elements of traditional Fixed Reward (or base salary), Short Term Incentive (STI) and Long Term Incentive (LTI) plans with enhancements to several design factors to suit CSL's business, a very different business to other companies in Australia. Our international footprint requires global leadership and, with executives based in different countries, we need to ensure our framework is fair, equitable and market competitive in the countries and industry in which we operate in order to attract and retain highly talented people.

2.1 Guiding Principles

Our Guiding Principles, adopted in April 2017, provide the foundation for CSL executive reward design and quantum decisions.

One Pay Design for Senior Executives	A uniform pay design recognises the importance of functioning as a team and assists in mobility of our executives. One pay design recognises the global scope and value to CSL of every executive role and allows us to competitively recruit, engage, retain and deploy talent in our global business
Simple and Transparent	Our pay design is no more complicated than it needs to be. It recognises shareholders' remuneration guidelines and provides clarity so that our shareholders, executives, and all other interested parties understand how pay at CSL helps drive the business strategy and shareholder alignment. Having a simple and transparent pay design helps us focus and be accountable to our shareholders
Reward Real Achievement	We focus our top talent on the challenges that matter – that make a difference to our business and our capacity to improve the lives of those with serious medical conditions. Our senior executives are responsible for making decisions that build enterprise value. We balance reward for short term results with long-term sustained performance. Over the longer term, executive reward must be aligned with business performance and shareholder return
Shareholder and Executive Alignment	We align senior executives' interests and those of shareholders. We both encourage and require directors and executives to build and maintain a meaningful shareholding to create alignment between directors, executives and shareholders and to enhance focus on long-term value creation. CSL recognises the importance of equity in its long term employee rewards and that a significant proportion of total executive reward should be CSL equity earned by achievement and performance over the longer term

2.2 Remuneration Structure

The structure of Total Reward for Executive KMP is described below and detailed explanations are provided in the remainder of this section 2.

Remuneration Component	Operation
Fixed Reward (FR) Attract, retain and engage key talent to deliver our CSL strategy	Reviewed annually, FR is determined based on the scope, complexity and responsibilities of the role, experience of the Executive KMP and performance. The Board sets FR based on market comparisons – global pharmaceutical/biotechnology peers, general industry or a hybrid approach depending on role (desired positioning at the median) and internal relativities
Performance – STI Reward performance against annual Key Performance Indicators (KPIs) – maintaining a focus on underlying value creation within the business operations is critical to the success of CSL in the long-term	KPIs, weightings and targets are set at the start of the performance year, incentivising Executive KMP to work together to achieve a small group of key short term objectives that really matter, providing them with the latitude to identify and manage the actions needed to build the business, without competing objectives KPIs include two critical measures of business strength, shared by all, Net Profit after Tax (NPAT) and Cash Inflow from Operations (CFO), plus up to four business building KPIs (individual, business unit, operations, function or research related) – with the majority weighting on the financial KPIs Threshold, target and maximum performance levels are established for each KPI STI is an annual cash payment and is subject to the Clawback and Malus Policy. The Board has discretion over and approves KPIs and all outcomes at the end of the performance year
Alignment – LTI Alignment to longer term performance and strategy of CSL, building economic alignment between Executive KMP and shareholders over the long term	Performance Share Units (PSUs) are granted to Executive KMP at Face Value with one CSL share delivered for each PSU that vests. The Board has selected the performance measure of Return on Invested Capital – measured on a seven year rolling return in the year the award vests Instalment vesting occurs over a four year period – 25% each year. The Board has discretion over all outcomes and awards are subject to the Clawback and Malus Policy
Benefits Provides market competitive benefits, both during and post-employment, to attract and retain key talent	Participation in a pension plan or superannuation fund and aligned with the arrangements of the broader workforce in country of residence Additional benefits may include, but are not limited to, accident, disability and death insurance, health insurance, car parking and participation in local benefit programs. Where an Executive KMP is required to relocate to another CSL location, relocation benefits are payable. In the case of international assignees, tax return preparation, health insurance, language training, and school fee benefits may be offered
The Board has the discretion to apply a 'Leading and Managing' modifier to both the Performance and Alignment outcomes – formally recognising the importance of CSL's culture including leadership behaviours, values and diversity objectives. The modifier allows for the Board to adjust in exceptional circumstances +20% / -50% of short term annual incentive earned, and/or long term equity incentive opportunity granted	

2.2.1 How Remuneration is Determined

The Board has discretion across each element of Executive KMP reward and considers business performance, individual performance and shareholder experience before setting and approving reward outcomes.

Remuneration recommendations – Reviewed on an annual basis and using the Guiding Principles described in section 2.1, the CEO makes a recommendation to the Human Resources and Remuneration Committee (HRRC) for Executive KMP, with the HRRC recommending to the Board for the CEO, any change to fixed reward and STI and LTI targets for the year ahead. Recommendations take into consideration market conditions, position in market within the global pharmaceutical/biotechnology peer group[1], individual performance, role responsibilities and internal relativity. Remuneration is reviewed in the context of Total Reward. There is a higher proportion of Total Reward in the form of performance related variable pay.

STI outcomes – A formal review of Executive KMP progress against objectives is conducted twice annually by the CEO and annually by the Board for the CEO. Regular performance conversations are held during the year. Following the full year performance review, the CEO makes recommendations in respect of Executive KMP to the HRRC. The HRRC and the Board assess individual performance against objectives at the end of the financial year, and approve the actual STI payments to be made. The Board believes this is the most appropriate method of measurement.

LTI outcomes – The HRRC assess performance against the hurdle measures set at grant by the Board. Following this, the HRRC undertakes a review to ensure the remuneration outcomes are aligned with overall business performance and the shareholder experience and, submits outcomes to the Board for approval. The Board believes this is the most appropriate method of measurement.

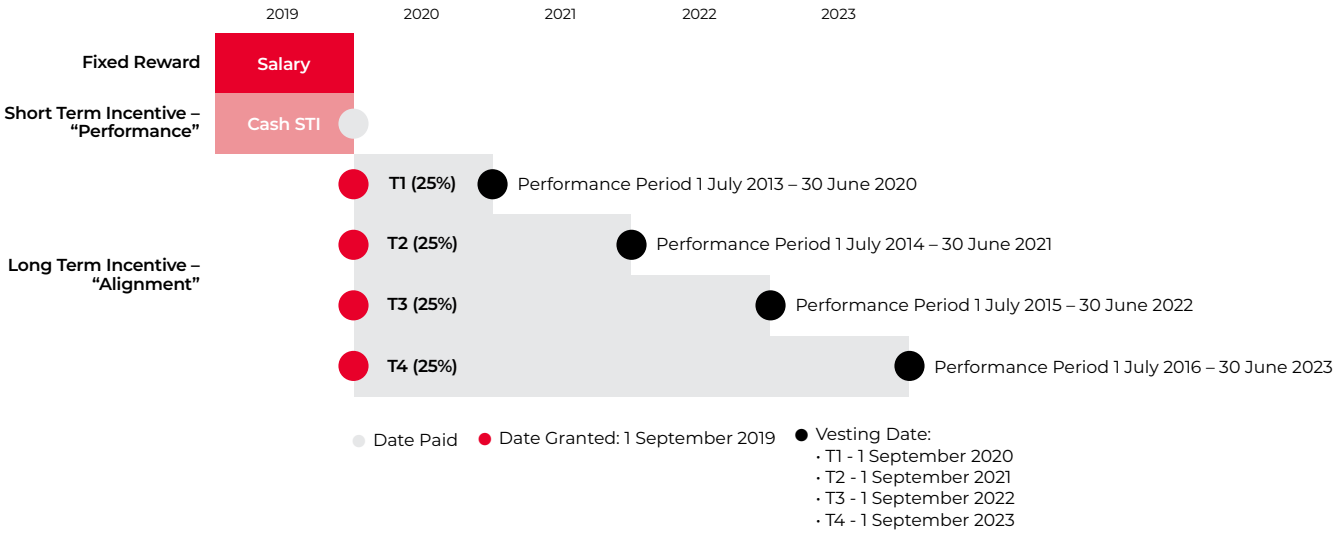
1 The global pharmaceutical/biotechnology industry peer group serves as a primary reference group for remuneration benchmarking, created such that CSL falls in the middle of the group with respect to market capitalisation and revenue. The group represents global industry peers and is updated annually. The peer group in 2019 included: Alexion Pharmaceuticals, Inc.; Allergan plc; AstraZeneca PLC; Bayer Aktiengesellschaft; Biogen Inc.; BioMarin Pharmaceutical Inc.; Celgene Corporation; Eli Lilly and Company; Endo International plc; Gilead Sciences Inc.; Grifols, S.A.; Incyte Corporation; Jazz Pharmaceuticals Public Limited Company; Merck Kommanditgesellschaft auf Aktien; Novo Nordisk A/S; Regeneron Pharmaceuticals, Inc.; Shire plc; UCB SA; United Therapeutics Corporation; Vertex Pharmaceuticals Incorporated. For the 2020 year, GlaxoSmithKline plc is added to the peer group and Endo International plc and United Therapeutics Corporation have been removed. In addition, four general industry reference groups representing Australia, North America, the United Kingdom and Europe (focused on Germany and Switzerland) also helps us ensure we pay appropriately to reward senior talent and may be used as a primary, or hybrid, data set for certain Executive KMP dependent on role and location.

Board discretion – Prior to approving all remuneration outcomes, the Board reviews the Clawback and Malus Policy and also ensures that the interaction of remuneration outcomes is in alignment with risk management outcomes for the year and that any material risk issues and behaviours and/or compliance breaches are addressed. This review is done in conjunction with the Audit and Risk Management Committee (ARMC). The Board has discretion to determine final vesting outcomes to ensure outcomes are in line with CSL performance, market reported financial outcomes and shareholder outcomes. The discretion can be used to both increase or reduce vesting outcomes, which includes reducing to zero.

New Hires and Internal Promotions – The Remuneration Framework as set out in this section 2 will apply to the remuneration arrangements for any newly hired or promoted Executive KMP, ensuring a market competitive Total Reward offering. In the case of external hires, the HRRC and Board may determine that it is appropriate for a commencement benefit to be offered. Commencement benefits in the form of cash and/or equity can be made to compensate for remuneration being forfeited from a former employer. For any foregone equity awards, CSL equity will be used as compensation. Awards may be discounted to take into consideration any performance conditions on the award at the former employer and the HRRC will determine the appropriate service and performance conditions on the CSL award within the CSL framework. For internal promotions, the HRRC may determine that an award of equity should be made to ensure an appropriate Total Reward package. This is done as hurdled equity under the LTI framework described later in this section.

2.2.2 Remuneration Delivery

The diagram below shows the period over which potential 2019 (1 July 2018 – 30 June 2019) remuneration is delivered and when the awards vest. STI and LTI outcomes are linked to CSL performance – STI payments are only made when both CSL and our Executive KMP have performed well, and LTI will only vest and have value when performance has been strong over the longer term.



2.2.3 Executive KMP Pay-Mix

Our pay-mix continues to shift towards higher levels of performance based pay, specifically the LTI opportunity. The graphs below show each of the components of our remuneration framework as a percentage of Total Target Reward for the 2019 and 2020 financial years. For Executive KMP this calculation is a weighted average[2]. Reward changes in both 2019 and 2020 are included in section 6 of this Report.

CEO and Managing Director

2019

- Fixed **18%**
- Performance – STI **21%**
- Alignment– LTI **61%**

2020

- Fixed **16%**
- Performance – STI **19%**
- Alignment– LTI **65%**

Executive KMP

2019

- Fixed **28%**
- Performance – STI **23%**
- Alignment– LTI **49%**

2020

- Fixed **26%**
- Performance – STI **21%**
- Alignment– LTI **53%**

2 Note the 2020 pay mix only details those Executive KMP reported in 2019 that are Executive KMP as of 1 July 2020.

2.3 Performance – Short Term Incentive

On an annual basis, each Executive KMP has a maximum of six KPIs. The KPIs are made up of two critical measures of CSL business strength, shared by all participants – NPAT and CFO, plus up to four individual business building KPIs (approved by the HRRC).

Net Profit after Tax (NPAT)	Cash Inflow from Operations (CFO)
NPAT is part of the Profit and Loss Statement and is the final measure of profit/loss. NPAT is calculated as sales revenues less cost of sales, external expenses (which include Research and Development costs, sales and marketing costs (also known as commercial operations costs and administration costs)), net interest expense and taxes. NPAT is assessed at constant currency	**CFO** is the amount of cash CSL generates from the revenues it brings in and the costs it incurs in doing so, excluding cash outlays related to capital or other investments, payments to and from shareholders and debt. CFO is assessed at reported rates

KPIs are challenging and not just duties expected of an Executive KMP in the normal course of their role. There must be real difference between under achieve / achieve / over achieve targets and measures, set so that a challenging but meaningful incentive is provided. Hurdles are set at threshold, target and maximum levels of performance. The KPIs and hurdles are set to drive business performance and the creation of shareholder value.

The key features of the program for cash awards for the year ended 30 June 2019 (paid in September 2019) are detailed as follows.

Feature	Description	
Performance Period	Annual aligned with the financial year – 1 July 2018 to 30 June 2019	
Performance Measure	**Financial**	**Individual**
	Top line growth is the foundation of long term sustainability and evidences our competitive advantage, whilst pursuing profitable growth aligns employee and shareholder objectives. The financial performance measures are NPAT and CFO. NPAT is measured at constant currency and CFO is the reported rate	Individual performance hurdles align with strategic priorities, encourage appropriate decision making, and balance performance in non-financial priorities. The individual performance measures are based on individual responsibilities and categories include divisional performance, achievement of strategic objectives and improvement in operations, risk management, compliance, health and safety and quality
KPI Weighting	NPAT 50% / CFO 50% – P Perreault NPAT 35% / CFO 35% / Individual 30% – W Campbell and D Lamont NPAT 30% / CFO 30% / Individual 40% – G Boss, A Cuthbertson, K Etchberger, W Mezzanotte, V Romberg and E Walker NPAT 15% / CFO 15% / Individual 70% – G Naylor	
Vesting Schedule	Below Threshold	0% earned
	Between Threshold and Target	50% earned on achievement of threshold level performance, increasing on a straight-line basis to 100% earned on achievement of target level performance
	Target	100% earned
	Maximum	100% earned at target level performance, increasing on a straight-line basis to 150% earned on achievement of maximum level performance (capped)
	The above STI Outcome percentages are then multiplied by the KPI weighting and individual STI opportunity (as disclosed in Table 4) to determine the payment amount	
Cessation of Employment	A "good leaver" (such as retirement) may receive a pro-rata payment paid in the ordinary course based on time elapsed since the start of the Performance Period, subject to Performance Measures being met	

2.4 Alignment - Long Term Incentive

The introduction of the new LTI framework in 2017 was designed to enable us to manage our business, to support our investments and align our executives' equity interests by rewarding sustainable Return on Invested Capital (ROIC) outcomes over the longer term. When our target performance is achieved, we want our executives to have their LTI vest – we set targets that not only provide excellent outcomes for shareholders but also reward and assist us in retaining our talent.

As discussed in the letter from the HRRC Chair earlier in this Report, we received feedback from investors over the year on the design of our LTI plan – the use of a single metric, measurement of the Return on Invested Capital (ROIC) performance across a seven year period, which included a retrospective review, and a short vesting period for the first two tranches of the award.

Following feedback from investors, in 2019, the Board has introduced an annual threshold of ROIC performance that must be achieved before vesting can occur – the measure is the Investment Hurdle Rate (IHR). The IHR is the minimum return we require on our investments to ensure we are making sound investment decisions and appropriately manage risk and cover our cost of capital. This has been added as a provision of the LTI target to ensure that the ROIC is delivering an appropriate return each financial year as well as over the seven year rolling average period and aligns with shareholder outcomes and expectations. If the ROIC outcome is below the IHR, no vesting will occur in that year.

Our Research and Development (R&D) cycle requires investment over the longer term, as does our capacity model. Developing a new medical product can take more than ten years from science to market. The Board believes the outcome of these factors can be successfully measured through a ROIC performance hurdle – fit for purpose for CSL. We have a seven year rolling average ROIC to measure real achievement over an appropriate time period for our R&D investment cycle. It is simple and transparent, and measures return on all capital – both shareholder invested capital in CSL and borrowings.

One of our Guiding Principles for executive reward is that our pay design is no more complicated than it needs to be. Having a simple and transparent pay design helps us focus and be accountable to our shareholders. The application of our single metric hurdle, with instalment vesting, ensures our Executive KMP are focused on the long term success of our organisation and delivering returns to our shareholders. Recognising the importance of equity in our long term remuneration framework, the pay mix focus on LTI and the instalment vesting of awards will only actually deliver reward where CSL performance has been strong over the longer term.

Our LTI program is a single equity instrument, PSUs, which are hurdled. Awards are allocated using a face value methodology – an Executive KMP's Board approved equity opportunity divided by a volume weighted average share price based on the market price of a CSL share at the time of grant.

The Board establishes a ROIC hurdle for each annual grant taking into consideration the CSL budget and longer term forecast annual ROIC over the four year term of the grant, together with the historical annual ROIC achieved that will form part of the performance test over the four year annual testing period. The ROIC hurdle established is tested against market analyst consensus for reasonableness. The Board also reviews peer group ROIC numbers to ensure the performance levels we are targeting are appropriate.

The award features for the grant made 1 September 2018 are as follows.

Feature	Description [3]	
Summary	A 'right' to a CSL share (i.e. full value instrument) granted 1 September 2018. No price is payable by the Executive KMP on grant or vesting of rights	
Security	Performance Share Unit (PSU)	
Performance Period	Tranche 1 – 1 July 2012 to 30 June 2019; Tranche 2 – 1 July 2013 to 30 June 2020; Tranche 3 – 1 July 2014 to 30 June 2021; and Tranche 4 – 1 July 2015 to 30 June 2022	
Performance Measure	Return on Invested Capital	
Performance Target	Threshold – 24.0% Target – 27.0% (maximum opportunity)	
Vesting Schedule	**Performance Level**	**Outcome as a % of target opportunity**
	Below Threshold	0% earned
	Between Threshold and Target	50% earned on achievement of threshold level performance, increasing on a straight-line basis to 100% earned on achievement of target level performance
	Target	100% earned
	Above Target	Outcome capped at 100% – cannot exceed target
Vesting Date [4]	Tranche 1 (25% of award granted) – 1 September 2019; Tranche 2 (25% of award granted) – 1 September 2020; Tranche 3 (25% of award granted) – 1 September 2021; and Tranche 4 (25% of award granted) – 1 September 2022	
Retesting	No retest of any tranche	
Cessation of Employment	A "good leaver" (such as retirement) may retain a pro-rated number of PSUs based on time elapsed since grant date, subject to original terms and conditions including test date	
Change of Control	In the event of a change of control, the Board, in its absolute discretion, may determine that some or all of the awards vest having regard to the performance of CSL during the vesting period to the date of the change of control event. Vesting may occur at the date of the change of control event or an earlier vesting date as determined by the Board	
Dividends	No dividends are paid on unvested awards. Executive KMP are only eligible for dividends once the PSUs have vested and shares have been allocated	

3 The award granted in 2018 (grant date 1 October 2017) operates in line with this table. The performance periods are Tranche 1 – 1 July 2011 to 30 June 2018; Tranche 2 – 1 July 2012 to 30 June 2019; Tranche 3 – 1 July 2013 to 30 June 2020; and Tranche 4 – 1 July 2014 to 30 June 2021. The vesting dates are Tranche 1 (25% of award granted) – 1 September 2018; Tranche 2 (25% of award granted) – 1 September 2019; Tranche 3 (25% of award granted) – 1 September 2020; and Tranche 4 (25% of award granted) – 1 September 2021.

4 The award expiry date is five years from the date of grant.

2.5 Leading and Managing Modifier

The Board, based on recommendations from the CEO for Executive KMP, and the HRRC for the CEO, has the discretion to apply a 'Leading and Managing' modifier to both the STI and LTI opportunity – allowing for recognition of extraordinary contribution in exceptional circumstances or significant leadership failure. Applied to the overall STI outcome or LTI target opportunity, there can be an increase of up to 20% or a decrease of up to 50% applied. In 2019, the Leading and Managing Modifier was not used as the CEO and the Board determined that all Executive KMP had met expectations in the leadership of their respective business units and outcomes delivered, and consistently modelled the CSL Values. Below sets out an illustrative example of how the Modifier is used on STI outcomes.

KPI outcomes assessed by the Board → Proposed STI outcome determined → Modifier applied in exceptional circumstances → Final STI outcome determined

2.6 Malus and Clawback Policy

CSL operates a Malus and Clawback Policy. "Malus" means adjusting or cancelling all or part of an individual's variable remuneration as a consequence of a materially adverse development occurring prior to payment (in the case of cash incentives) and/or prior to vesting (in the case of equity incentives). "Clawback" means seeking recovery of a benefit paid to take into account a materially adverse development that only comes to light after payment, including shares delivered post vesting.

The Board, in its discretion, may apply the policy to any incentive provided to a senior executive, including a former senior executive, in the event of a material misstatement or omission in the financial statements of a Group company or the CSL Group, or other material error, or in the event of fraud, dishonesty or other serious and wilful misconduct involving a senior executive, leading to a senior executive receiving a benefit greater than the amount which would have been due based on the corrected financial statements or had the error or misconduct not occurred.

In 2019, following a joint review of reward outcomes by both the HRRC and the ARMC, there was no application of the policy.

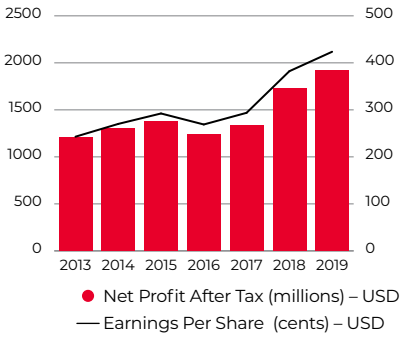
The HRRC and ARMC also review all remuneration outcomes to ensure that any material risk issues and behaviour and/or compliance issues are addressed and have been appropriately reflected in outcomes.

3. CSL Performance and Shareholder Returns

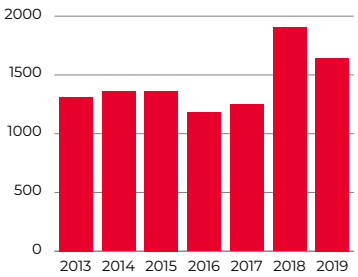
3.1 Financial Performance from 2013 to 2019

The following graphs[5] summarise key financial performance over the past seven financial years. We have disclosed over a seven year period to align with our ROIC LTI performance measurement period.

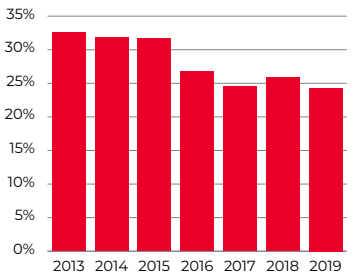
Net Profit After Tax/ Earnings Per Share (USD)



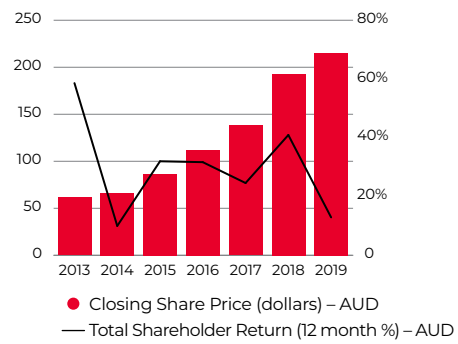
Cash Inflow From Operating Activities (millions USD)



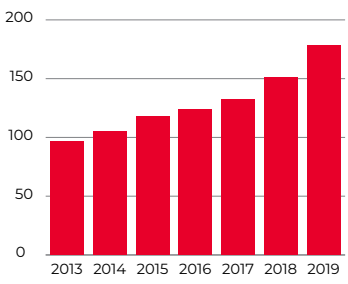
Annual Return on Invested Capital



Closing Share Price (at 30 June AUD)/ **Total Shareholder Return**



Total Dividends Per Share (cents) – USD



5 The 2016 Annual Return on Invested Capital figure includes the gain on acquisition of Novartis' global influenza vaccine business of US$176.1m. The opening share price on 1 July 2014 was A$66.55. The Total Dividends per Share is the actual total dividends paid within the financial year.

4. Executive Key Management Personnel Outcomes in 2019

4.1 CSL Performance

The following performance outcomes were achieved resulting in an average overall STI payment outcome of 96% of target level opportunity across the Executive KMP (see Table 4). The minimum STI earned as a percentage of target level opportunity was 86% and the maximum was 123% – the latter was 96% of the maximum STI outcome that could be achieved. Additional quantitative objectives, which were also integral to the achievement of individual performance, were considered by the Board when assessing Executive KMP performance, remain confidential for commercial reasons.

Table 3: CSL Achievements in 2019

CSL Group Financial Component	NPAT	CFO			
Outcome	●	○			
	Reported NPAT above target at US$1,918.7m	Reported CFO below target at US$1,644.4m			
Individual Strategy Component	**Growth**	**Efficiency**	**Influenza**	**Innovation**	**People and Culture**
Outcome	◉	◉	●	◉	◉
	• Reported revenue of US$8,538.6m • Acquisition of the South Carolina Haemonetics manufacturing facility and operating assets • Strategic partnership with Chinese pharmaceutical company Sinopharm to enhance the accessibility of our products in China	• 30 Plasma centres opened taking our total to 237 globally • Successful implementation in Europe and the Americas of the new Enterprise Resource Planning (ERP) system • Launch of the new global tender management application • New research facility (Bio21) opened in Melbourne • Major capital projects at all manufacturing sites progressing to support future demand	• FCC 3.0 process approved for Holly Springs, influenza cell culture facility, delivering future capacity expansion • Seqirus reported revenue of US$1,195.7m • Seqirus reported CFO of US$208.1m	• Launch of the Therapeutic Area framework • Subcutaneous immunoglobulin, Hizentra® (20% liquid SCIG), approved for CIDP in Australia • Hizentra® and Privigen® approved for CIDP in Japan • Five new products into human clinical trials • Patient recruitment for CSL112 trial (cardiovascular disease) progressing well and ahead of target	• CSL named in the Top 100 Global Diversity and Inclusion Index (Thomson Reuters) • CSL named in the Top 50 companies for Diversity in the US (Forbes) • Continued employee engagement scores above the global IBM norm • Safety targets partially met

● Target Exceeded
◉ Target Met
○ Target Partially Met
● Target Not Met

4.2 STI Outcomes by Executive KMP in 2019

The financial performance of CSL makes up the majority weighting of the KPIs for Executive KMP, incentivising the delivery of strong financial performance. In 2019, the financial performance measures were NPAT and CFO. NPAT at 30 June 2019 resulted in an above target performance, however CFO was below target (and above threshold). The remaining KPIs measured individual performance. Achievements that contributed to the outcomes detailed in Table 4 below can be found in Table 3 of this Report. The Board made no adjustments under the Clawback and Malus Policy and no risk management, behaviour or compliance issues were identified.

Table 4: STI Outcomes in 2019

Executive	Value of STI Earned	STI opportunity at Target level hurdle as a % of FR	STI opportunity at Maximum level hurdle as a % of FR	STI earned as % of Target level opportunity	STI earned as % of FR	Financial Performance Outcome	Individual Performance Outcome
P Perreault	1,979,386	120%	180%	94%	113%	Between Threshold and Target	N/A
G Boss	412,369	75%	113%	89%	66%	Between Threshold and Target	Between Threshold and Target
W Campbell	542,463	85%	128%	103%	88%	Between Threshold and Target	Between Target and Maximum
A Cuthbertson	563,225	85%	128%	92%	78%	Between Threshold and Target	Between Threshold and Target
K Etchberger	390,147	75%	113%	92%	69%	Between Threshold and Target	Between Threshold and Target
D Lamont	722,033	85%	128%	93%	79%	Between Threshold and Target	Between Threshold and Target
W Mezzanotte	443,564	85%	128%	93%	59%	Between Threshold and Target	Between Threshold and Target
G Naylor	956,298	85%	128%	123%	120%	Between Threshold and Target	Between Target and Maximum
V Romberg	434,527	85%	128%	86%	73%	Between Threshold and Target	Between Threshold and Target
E Walker	312,510	75%	113%	94%	71%	Between Threshold and Target	Between Threshold and Target

4.3 LTI Outcomes by Executive KMP in 2019

In 2019 we tested our 2014 (granted 1 October 2013) and 2015 (granted 1 October 2014) legacy LTI programs, along with tranche one of the new LTI framework introduced in 2018 (grant made 1 October 2017). Due to CSL's performance against a peer group of global Pharmaceutical and Biotechnology companies, and strong share price growth over the performance period, vesting value outcomes were high. The table below shows the performance of CSL against the targets with vesting occurring in August 2018 and September 2018.

Executive Deferred Incentive Plan (EDIP) awards, granted in 2016 (grant date of 1 October 2015), vested at 100%. There was a 127% growth in the value of each Notional Share that was cash settled – a grant share price of A$89.52 and a settlement value of A$203.25 per notional share.

Grant Date	Security	Tranche Tested	Performance Period	Exercise Price A$	Performance Outcome	Vesting Outcomes
1 October 2013	Right	2	1 July 2013 – 30 June 2018		Annual EPS growth at 9.49%	68.75% vested [6]
1 October 2014	Option	1	1 July 2014 – 30 June 2018	73.93	Individual Performance	100% vested
	Right	1			RTSR ranking – 95th%ile against a peer group of global Pharmaceutical and Biotechnology companies	100% vested
	Right	2			Annual EPS growth at 9.07%	49.33% vested [7]
	Right	3			Annual EPS growth at 9.07%	0% vested [8]
1 October 2017	PSU	1	1 July 2017 – 30 June 2018		Seven year ROIC at 28.7%	100% vested

6 In October 2017, there was no vesting at the first test of the award – this is a retest resulting in vesting of 68.75% – the remaining 31.25% of the award has been lapsed. This is the final LTI award that has retesting.
7 The remaining 50.67% of this tranche has been lapsed – there is no retest.
8 The full tranche has been lapsed – there is no retest.

4.4 Key Characteristics of Prior Financial Year Performance Right and Option Grants[9]

Feature	2014	2015-2017
Grant Date	1 October 2013 (reported 2014 / expiry 30 September 2020)	1 October 2014 (reported 2015 / expiry 30 September 2019), 1 October 2015 (reported 2016 / expiry 30 September 2020) and 1 October 2016 (reported 2017 / expiry 30 September 2021)
Instrument	Performance Rights	Options and Performance Rights
Tranches	Two tranches: T1 – 50% of grant and T2 – 50%	One tranche of Options and three tranches of Performance Rights
Performance Period	T1 – three years and T2 – four years	Four years
Performance Measure	50% of award: rTSR against the MSCI Gross Pharmaceutical Index 50% of award: EPSg	Options – individual performance measure Performance Rights T1 – rTSR against selected global Pharmaceutical and Biotechnology companies, and T2 and T3 – EPSg
Vesting Schedule	rTSR at or below performance of Index – 0% vesting rTSR exceeds performance of Index – 100% vesting EPSg < 8% – 0% vesting EPSg 8% to 12% – Straight line vesting from 50% to 100% vesting EPSg 12% or above – 100% vesting	**Tranche 1 – rTSR** < 50th %ile – 0% vesting 50th %ile – 50% vesting Between 50th and 75th %ile – Straight line vesting from 50% to 100% vesting ≥ 75th %ile – 100% vesting **Tranche 2 – EPS target performance** < 8% – 0% vesting 8% to 13% – Straight line vesting from 35% to 100% vesting 13% – 100% vesting **Tranche 3 – EPS maximum performance** 13% – 0% vesting 13% to 15% – Straight line vesting from 0% to 100% vesting 15% – 100% vesting
Exercise Price	N/A	Options only: 2015 – A$73.93, 2016 – A$89.52 and 2017 – A$107.25
Retesting	1 retest per tranche, after an additional 12 months	No retest

4.5 Key Characteristics of Prior Financial Year Executive Deferred Incentive Plan Grants

Feature	2016 – 2017
Grant Date	1 October 2015 (reported 2016) and 1 October 2016 (reported 2017)
Instrument	Notional Shares
Tranches	One
Performance Period	Three years
Performance Measure	Individual performance measure
Vesting Schedule	100% if performance measure met
Exercise Price	N/A
Settlement	Value of the award at vest is based on the five day weighted average share price up to the award maturity date multiplied by the number of Notional Shares held
Retesting	No retest

9 Details of the grant made 1 October 2017 can be found in section 2.4.

4.6 Summary of Executive KMP vested and lapsed equity

The table below summarises the number of LTI awards vested and lapsed in US Dollars for each Executive KMP. No Option, EDIP, Performance Share Units or Restricted Share Unit awards lapsed in 2019.

Table 5: LTI awards vested and lapsed in 2019

	Performance Rights Vested		Performance Rights Lapsed [10]		Options Vested	
	Number	Value [11]	Number	Value [12]	Number	Value [13]
P Perreault	30,785	4,788,601	12,270	1,908,596	94,828	9,717,465
G Boss	7,095	1,103,626	2,849	443,161	21,137	2,166,006
W Campbell	4,158	646,776	1,626	252,924	–	–
A Cuthbertson	9,787	1,522,366	3,951	614,577	–	–
K Etchberger	6,239	970,475	2,505	389,652	18,593	1,905,311
D Lamont	10,980	1,707,937	4,298	668,553	–	–
W Mezzanotte [17]	–	–	–	–	–	–
G Naylor	12,054	1,874,997	4,870	757,528	–	–
V Romberg	4,425	688,308	1,780	276,879	19,709	2,019,673
E Walker	–	–	–	–	–	–
TOTAL	**85,523**	**13,303,086**	**34,149**	**5,311,870**	**154,267**	**15,808,455**

10 Awards lapsed being 31.25% of tranche 2 of the award granted 1 October 2013 and, 50.67% of tranche 2 and 100% of tranche 3 of the award granted 1 October 2014.
11 Performance Rights vested during the year, multiplied by the share price at the date of vesting. The AUD value was converted to USD at an average exchange rate for the 2019 financial year of 1.39293. The share price at vesting was A$216.67.
12 Performance Rights lapsed during the year, multiplied by the share price at the date of lapsing. The AUD value was converted to USD at an average exchange rate for the 2019 financial year of 1.39293. The share price at lapsing was A$216.67.
13 Options vested during the year, multiplied by the share price at the date of vesting minus the exercise price payable (A$73.93). The AUD value was converted to USD at an average exchange rate for the 2019 financial year of 1.39293. The share price at vesting was A$216.67.
14 Notional shares vested during the year, multiplied by the share price at the date of vesting. The AUD value was converted to USD at an average exchange rate for the 2019 financial year of 1.39293. The share price at vesting was A$201.11.
15 Performance Share Units vested during the year, multiplied by the share price at the date of vesting. The AUD value was converted to USD at an average exchange rate for the 2019 financial year of 1.39293. The share price at vesting was A$229.43.
16 Restricted Share Units vested during the year, multiplied by the share price at the date of vesting. The AUD value was converted to USD at an average exchange rate for the 2019 financial year of 1.39293. The share price at vesting was A$229.43.
17 Reflects vested and lapsed awards for the period 1 October 2018 to 30 June 2019 being the period W Mezzanotte was Executive KMP.

EDIP Vested (cash settled)		Performance Share Units Vested		Restricted Share Units Vested		Total Units Vested	
Number	Value[14]	Number	Value[15]	Number	Value[16]	Number	Value
11,161	1,611,415	13,013	2,143,376	–	–	149,787	18,260,857
2,332	336,692	2,082	342,927	–	–	32,646	3,949,251
2,359	340,590	2,632	433,518	–	–	9,149	1,420,884
1,988	287,026	2,111	347,704	–	–	13,886	2,157,096
2,131	307,672	1,902	313,279	–	–	28,865	3,496,737
2,010	290,202	2,039	335,844	–	–	15,029	2,333,983
–	–	–	–	–	–	–	–
1,611	232,595	2,732	449,989	–	–	16,397	2,557,581
3,464	500,129	2,298	378,504	–	–	29,896	3,586,614
1,228	177,298	754	124,192	151	24,871	2,133	326,361
28,284	**4,083,619**	**29,563**	**4,869,333**	**151**	**24,871**	**297,788**	**38,089,364**

4.7 Summary of Executive KMP allocated equity

Executive KMP LTI opportunities are detailed in Table 6 below – grants made under the Executive Performance and Alignment Plan. To determine the number of PSUs issued, a five day weighted average share price is used. The LTI opportunity for each Executive KMP is divided by the calculated face value to determine the number of awards granted. The number and both face and fair value (as determined by accounting standards) of PSUs awarded to Executive KMP in 2019 is shown in the following table in US Dollars. The awards had a grant date of 1 September 2018, 25% of each award will vest on 1 September in 2019, 2020, 2021 and 2022 provided performance hurdles have been met. For Dr Mezzanotte, the award had a grant date of 1 March 2019 and the same vesting dates and performance criteria apply.

Table 6: LTI awards granted in 2019

	Performance Share Units			
Executive	Opportunity at Target level achievement as % of FR	Number of Performance Share Units granted[18]	Face Value of grant[19]	Fair Value of grant[20]
P Perreault	350%	37,449	6,111,242	5,916,860
G Boss	175%	6,648	1,084,876	1,050,370
W Campbell	200%	7,559	1,233,541	1,194,309
A Cuthbertson	200%	8,947	1,460,047	1,413,610
K Etchberger	175%	6,075	991,369	959,840
D Lamont	125%	7,059	1,151,947	1,115,310
W Mezzanotte[21]	93%	5,189	728,881	688,012
G Naylor	125%	7,038	1,148,520	1,111,995
V Romberg	175%	6,379	1,040,979	1,007,871
E Walker	175%	4,731	772,044	747,491

18 The number of Performance Share Units was calculated based on a five day weighted average share price being A$225.41. The AUD value was converted to USD at an average exchange rate for the 2019 financial year of 1.39293. For W Mezzanotte who received his grant 1 March 2019, the price was A$189.05.

19 The face value is calculated using a share price of A$227.31 being the share price on the date of grant – 1 September 2018. This is the maximum possible total value of the grant. The minimum possible total value is nil. For W Mezzanotte the face value for the grant made 1 March 2019 is A$195.66 being the CSL share price at 1 March 2019.

20 The number of Performance Share Units is calculated based on an assessment of the fair market value of the instruments in accordance with the accounting standards (refer to Note 18 in the Financial Statements). The fair value of each Performance Share Unit granted on 1 September 2018 was Tranche 1: A$223.06; Tranche 2: A$221.72; Tranche 3: A$219.41 and Tranche 4: A$216.13. For the awards granted 1 March 2019 the fair values were Tranche 1: A$187.94; Tranche 2: A$185.74; Tranche 3: A$183.60 and Tranche 4: A$181.47.

21 W Mezzanotte was granted a "top-up" award on promotion to the role of EVP Research and Development. The grant was made 1 March 2019.

4.8 Executive KMP 2020 equity vesting opportunity

As described earlier in the Report, our legacy LTI programs continue to remain in operation with testing to be completed and outcomes disclosed through until the 2021 Remuneration Report. As a consequence of these legacy plans along with the current LTI framework, in 2020 we will have three different years of awards that will be tested and subsequently vested or lapsed based on CSL performance. In regard to the historical 2016 Right and Option awards, and the 2017 EDIP award (granted 1 October 2015 and 1 October 2016 respectively), based on the exceptionally strong performance of CSL over the performance period and the significant increase of the CSL share price since the grant of this award, the value of any vesting achieved is expected to be high, in alignment with shareholder returns over the same period. It is to be noted that the 2017 EDIP award (granted 1 October 2016) is the final vesting under this program and after 2020 no awards will be outstanding – this legacy LTI plan will cease to operate.

The following table sets out a preview of the awards that will be tested in 2020 for Executive KMP with Table 8 providing the specific grant details for each Executive KMP. The face value in Table 7 is provided in Australian Dollars.

Table 7: LTI awards to be tested in 2020

Grant Date	Security	Performance Measure	Exercise Price	Face Value of a CSL Share at Date of Grant A$
1 October 2015	Right	rTSR	–	89.94
1 October 2015	Right	EPSg	–	89.94
1 October 2015	Option	Individual Performance	A$89.52	89.94
1 October 2016	Notional Share	Individual Performance	–	107.00
1 October 2017	Performance Share Unit	ROIC	–	133.96
1 October 2017	Restricted Share Unit	Individual Performance	–	133.96
1 September 2018	Performance Share Unit[22]	ROIC	–	227.31
1 September 2018	Restricted Share Unit[23]	Individual Performance	–	227.31

Table 8: Executive KMP LTI opportunity to be tested in 2020

Executive	Number of Performance Rights	Number of Options	Number of Notional Shares	Number of Performance Share Units	Number of Restricted Share Units
P Perreault	47,138	147,911	8,559	22,375	–
G Boss	8,536	30,909	1,842	3,744	–
W Campbell	6,088	–	1,890	4,522	–
A Cuthbertson	9,098	–	1,825	4,348	–
K Etchberger	7,801	28,245	1,683	3,421	–
D Lamont	12,266	–	1,728	3,804	–
W Mezzanotte	–	–	–	2,728	613
G Naylor	14,748	42,717	1,088	4,492	–
V Romberg	9,056	26,233	2,754	3,893	–
E Walker	–	–	1,025	1,937	151

22 W Mezzanotte had a portion of his Performance Share Units granted on 1 March 2019 where the face value of a CSL share on the date of grant was A$195.66.
23 E Walker had a portion of her Performance Share Units granted on 1 March 2018 where the face value of a CSL share on the date of grant was A$161.42.

5. Executive Key Management Personnel Statutory Remuneration Tables

Remuneration is reported in US Dollars (USD), unless otherwise stated. This is consistent with the presentation currency used by CSL. Remuneration for Executive KMP outside the US is paid in local currency and converted to USD based on the average exchange rate for the 2019 financial year: AUD – 1.39293 / CHF – 0.99353 / GBP – 0.77156. Valuation of equity awards was converted from Australian Dollars (AUD) to USD at the average exchange rate of 1.39293 for the 2019 financial year.

5.1 Executive KMP Remuneration 2018 and 2019

All amounts are presented in US Dollars.

Table 9: Statutory Remuneration Disclosure – Executive KMP

	Year[24]	Short Term Benefits			Post-Employment
Executive		Cash Salary and Fees[26]	Cash Bonus[27]	Non-Monetary[28]	Super
P Perreault – CEO and Managing Director	**2019**	**1,676,922**	**1,979,386**	**48,880**	**19,600**
	2018	1,744,266	3,008,183	53,029	19,250
G Boss – EVP Legal & Group General Counsel	**2019**	**620,991**	**412,369**	**42,211**	**19,600**
	2018	621,488	596,542	40,939	19,250
W Campbell – EVP & Chief Commercial Officer	**2019**	**602,309**	**542,463**	**48,721**	**19,527**
	2018[31]	524,215	630,135	51,694	19,750
A Cuthbertson – Chief Scientific Officer	**2019**	**734,862**	**563,225**	**29,944**	**17,948**
	2018	723,288	892,908	29,944	19,380
K Etchberger – EVP Quality & Business Services	**2019**	**571,637**	**390,147**	**50,726**	**18,121**
	2018	572,245	540,990	44,493	16,532
D Lamont – Chief Financial Officer	**2019**	**899,222**	**722,033**	**14,747**	**17,948**
	2018	990,076	1,072,749	14,747	19,380
W Mezzanotte[32] – EVP Research & Development	**2019**	**729,267**	**443,564**	**19,795**	**20,261**
	2018	–	–	–	–
G Naylor – President, Seqirus	**2019**	**1,005,103**	**956,298**	**56,312**	**81,438**
	2018	1,152,085	986,749	70,870	56,928
V Romberg – EVP Manufacturing Operations & Planning	**2019**	**740,540**	**434,527**	**113,374**	**21,413**
	2018	678,060	775,203	143,216	17,528
E Walker – EVP & Chief Human Resources Officer	**2019**	**453,805**	**312,510**	**30,339**	**–**
	2018[33]	240,843	199,293	19,144	–
Former Executive Key Management Personnel					
L Reed[34] – SVP Human Resources	**2019**	–	–	–	–
	2018	188,833	272,768	10,431	2,688
R Repella[35] – EVP Commercial Operations	**2019**	**–**	**–**	**–**	**–**
	2018	114,237	–	3,961	–
TOTAL	**2019**	**8,034,658**	**6,756,522**	**455,049**	**235,856**
	2018	7,549,636	8,975,520	482,468	190,686

24 The AUD, GBP and CHF compensation paid during the years ended 30 June 2018 and 30 June 2019 have been converted to USD. For the 30 June 2019 compensation, this has been converted to USD at an average exchange rate for the 2019 financial year: AUD – 1.39293 / CHF – 0.99353 / GBP – 0.77156. Both the amount of remuneration and any movement in comparison to prior years may be influenced by changes in the AUD/USD, GBP/USD and CHF/USD exchange rates. No sign-on or termination benefits were paid in 2019.

25 The Performance Rights and Options have been valued using a combination of the Binomial and Black Scholes option valuation methodologies including Monte Carlo simulation as at the grant date adjusted for the probability of hurdles being achieved. The Performance Share Units and Restricted Share Units have been valued using the Black Scholes option valuation methodology. These valuations were undertaken by Deloitte and PricewaterhouseCoopers. The amounts disclosed have been determined by allocating the value of the Options, Performance Rights, Performance Share Units and Restricted Share Units over the period from grant date to vesting date in accordance with applicable accounting standards. As a result, the current year includes Options and Performance Rights that were granted in prior years and are expected to or will lapse.

26 Includes cash salary, cash allowances and short term compensated absences, such as annual leave entitlements accrued but not taken during the year.

27 The cash bonus in respect of 2019 is scheduled to be paid in September 2019. The cash component of the cash bonus received in 2018 was paid in full during 2019 for all executive KMP as previously disclosed, with no adjustment.

28 Includes any health benefits, insurances benefits and other benefits. For International Assignees this may include personal tax advice, health insurance and other expatriate assignment benefits.

Other Long Term		Share Based Payments[25]						% of Remuneration Performance Related
LSL	Deferred STI[29]	Performance Rights	Options	Performance Share Units	Restricted Share Units	EDIP[30]	Total	
–	–	**1,356,333**	**887,634**	**4,120,925**	–	**1,628,562**	**11,718,242**	**85%**
–	578,482	1,114,346	1,199,370	2,149,557	–	1,399,962	11,266,445	84%
–	–	**209,065**	**148,002**	**704,205**	–	**340,275**	**2,496,718**	**73%**
–	–	115,278	213,507	343,897	–	295,739	2,246,640	70%
–	–	**163,389**	–	**832,508**	–	**344,215**	**2,553,132**	**74%**
–	–	184,341	–	434,786	–	81,209	1,926,130	69%
28,810	–	**262,534**	–	**864,952**	–	**290,080**	**2,792,355**	**71%**
22,401	191,369	107,067	–	348,670	–	266,960	2,601,987	69%
–	–	**191,722**	**135,246**	**643,523**	–	**310,946**	**2,312,068**	**72%**
–	–	112,798	193,272	314,201	–	269,954	2,064,485	69%
24,062	–	**390,393**	–	**727,202**	–	**293,290**	**3,088,897**	**69%**
23,760	–	510,879	–	336,795	–	369,049	3,337,435	69%
–	–	**77,238**	–	**435,084**	**104,046**	**334,730**	**2,163,985**	**64%**
–	–	–	–	–	–	–	–	–
33,508	–	**327,065**	**199,825**	**808,866**	–	**235,070**	**3,703,485**	**68%**
20,693	235,055	133,956	215,776	451,286	–	192,877	3,516,275	63%
–	–	**229,882**	**132,465**	**711,701**	–	**505,451**	**2,889,353**	**70%**
–	75,992	175,353	193,104	379,559	–	437,641	2,875,656	71%
–	–	–	–	**451,076**	**18,094**	**179,184**	**1,445,008**	**66%**
–	–	–	–	101,017	19,370	117,754	697,421	63%
–	–	–	–	–	–	–	–	–
–	–	102,018	101,038	–	–	169,552	847,328	76%
–	–	–	–	–	–	–	–	–
–	28,920	(30,063)	40,904	–	–	161,321	319,280	63%
86,380	–	**3,207,621**	**1,503,172**	**10,300,042**	**122,140**	**4,461,803**	**35,163,243**	**75%**
66,854	1,109,818	2,525,973	2,156,971	4,859,768	19,370	3,762,018	31,699,082	74%

29 The fair value of the deferred incentive (STI deferral) has been measured by reference to the CSL share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period. STI deferral ceased in 2016.

30 The fair value of the EDIP cash settled deferred payment has been measured by reference to the CSL share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period.

31 The period reported is 1 September 2017 to 30 June 2018 being the period W Campbell was Executive KMP.

32 The period reported is 1 October 2018 to 30 June 2019 being the period W Mezzanotte was Executive KMP.

33 The period reported is 1 December 2017 to 30 June 2018 being the period E Walker was Executive KMP.

34 L Reed was the former SVP Human Resources and retired from this role 30 November 2017. The period reported is 1 July 2017 to 30 November 2017 being the period L Reed was Executive KMP.

35 R Repella was the former EVP Commercial Operations and retired from this role 31 August 2017. The period reported is 1 July 2017 to 31 August 2017 being the period R Repella was Executive KMP.

5.2 Executive KMP Shareholdings

Details of shares held directly, indirectly or beneficially by each Executive KMP, including their related parties, are provided in Table 10. Details of Options, Performance Rights, Performance Share Units and Restricted Share Units held directly, indirectly or beneficially by each Executive KMP, including their related parties, are provided in Table 11. Any amounts are presented in US Dollars. Following the vesting of awards, any trading undertaken by Executive KMP was subject to the Group Securities Dealing Policy (outlined in section 9.4). Approved trading disclosed below was actioned in accordance with the Policy, including forced trades to cover CSL tax withholding obligations.

Table 10: Executive KMP Shareholdings

Executive	Balance at 1 July 2018	Number of shares acquired on exercise of Options, Performance Rights, Performance Share Units or Restricted Share Units during year	Value of shares acquired on exercise of Options,[36] Performance Rights, Performance Share Units or Restricted Share Units during year	Number of (Shares Sold) / Purchased	Balance at 30 June 2019
P Perreault	52,832	138,626	16,373,136	(115,386)	76,072
G Boss	6,344	30,314	3,660,797	(29,285)	7,373
W Campbell	52	6,790	1,082,386	(6,087)	755
A Cuthbertson	91,193	11,898	1,838,733	(25,000)	78,091
K Etchberger[37]	14,195	26,734	2,962,822	(22,305)	18,624
D Lamont	1,355	13,019	2,151,064	80	14,454
W Mezzanotte[38]	498	–	–	38	536
G Naylor	63,531	59,272	8,685,279	(15,287)	107,516
V Romberg	847	40,075	5,061,389	(39,961)	961
E Walker	–	905	149,063	(311)	594

There have been no movements in shareholdings of Executive KMP between 30 June 2019 and the date of this Report.

36 The value at exercise date has been determined by the share price at the close of business on exercise date less the Option exercise price, multiplied by the number of Options exercised during 2019. For Performance Rights, Performance Share Units and Restricted Share Units, the value at exercise date has been determined by the share price at the close of business on the exercise date. The AUD value was converted to USD at an average exchange rate for the year of 1.39293.

37 The opening balance for K Etchberger is a restated figure to what was provided as the closing balance in the 2018 Remuneration Report.

38 The opening balance for W Mezzanotte is 1 October 2018 being the date W Mezzanotte became an Executive KMP.

Table 11: Executive KMP Option, Performance Right, Performance Share Unit and Restricted Share Unit Holdings

Executive	Instrument	Balance at 1 July 2018	Number Granted	Number Exercised	Number Lapsed	Balance at 30 June 2019	Number Vested During Year	Balance at 30 June 2019	
								Vested [39]	Unvested
P Perreault	Option	406,253	–	94,828	–	311,425	94,828	–	311,425
	Right	141,920	–	30,785	12,270	98,865	30,785	–	98,865
	PSU	52,052	37,449	13,013	–	76,488	13,013	–	76,488
G Boss	Option	74,081	–	21,137	–	52,944	21,137	–	52,944
	Right	25,949	–	7,095	2,849	16,005	7,095	–	16,005
	PSU	8,327	6,648	2,082	–	12,893	2,082	–	12,893
W Campbell	Option	–	–	–	–	–	–	–	–
	Right	17,277	–	4,158	1,626	11,493	4,158	–	11,493
	PSU	10,529	7,559	2,632	–	15,456	2,632	–	15,456
A Cuthbertson	Option	–	–	–	–	–	–	–	–
	Right	34,225	–	9,787	3,951	20,487	9,787	–	20,487
	PSU	8,442	8,947	2,111	–	15,278	2,111	–	15,278
K Etchberger	Option	66,974	–	18,593	–	48,381	18,593	–	48,381
	Right	23,370	–	6,239	2,505	14,626	6,239	–	14,626
	PSU	7,609	6,075	1,902	–	11,782	1,902	–	11,782
D Lamont	Option	–	–	–	–	–	–	–	–
	Right	39,227	–	10,980	4,298	23,949	10,980	–	23,949
	PSU	8,155	7,059	2,039	–	13,175	2,039	–	13,175
W Mezzanotte [40]	Option	–	–	–	–	–	–	–	–
	Right	5,030	–	–	–	5,030	–	–	5,030
	PSU	5,081	5,189	–	–	10,270	–	–	10,270
	RSU [41]	2,177	–	–	–	2,177	–	–	2,177
G Naylor	Option	71,643	–	–	–	71,643	–	–	71,643
	Right	87,189	–	56,540	4,870	25,779	12,054	–	25,779
	PSU	10,928	7,038	2,732	–	15,234	2,732	–	15,234
V Romberg	Option	69,732	–	22,579	–	47,153	19,709	–	47,153
	Right	33,981	–	15,167	1,780	17,034	4,425	–	17,034
	PSU	9,190	6,379	2,298	–	13,271	2,298	–	13,271
E Walker	Option	–	–	–	–	–	–	–	–
	Right	–	–	–	–	–	–	–	–
	PSU	3,013	4,731	754	–	6,990	754	–	6,990
	RSU [42]	604	–	151	–	453	151	–	453

39 Vested awards are exercisable to the Executive KMP. There are no vested and unexercisable awards.
40 The opening balance for W Mezzanotte is 1 October 2018 being the date W Mezzanotte became an Executive KMP.
41 Restricted Share Units granted to W Mezzanotte in prior role of SVP & Head of Development.
42 Restricted Share Units granted to E Walker in prior role of Chief Talent Officer.

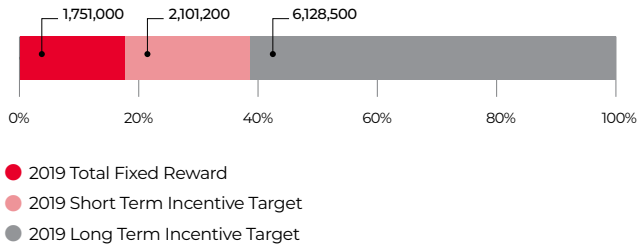
6. 2019 and 2020 Executive Key Management Personnel Remuneration

6.1 2019 CEO Remuneration Outcome

In 2019, the Board resolved that our CEO, Mr Paul Perreault, while driving market leading performance, would again receive no increase to his Fixed Reward, which remains at US$1,751,000, and no increase to his STI percentage which is set at 120% of his Fixed Reward for target performance and capped at 180% for outstanding performance. As part of the LTI program, Mr Perreault was granted Performance Share Units (PSUs) representing 350% of Fixed Reward in October 2018, subject to both time and performance hurdles over the next four years. This was an increase in LTI target from 310% and was reflective of strong performance and leadership, it also better aligns the CEO towards the market median of our global pharmaceutical/biotechnology peer group.

Mr Perreault's target reward for 2019 is displayed below.

2019 CEO Total Target Reward – US$

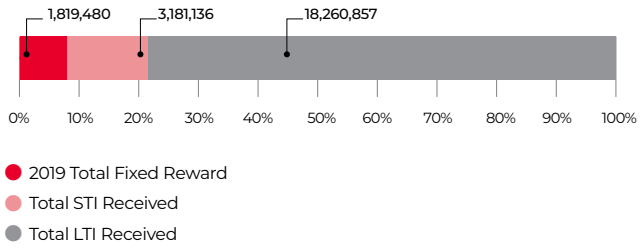


The 2019 STI outcome for Mr Perreault was 94% of target based on the two key measures of an above target NPAT performance outcome and a below target CFO outcome, resulting in a cash payment of US$1,979,386 (to be paid in September 2019). Before awarding the STI based on the two financial measures, the Board also took into consideration performance across strategy, key project delivery, people and leadership outcomes to ensure an overall appropriate outcome. This did not result in any adjustment.

6.2 2019 CEO Realised Remuneration

Below we have disclosed the CEO 'realised' remuneration in the graph with a full view of all Executive KMP 'realised' remuneration detailed in section 6.6, Table 13. This is a voluntary disclosure which the Board believes is simple and affords a transparent view of what the CEO's actual take-home pay was in 2019. Further details related to how each of the below elements is determined is provided in section 6.6. These outcomes are aligned with the CEO's and CSL's performance during 2019, as well as being aligned to CSL's longer term performance.

2019 CEO Realised Remuneration



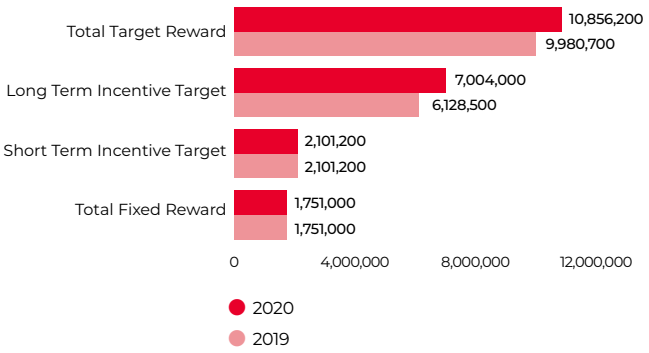
Mr Perreault's total 'realised' remuneration for 2019 was US$23,261,473 and this is a 215% increase from the prior year. Driving this increase was the vesting of LTI awards made under our legacy plans – the 2015 Option and Performance Right and 2016 Executive Deferred Incentive Plan awards (granted 1 October 2014 and 1 October 2015 respectively with further details in section 4.6). As you will have experienced as shareholders, there has been a significant increase in the CSL share price over this period (Options had an exercise price of A$73.93 (set at grant) and the share price at vesting was A$216.67) leading to increased reward outcomes for the CEO and Executive KMP.

Given the long term nature of CSL's legacy remuneration plans, we will continue to see their impact on 'realised' remuneration of our Executive KMP until 2021.

6.3 2020 CEO Remuneration Targets

As a high performing CEO based in the United States, the Board wants to ensure Mr Perreault is rewarded accordingly and is paid in line with our global pharmaceutical/ biotechnology sector peers. As advised in our 2018 Remuneration Report, to ensure our CEO has market appropriate incentives for a global role and remains aligned with the interests of our shareholders, we will again increase his LTI target, which is both time and performance hurdled. Mr Perreault's LTI target will increase to 400% (this is also the maximum opportunity). The Board has determined that there will be a continued focus on the variable long term component of Mr Perreault's reward package and that there will be no change to Fixed Reward or STI target opportunity – keeping this flat as has been the case since 2016. These changes are supported by market data when reviewing Mr Perreault's total target reward against our global pharmaceutical/biotechnology peer group and positions Mr Perreault around the median.

CEO Total Target Reward 2019 and 2020 – US$



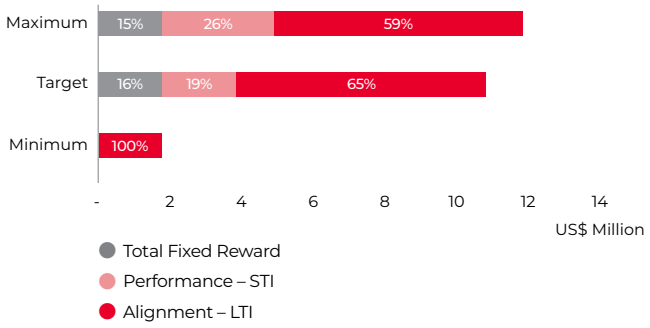
In addition to the two CSL Group financial measures under the STI plan, in 2020, the CEO will have further KPIs set to measure performance and determine STI reward outcomes. Measures will include People and Culture, Strategy and Innovation and weighting will be 70% financial and 30% non-financial.

6.4 CEO Potential Remuneration Outcomes

The amount of remuneration actually earned each year is based on performance of the CSL Group, along with individual Executive KMP performance. The diagram below provides the potential remuneration outcomes the CEO, Mr Paul Perreault, based on different levels of performance.

- Minimum consists of Total Fixed Reward.
- Target consists of Total Fixed Reward, target STI (set at 120% of Total Fixed Reward) and target LTI (400%).
- Maximum consists of Total Fixed Reward, maximum STI (180% of Total Fixed Reward) and target LTI (400%).

Remuneration Mix for the CEO – US$



6.5 2019 Executive KMP Remuneration

Incentivising the drive for long term performance delivery for CSL and better aligning our LTI targets within our global pharmaceutical/biotechnology peer group, the LTI target opportunity of our Executive KMP was increased by an average of 30% in 2019. While no increase to STI targets or maximum opportunity was granted, the Board increased Fixed Reward by an average increase of 4%. These increases were provided to reflect market movement, appropriately recognise the skills and experience of Executive KMP and to position those below the market median more competitively within the market range.

Table 12 below sets out the increases applied in 2019 and includes the previously discussed CEO changes.

Table 12: 2019 Adjustments to Executive KMP reward effective from 1 July 2018

Executive	% change in FR	% change in STI $ opportunity at target	% change in LTI $ opportunity at target	Total Reward Adjustment %	Total Reward Adjustment $
P Perreault	0%	0%	13%	8%	700,400
G Boss	3%	0%	25%	13%	250,257
W Campbell	3%	0%	13%	8%	171,300
A Cuthbertson	3%	0%	79%	32%	732,837
K Etchberger	3%	0%	25%	13%	228,686
D Lamont	3%	0%	46%	17%	443,632
W Mezzanotte [43]	–	–	–	–	–
G Naylor	3%	0%	4%	3%	95,304
V Romberg	6%	0%	24%	14%	270,175
E Walker	4%	0%	26%	14%	191,250

43 W Mezzanotte was not Executive KMP at 1 July 2018.

6.6 2019 Executive KMP Realised Remuneration

Table 13 shows the 'realised' remuneration of Executive KMP for the year ended 30 June 2019 in US Dollars. This is a voluntary disclosure which the Board believes is simple and affords a transparent view of what the Executive KMP actual take-home pay was in 2019.

The main difference between 'realised' remuneration disclosures, and the statutory disclosures in section 5, is that the 'realised' remuneration table includes the value of performance based awards that vested or were paid in the period, while the statutory tables include the accounting expense over the period the performance hurdles are met.

Some of the 'realised' remuneration in the table was earned over the previous three to five years, but was not paid until 2019. This includes cash settled deferred STI earned in 2016, cash settled LTI earned between 2016 and 2019 and equity settled LTI earned over five years from 2015 to 2019. The significant increase in the CSL share price over the period of grant to vest has provided Executive KMP with a significant increase in value of the LTI component of reward. This has been demonstrated in the table below. The benefit of the increased share price has been shared by shareholders and Executive KMP alike.

Table 13: Executive KMP remuneration received or available as cash in 2019

Executive	2019 Total Fixed Reward [44]	2019 Short Term Incentive [45]	Cash Settled Deferred STI in 2019 [46]	Total STI Received
Period Earned	**2019**	**2019**	**2016 – 2019**	**2016 – 2019**
P Perreault	1,819,480	1,979,386	1,201,750	3,181,136
G Boss	679,917	412,369	–	412,369
W Campbell	683,248	542,463	–	542,463
A Cuthbertson	750,445	563,225	386,214	949,439
K Etchberger	633,674	390,147	–	390,147
D Lamont	924,286	722,033	–	722,033
W Mezzanotte [51]	753,141	443,564	–	443,564
G Naylor	1,237,403	956,298	474,391	1,430,689
V Romberg	890,809	434,527	153,364	587,891
E Walker	469,505	312,510	–	312,510

44 Includes base salary, retirement / superannuation benefits, other benefits such as insurances, expatriate assignment benefits (school fees, tax services) and allowances paid in 2019.
45 Relates to STI earned in 2019 and will be paid in September 2019 (refer to section 4.2).
46 Relates to the deferred component (33%) of STI earned in the financial year 2016 (cash paid in September 2018). Note STI deferral ceased to operate in the calendar year 2015 this is the final reportable deferral amount.
47 Value of awards vested at 30 September 2018 under the Executive Deferred Incentive Plan (EDIP) and paid in October 2018 (refer to section 4.6). Includes commencement benefit for D Lamont.
48 Value of LTI vested at 16 August 2018 (Options and Performance Rights) and 1 September 2018 (Performance Share Units and Restricted Share Units) that became unrestricted (refer to section 4.6).
49 The value at grant has been determined by multiplying the number of vested units by the closing A$ share price on the date of grant. For Options, it is the difference between the closing share price and the exercise price. This has been converted to USD at an average exchange rate for the 2019 financial year of 1.39293.
50 This figure shows the increase in market value of the LTI awards due to share price growth between the grant date and the vesting date. The increase in value of the awards is calculated by multiplying the number of vested and/or exercised awards by the difference between the share price of CSL shares on the grant date and the vesting date or exercise date (as applicable).
51 Reflects 'Realised' remuneration for the period 1 October 2018 to 30 June 2019 being the period W Mezzanotte was Executive KMP.

Cash Settled LTI in 2019[47]	LTI Vested in 2019[48]	Total LTI Received	Total Reward Received	Total LTI Reward Received (valued at grant date)[49]	LTI Growth in Value (due to share price growth)[50]
2015 – 2019	2014 – 2019	2014 – 2019	2014 – 2019	2014 – 2019	2014 – 2019
1,611,415	16,649,442	18,260,857	23,261,473	3,608,266	14,652,591
336,692	3,612,559	3,949,251	5,041,537	725,236	3,224,015
340,590	1,080,294	1,420,884	2,646,595	626,993	793,891
287,026	1,870,070	2,157,096	3,856,980	839,522	1,317,573
307,672	3,189,065	3,496,737	4,520,558	649,787	2,846,950
290,202	2,043,781	2,333,983	3,980,302	1,178,179	1,155,804
–	–	–	1,196,705	–	–
232,595	2,324,986	2,557,581	5,225,673	992,419	1,565,161
500,129	3,086,485	3,586,614	5,065,314	679,215	2,907,399
177,298	149,063	326,361	1,108,376	186,465	139,896

6.7 2020 Executive KMP Remuneration Targets

CSL has a global workforce with the majority of our Executive KMP based outside of Australia. We need to attract and retain high calibre global executives in a highly competitive industry. The unique skill set with specialised pharmaceutical and biotechnology expertise and experience that we require is critical to enable us to deliver on our strategy, promise to patients and deliver returns to our shareholders. The talent we require is not readily available in the Australian market and we need to ensure we have a competitive reward offering. Positioning our Executive KMP remuneration in the market range of our global pharmaceutical/biotechnology and general industry geographic peer groups (or blend of both), is key to this, along with the desired balance of the pay mix.

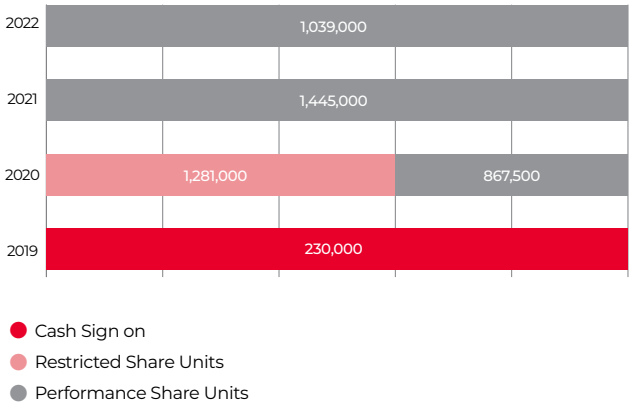
Rewarding real achievement under our pay for performance philosophy, the Board has determined that there will be an increase to Fixed Reward for one Executive KMP and no increase to STI opportunity for any Executive KMP in 2020. We continue to shift the risk in our pay-mix towards higher levels of performance based pay as a proportion of Total Reward to better align with our peer reference groups and to build alignment and focus on responsibly achieving what matters. Table 14 below sets out the increases to be applied for 2020 – increases have been made to LTI target opportunity for five Executive KMP and includes the reward changes for the CEO described earlier. The Board considers these increases to be market appropriate and ensures Executive KMP interests remain aligned with the interests of our shareholders. Increases provided ensure our Executive KMP are positioned closer to the median of the market range for LTI. Executive KMP pay mix can be found in section 2.2.3.

Table 14: 2020 Adjustments to Executive KMP reward effective from 1 July 2019

Executive	% change in FR	% change in STI $ opportunity at target	% change in LTI $ opportunity at target	Total Reward Adjustment %	Total Reward Adjustment $
P Perreault	0%	0%	14%	9%	875,500
G Boss	0%	0%	14%	7%	155,280
W Campbell	0%	0%	38%	19%	463,500
A Cuthbertson	0%	0%	0%	0%	–
D Lamont	0%	0%	8%	3%	91,396
W Mezzanotte	0%	0%	38%	19%	562,500
E Walker	3%	3%	3%	3%	46,410

In June 2019, we were pleased to welcome Dr Paul McKenzie to CSL in the role of Chief Operating Officer (COO). Dr McKenzie became Executive KMP from 1 July 2019. Dr McKenzie, an accomplished global leader with diverse biotechnology experience, brings significant experience and leadership capabilities that will continue to drive CSL's sustainable growth. On commencement of employment, Dr McKenzie received a commencement benefit to the value of US$4,862,500 to compensate for the loss of cash bonus he was eligible for at Biogen (prior employer), along with Biogen equity Dr McKenzie held at the time of cessation. The chart below sets out the award values, vehicle and vesting dates and further detail will be provided in the 2020 Remuneration Report.

COO Commencement Benefits (USD)



7. Executive Key Management Personnel Contractual Arrangements

7.1 Contractual provisions for Executive KMP

Executive KMP are employed on individual service contracts that outline the terms of their employment, which include:

Duration of Contract	Notice Period Employee	Notice Period CSL*	Termination Payment
No fixed term	Six months	Six months	12 months

* CSL may also terminate at any time without notice for serious misconduct and/or breach of contract.

7.2 Other Transactions

No loans or related party transactions were made to Executive KMP or their associates during 2019.

8. Non-Executive Director Remuneration

8.1 NED fee policy

Feature	Description
Strategic objective	CSL's NED fee arrangements are designed to appropriately compensate suitably qualified directors, with appropriate experience and expertise, for their Board responsibilities and contribution to Board committees. In the 2019 year, the Board had four Committees for which fees were payable
Maximum aggregate fees approved by shareholders	The current maximum aggregate fee pool of A$4,000,000 was approved by shareholders on 12 October 2016 and has applied from 1 July 2016. Actual NED fees paid during the year (including superannuation contributions and Committee fees) is within this agreed limit, and totalled A$2,718,342. NEDs may be reimbursed for reasonable expenses incurred by them in the course of discharging their duties and this reimbursement is not included within this limit
Remuneration reviews	The Board reviews NED fees on an annual basis in line with general industry practice. Fees are set with reference to the responsibilities and time commitments expected of NEDs along with consideration to the level of fees paid to NEDs of comparable Australian companies
Independence	To ensure independence and impartiality is maintained, NEDs do not receive any performance related remuneration
NED Equity	In July 2018, a new NED Rights Plan was introduced to enable NEDs to build up meaningful levels of equity more quickly. Under the plan, NEDs will sacrifice at least 20% of their pre-tax base fee in return for a grant of Rights, each Right entitling a NED to acquire one CSL share at no cost. At the end of a nominated restriction period, of three to fifteen years, the NED will be able to access their shares. No price is payable on vesting and exercise of rights. The shares are purchased on-market. Additional shares may be purchased by NEDs on-market at prevailing share prices in accordance with CSL's Securities Dealing Policy
Post-Employment Benefits	Superannuation contributions are made in accordance with legislation and are included in the reported base fee and are not additional to the base fee. NEDs are not entitled to any compensation on cessation of appointment
Contracts	NEDs are appointed under a letter of appointment and are subject to ordinary election and rotation requirements as stipulated in the ASX Listing Rules and CSL Limited's constitution

8.2 NED fees in 2019

The following table provides details of current Board and Committee fees from 1 July 2018 and those fees that take effect 1 July 2019 following an external review of fees paid by ASX Top 12 companies. To ensure market competitive fees, the Board approved an average increase to NED fees of 1.9%. Adjustments to fees were within the existing aggregate fee pool approved by shareholders in 2016. The Board considers that sufficient headroom remains within the existing fee pool. Committee fees are not payable to the Chairman or to members of the Securities & Market Disclosure Committee.

Table 15: NED Fees 2019 and 2020

	2019 Fees		2020 Fees		Total Adjustment %	
Board Chairman Fee	A$782,500		A$798,000			2.0%
Board NED Base Fee	A$227,500		A$232,050			2.0%
Committee Fees	**Committee Chair**	**Committee Member**	**Committee Chair**	**Committee Member**	**Committee Chair**	**Committee Member**
Audit & Risk Management	A$64,550	A$31,750	A$65,800	A$32,400	1.9%	2.0%
Corporate Governance & Nomination	A$28,000	A$14,000	A$28,500	A$14,300	1.8%	2.1%
Human Resources & Remuneration	A$54,000	A$28,000	A$55,000	A$28,500	1.9%	1.8%
Innovation & Development	A$54,000	A$28,000	A$55,000	A$28,500	1.9%	1.8%

Effective 1 July 2019, a travel allowance of A$15,000 per annum has been introduced for those NEDs who reside outside of Australia and travel to and from Australia to attend Board and Committee meetings.

8.3 Other Transactions

No loans were made to NEDs during 2019. NEDs and their related entities conducted the following transactions with CSL, as part of a normal supplier relationship on 'arm's length' terms:

- CSL has entered into a number of contracts, including collaborative research agreements, with Monash University, of which Dr Megan Clark AC is a member of Council;
- Financial services provided by Bank of America Merrill Lynch of which Dr Megan Clark AC is a member of the Australian Advisory Board;
- CSL has entered into a research collaboration with the Centre of Eye Research Australia, of which Dr Andrew Cuthbertson AO is a director;
- CSL has entered into a number of contracts, including collaborative research agreements, with the Walter and Eliza Hall Institute for Medical Research (WEHI), of which Ms Marie McDonald is a director;
- CSL has entered into a research collaboration with the Baker Heart and Diabetes Institute, of which Ms Christine O'Reilly is a Director;
- CSL has a corporate account with Medibank Private Limited, of which Christine O'Reilly is a director;
- CSL has entered into a research collaboration with Frazier Healthcare, of which Dr Tadataka Yamada KBE is a partner; and
- CSL has a commercial relationship to acquire laboratory supplies from Agilent Technologies, of which Dr Tadataka Yamada KBE is a Director.

During 2019, CSL completed two on-market purchases of shares for the purposes of the NED Share Plan and NED Rights Plan. A total of 1,245 shares were purchased during the reporting period and the average price paid per share was A$193.63.

8.4 Non-Executive Director Statutory Remuneration Tables

Remuneration is reported in US Dollars, unless otherwise stated. This is consistent with the presentation currency used by CSL. Valuation of equity awards was converted from Australian Dollars (AUD) to USD at the average exchange rate of 1.39293 for the 2019 financial year.

8.4.1 Non-Executive Director Remuneration 2018 and 2019

All amounts are presented in US Dollars.

Table 16: Statutory Remuneration Disclosure – Non-Executive Directors

		Short Term Benefits	Post Employment		Share Based Payments	
Non-Executive Director	Year	Cash Salary and Fees[52, 53]	Superannuation	Retirement Benefits	Rights[54]	Total
B McNamee – Chairman	**2019**	**308,865**	**14,823**	**–**	**120,659**	**444,347**
	2018[55]	63,866	5,903	–	–	69,769
B Brook	**2019**	**155,980**	**14,740**	**–**	**45,200**	**215,920**
	2018	190,665	15,542	–	–	206,207
M Clark	**2019**	**184,840**	**14,740**	**–**	**30,126**	**229,706**
	2018	197,255	15,542	–	–	212,797
A Hussain	**2019**	**163,264**	**7,599**	**–**	**30,126**	**200,989**
	2018[56]	71,770	6,139	–	–	77,909
M McDonald	**2019**	**151,040**	**14,349**	**–**	**37,586**	**202,975**
	2018	178,649	15,542	–	–	194,191
C O'Reilly	**2019**	**162,584**	**14,740**	**–**	**45,200**	**222,524**
	2018	192,216	15,542	–	–	207,758
T Yamada	**2019**	**20,102**	**–**	**–**	**150,786**	**170,888**
	2018	186,052	–	–	–	186,052
Former Non–Executive Directors						
J Shine	**2019**[57]	**125,769**	**5,310**	**–**	**32,285**	**163,364**
	2018	527,110	15,542	–	–	542,652
D Anstice	**2019**[58]	**13,003**	**1,235**	**–**	**46,806**	**61,044**
	2018	203,479	19,008	–	–	222,487
M Renshaw	**2019**	**–**	**–**	**–**	**–**	**–**
	2018[59]	56,495	5,367	–	–	61,862
TOTAL	**2019**	**1,285,447**	**87,536**	**–**	**538,774**	**1,911,757**
	2018	1,867,557	114,127	–	–	1,981,684

52 The AUD compensation paid during the years ended 30 June 2018 and 30 June 2019 have been converted to USD. For the 2019 compensation, this has been converted to USD at an average exchange rate for the 2019 financial year: AUD – 1.39293. Both the amount of remuneration and any movement in comparison to prior years may be influenced by changes in the AUD/USD exchange rates.

53 For 2018 remuneration, NEDs participated in the NED Share Plan under which NEDs were required to take at least 20% of their after-tax base fees (excluding superannuation guarantee contributions) in the form of shares in the Company which were purchased on-market at prevailing share prices. The value of this remuneration element is included in cash, salary and fees.

54 As disclosed in the section titled "Non-Executive Director Remuneration", NEDs participate in the NED Rights Plan under which NEDs are required to take at least 20% of their after-tax base fees (excluding superannuation guarantee contributions) in the form of Rights. Rights are granted upfront and are expensed over the period of grant to vest. The Fair Value per Right at the grant date of 23 August 2018 was A$215.17 for Tranche 1 and A$214.05 for Tranche 2.

55 In 2018 B McNamee was a NED for the period 14 February 2018 to 30 June 2018.

56 In 2018 A Hussain was a NED for the period 14 February 2018 to 30 June 2018.

57 In 2019 J Shine was a NED for the period 1 July 2018 to 17 October 2018.

58 In 2019 D Anstice was a NED for the period 1 July 2018 to 17 October 2018.

59 In 2018 M Renshaw was a NED for the period 1 July 2017 to 18 October 2017.

8.4.2 Non-Executive Director Shareholdings

Details of shares held directly, indirectly or beneficially by each NED, including their related parties, is provided in Table 17. Any amounts are presented in US Dollars. Details of Rights held directly, indirectly or beneficially by each NED, including their related parties, is provided in Table 18.

Following the vesting of awards, any trading undertaken by KMP was subject to the Group Securities Dealing Policy (outlined in section 9.4).

Table 17: Non-Executive Director Shareholdings

KMP	Balance at 1 July 2018	Number of shares acquired on exercise of Rights during year	Value of shares acquired on exercise of Rights during year	Number of (Shares Sold) / Purchased	Balance at 30 June 2019
Non-Executive Director					
B McNamee	177,604	421	56,531	24	178,049
B Brook	4,782	158	21,216	24	4,964
M Clark	2,314	105	14,099	244	2,663
A Hussain	17	–	–	24	41
M McDonald	2,546	131	17,590	24	2,701
C O'Reilly	3,202	158	21,216	24	3,384
T Yamada	257	–	–	26	283
Former Key Management Personnel					
D Anstice [60]	13,530	–	–	30	13,560
J Shine [61]	9,644	–	–	79	9,723

There have been no movements in shareholdings of NEDs between 30 June 2019 and the date of this Report.

Table 18: Non-Executive Director Right Holdings

KMP	Instrument	Balance at 1 July 2018	Number Granted [62]	Face Value of Rights Granted [63]	Fair Value of Rights Granted [64]	Number Exercised	Value of Rights Exercised [65]	Number Lapsed	Balance at 30 June 2019	Number Vested During Year	Balance at 30 June 2019	
											Vested [66]	Unvested
Non-Executive Director												
B McNamee	Right	–	841	131,681	129,574	421	56,531	–	420	421	–	420
B Brook	Right	–	315	49,322	48,533	158	21,216	–	157	158	–	157
M Clark	Right	–	210	32,881	32,355	105	14,099	–	105	105	–	105
A Hussain	Right	–	210	32,881	32,355	–	–	–	210	105	105	105
M McDonald	Right	–	262	41,023	40,367	131	17,590	–	131	131	–	131
C O'Reilly	Right	–	315	49,322	48,533	158	21,216	–	157	158	–	157
T Yamada	Right	–	1,051	164,562	161,929	–	–	–	1,051	526	526	525
Former Key Management Personnel												
D Anstice [67]	Right	–	1,051	164,562	161,929	–	–	–	1,051	–	–	1,051
J Shine [68]	Right	–	723	113,205	111,394	–	–	–	723	–	–	723

60 The closing balance for D Anstice is 17 October 2018 being the date D Anstice ceased to be a KMP.
61 The closing balance for J Shine is 17 October 2018 being the date J Shine ceased to be a KMP.
62 The number of Rights granted is determined by dividing the NEDs elected percentage of pre-tax base fee (minimum 20%) by the five day volume weighted average price at which CSL shares were traded on the ASX ending on (and including) the last ASX trading day prior to the date of grant of the Rights being 22 August 2018 of A$216.28. The Rights were granted on 23 August 2019 in two tranches. Tranche one had a vesting date of 18 February 2019 and tranche two vests 19 August 2019.
63 The value at grant date has been determined by the share price at the close of business on the grant date of 23 August 2018 being A$218.10. The AUD value was converted to USD at an average exchange rate for the year of 1.39293.
64 The number of Rights is calculated based on an assessment of the fair market value of the instruments in accordance with the accounting standards (refer to Note 18 in the Financial Statements). The fair value of each Right granted on 23 August 2018 was Tranche 1: A$215.17 and Tranche 2: A$214.05.
65 The value at exercise date has been determined by the share price at the close of business on the exercise date. The AUD value was converted to USD at an average exchange rate for the year of 1.39293. Australian based NEDs have Rights exercised at the vesting date and a holding lock is placed on the shares for a period of three to fifteen years as elected by the NED. UK and US based NEDs hold vested but unexercisable Rights until the end of their nominated restriction period.
66 Vested awards are exercisable to the NED at the end of the nominated restriction period. All vested Rights are currently unexercisable.
67 The closing balance for D Anstice is 17 October 2018 being the date D Anstice ceased to be a KMP.
68 The closing balance for J Shine is 17 October 2018 being the date J Shine ceased to be a KMP.

9. Remuneration Governance

9.1 Human Resources and Remuneration Committee (HRRC)

The HRRC has oversight of all aspects of remuneration at CSL. The Board has delegated responsibility to the HRRC for reviewing and making recommendations to the Board with regard to:

- Executive remuneration design;
- Approval of awards to the CEO;
- Senior executive succession planning;
- The design and implementation of any incentive plan (including equity based arrangements);
- The remuneration and other benefits applicable to NEDs; and
- The CSL diversity policy and measurable objectives for achieving gender diversity.

The HRRC is able to approve the remuneration of Executive KMP (excluding the CEO).

Full responsibilities of the HRRC are outlined in its Charter, which is reviewed annually. The Charter is available on CSL's website at http://www.csl.com.au/about/governance.htm

The HRRC comprises four independent NEDs: Dr Megan Clark AC (Chair), Mr Abbas Hussain, Ms Marie McDonald and Ms Christine O'Reilly. The Chairman of the Board and other NEDs may attend in an ex officio capacity and the HRRC may invite members of the management team and external advisers to attend its meetings. A portion of all meetings is NED only attendance.

9.2 HRRC Activities

During 2019, the HRRC met formally on five occasions involving the following activities:

- Review of the executive remuneration framework;
- Review and consideration of investor feedback received across the year;
- Appointment of external remuneration advisers;
- Review of senior executive appointments and remuneration arrangements;
- Review of STI and LTI arrangements, and reward outcomes for senior executives;
- Review of the CSL diversity objectives and report, and gender pay review and progress against diversity objectives;
- Review of talent and succession planning for senior executives;
- Review of long term remuneration strategy and global trends in remuneration;
- Review of NED remuneration; and
- Review of the HRRC Charter and HRRC performance.

9.3 External Remuneration Advice

As appropriate, the Board and the HRRC seek and consider advice directly from external advisers, who are independent of management. In 2019 the HRRC engaged the services of Aon Consulting in the US, and EY in Australia.

Under engagement and communication protocols adopted by CSL, the market data and other advice were provided directly to the HRRC by both Aon Consulting and EY. Neither Aon Consulting nor EY provided a 'Remuneration Recommendation' as defined in the Corporations Act 2001 during the 2019 financial year.

9.4 Securities Dealing

The CSL Securities Dealing Policy prohibits employees from using price protection arrangements (e.g. hedging) in respect of CSL securities, or allowing them to be used. The Policy also provides that no CSL securities can be used in connection with a margin loan. Upon vesting of an award, an employee may only deal in their CSL securities in accordance with the Policy. A breach of the Policy may result in disciplinary action. A copy of the Policy is available on the CSL Limited website at http://www.csl.com.au/about/governance.htm.

9.5 Minimum Shareholding Guideline

To be met within a target of the first five years of appointment, or within five years for current incumbents, and to be held whilst in the role at CSL, the following levels of vested equity must be held:

- CEO: Three times base salary;
- Executive KMP: One times base salary; and
- NEDs: One times base fee.

As at 30 June 2019, all hold, or are on track to hold, the minimum shareholding requirement within the relevant time period.

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2019

	Notes	Consolidated Entity 2019 US$m	2018 US$m
Continuing operations			
Sales and service revenue		**8,205.4**	7,587.9
Pandemic Facility Reservation fees		**133.4**	117.7
Royalties and License revenue		**171.1**	144.8
Other Income		**28.7**	64.9
Total Operating Revenue		**8,538.6**	7,915.3
Cost of sales		**(3,761.2)**	(3,531.6)
Gross profit		**4,777.4**	4,383.7
Research and development expenses	6	**(831.8)**	(702.4)
Selling and marketing expenses		**(866.8)**	(786.2)
General and administration expenses		**(574.8)**	(514.8)
Operating profit		**2,504.0**	2,380.3
Finance costs	2	**(176.7)**	(108.4)
Finance income		**13.8**	9.3
Profit before income tax expense		**2,341.1**	2,281.2
Income tax expense	3	**(422.4)**	(552.3)
Net profit for the period		**1,918.7**	1,728.9
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations, net of hedges on foreign investments	12	**(34.8)**	(96.9)
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains on defined benefit plans, net of tax	19	**(67.1)**	29.6
Total of other comprehensive income/(loss)		**(101.9)**	(67.3)
Total comprehensive income for the period		**1,816.8**	1,661.6
Earnings per share (based on net profit for the period)		**US$**	US$
Basic earnings per share	10	**4.236**	3.822
Diluted earnings per share	10	**4.226**	3.809

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 30 June 2019

	Notes	Consolidated Entity 2019 US$m	2018 US$m
CURRENT ASSETS			
Cash and cash equivalents	14	**657.8**	814.7
Receivables and contract assets	15	**1,821.7**	1,478.0
Inventories	4	**3,038.8**	2,692.8
Current tax assets		**21.4**	6.6
Other financial assets		**0.4**	1.6
Total Current Assets		**5,540.1**	4,993.7
NON-CURRENT ASSETS			
Property, plant and equipment	8	**4,484.3**	3,551.4
Intangible assets	7	**1,878.3**	1,802.5
Deferred tax assets	3	**378.7**	401.3
Other receivables	15	**21.6**	15.3
Other financial assets		**9.9**	6.2
Retirement benefit assets	18	**1.5**	4.1
Total Non-Current Assets		**6,774.3**	5,780.8
TOTAL ASSETS		**12,314.4**	10,774.5
CURRENT LIABILITIES			
Trade and other payables	15	**1,407.7**	1,256.8
Interest-bearing liabilities	11	**420.6**	225.7
Current tax liabilities		**162.2**	248.4
Provisions	16	**194.9**	180.7
Deferred government grants	9	**2.8**	3.1
Total Current Liabilities		**2,188.2**	1,914.7
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	11	**4,242.2**	4,160.6
Retirement benefit liabilities	18	**307.0**	226.6
Deferred tax liabilities	3	**168.7**	193.7
Provisions	16	**35.9**	34.7
Deferred government grants	9	**34.6**	37.7
Other non-current liabilities	15	**86.5**	126.6
Total Non-Current Liabilities		**4,874.9**	4,779.9
TOTAL LIABILITIES		**7,063.1**	6,694.6
NET ASSETS		**5,251.3**	4,079.9
EQUITY			
Contributed equity	12	**(4,603.0)**	(4,634.5)
Reserves	12	**242.0**	224.2
Retained earnings	19	**9,612.3**	8,490.2
TOTAL EQUITY		**5,251.3**	4,079.9

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2019

Consolidated Entity	Contributed Equity US$m		Foreign currency translation reserve US$m		Share-based payment reserve US$m		Retained earnings US$m		Total US$m	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
As at the beginning of the year	**(4,634.5)**	(4,534.3)	**29.1**	126.0	**195.1**	168.2	**8,490.2**	7,403.9	**4,079.9**	3,163.8
Profit for the period	**–**	–		–		–	**1,918.7**	1,728.9	**1,918.7**	1,728.9
Other comprehensive income	**–**	–	**(34.8)**	(96.9)		–	**(67.1)**	29.6	**(101.9)**	(67.3)
Total comprehensive income for the full year									**1,816.8**	1,661.6
Transactions with owners in their capacity as owners										
Opening balance sheet adjustment adopting AASB 15 (See Accounting Policies disclosure)	**–**		**–**		**–**		**74.0**	**–**	**74.0**	–
Share based payments	**–**	–	**–**	–	**52.6**	26.9	**–**	–	**52.6**	26.9
Dividends	**–**	–	**–**	–	**–**	–	**(806.8)**	(672.2)	**(806.8)**	(672.2)
Share buy back	**–**	(115.9)	**–**	–	**–**	–	**–**	–	**–**	(115.9)
Share issues										
– Employee share scheme	**31.5**	15.7	**–**	–	**–**	–	**–**	–	**31.5**	15.7
Other	**–**	**–**	**–**	**–**	**–**	**–**	**3.3**	**–**	**3.3**	–
As at the end of the year	**(4,603.0)**	(4,634.5)	**(5.7)**	29.1	**247.7**	195.1	**9,612.3**	8,490.2	**5,251.3**	4,079.9

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2019

	Notes	Consolidated Entity 2019 US$m	2018 US$m
Cash flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**8,603.2**	8,003.4
Payments to suppliers and employees (inclusive of goods and services tax)		**(6,304.5)**	(5,570.4)
		2,298.7	2,433.0
Income taxes paid		**(527.7)**	(424.6)
Interest received		**14.1**	9.0
Borrowing costs		**(140.7)**	(115.3)
Net cash inflow from operating activities		**1,644.4**	1,902.1
Cash flows from Investing Activities			
Payments for property, plant and equipment		**(1,117.6)**	(778.8)
Payments for intangible assets		**(167.2)**	(213.8)
Payments for business acquisitions (Net of cash acquired)		**–**	(539.7)
Payments for other financial assets and liabilities		**(2.5)**	(1.8)
Net cash outflow from investing activities		**(1,287.3)**	(1,534.1)
Cash flows from Financing Activities			
Proceeds from issue of shares		**31.8**	15.7
Dividends paid		**(806.8)**	(672.2)
Proceeds from borrowings		**898.5**	1,898.9
Repayment of borrowings		**(610.2)**	(1,475.5)
Payment for shares bought back		**–**	(138.4)
Other Financing Activities		**(4.8)**	–
Net cash outflow from financing activities		**(491.5)**	(371.5)
Net (decrease)/increase in cash and cash equivalents		**(134.4)**	(3.5)
Cash and cash equivalents at the beginning of the financial year		**812.7**	843.0
Exchange rate variations on foreign cash and cash equivalent balances		**(20.5)**	(26.8)
Cash and cash equivalents at the end of the financial year	14	**657.8**	812.7

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Contents

About this Report

Notes to the financial statements:

Corporate information

CSL Limited ("CSL") is a for-profit company incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange. This financial report covers the financial statements for the consolidated entity consisting of CSL and its subsidiaries (together referred to as the Group). The financial report was authorised for issue in accordance with a resolution of directors on 13 August 2019.

A description of the nature of the Group's operations and its principal activities is included in the directors' report.

a. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, International Financial Reporting Standards (IFRS) and the Corporations Act 2001. It presents information on a historical cost basis, except for certain financial instruments, which have been measured at fair value. Amounts have been rounded off to the nearest hundred thousand dollars.

The report is presented in US Dollars, because this currency is the pharmaceutical industry standard currency for reporting purposes. It is the predominant currency of the Group's worldwide sales and operating expenses.

b. Principles of consolidation

The consolidated financial statements comprise the financial statements of CSL and its subsidiaries as at 30 June 2019. CSL has control of its subsidiaries when it is exposed to, and has the rights to, variable returns from its involvement with those entities and when it has the ability to affect those returns. A list of significant controlled entities (subsidiaries) at year-end is contained in Note 17.

The financial results of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as the parent company.

In preparing the consolidated financial statements, all intercompany balances and transactions have been eliminated in full. The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated as it is controlled by the Group.

c. Foreign currency

While the presentation currency of the Group is US dollars, entities in the Group may have other functional currencies, reflecting the currency of the primary economic environment in which the relevant entity operates. The parent entity, CSL Limited, has a functional currency of US dollars. The functional currency of the parent entity and certain operational entities was changed to US dollars during the year due to the change in the currency that mainly influences sales process and costs and the regulatory environment under which the entities operate. The effect of the change in functional currency was accounted for prospectively. Any exchange differences arising from the translation of a foreign operation previously recognised in other comprehensive income are not reclassified from equity to profit or loss until the disposal of the operation.

If an entity in the Group has undertaken transactions in foreign currency, these transactions are translated into that entity's functional currency using the exchange rates prevailing at the dates of the transactions. Where the functional currency of a subsidiary is not US dollars, the subsidiary's assets and liabilities are translated on consolidation to US dollars using the exchange rates prevailing at the reporting date, and its profit and loss is translated at average exchange rates. All resulting exchange differences are recognised in other comprehensive income and in the foreign currency translation reserve in equity.

d. Other accounting policies

Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

e. Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and estimates of future events. Material judgements and estimates are found in the following notes:

f. The notes to the financial statements

The notes to these financial statements have been organised into logical groupings to help users find and understand the information they need. Where possible, related information has been provided in the same place. More detailed information (for example, valuation methodologies and certain reconciliations) has been placed at the rear of the document and cross-referenced where necessary. CSL has also reviewed the notes for materiality and relevance and provided additional information where it is helpful to an understanding of the Group's performance.

g. Significant changes in the current reporting period

The consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2018, except for the adoption of AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments.

On adoption of AASB 9 on 1 July 2018, the Group has changed the accounting for impairment losses for financial assets held at amortized cost and contract assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach, and has calculated ECLs based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group has also entered hedge relationships under the standard's hedge accounting requirements and reclassified financial assets per the classification of the new standard. The impact of adopting these changes are not material to the Group.

The adoption of AASB 15 resulted in a change to the opening balance sheet as at 1 July 2018 as a result of accounting for our tolling contracts. The impact is a change in the timing of recognition of revenue where the Group enhances customer owned assets. Under these contracts revenue will be recognized progressively rather than at a single point of time under the predecessor accounting standard. The impact is as follows (modified retrospective transition approach):

Contract assets:	$161m
Inventories:	($62m)
Total current assets	$99m
Current liabilities	$25m
Equity	$74m

The impact of adoption of AASB 15 on the 30 June 2019 balance sheet is as follows:

Contract assets:	$182m
Inventories:	($73m)
Total current assets	$109m
Current liabilities	$28m
Equity	$81m

The change has no impact on cash flow but does increase deferred tax liabilities.

See Note 2 for the updated Revenue policy.

In the adoption of AASB 15, the Group has made use of the practical expedient to reflect the aggregate effect of all of the modifications that occurred before the beginning of the date of initial application.

Significant judgements and estimates were applied to account for the transition adjustment for our tolling contracts. Previously revenue was recognised for tolling contracts at a point in time upon delivery. Under AASB 15 revenue is recognised over time as the fractionation services are provided to the customer.

Management estimate revenue recognition for providing the fractionation services over time based on achieving specific steps in the process. At 1 July 2018 the transition adjustment to opening retained earnings was to recognise revenue earned under tolling contracts for fractionation services at 30 June 2018.

	For the Year Ended 30 June 2019		
Income Statement	As Reported US$m	Amount without adoption of AASB 15 US$m	Effect of Change US$m
Sales and service revenue	8,205	8,184	21
Cost of Sales	(3,761)	(3,750)	(11)
Gross Profit	4,777	4,767	10
Profit before income tax expense	2,341	2,331	10
Income tax expense	(422)	(419)	(3)
Net profit	1,919	1,912	7

Our Current Performance

Note 1: Segment Information and Business Combinations

The Group's segments represent strategic business units that offer different products and operate in different industries and markets. They are consistent with the way the CEO (who is the chief operating decision-maker) monitors and assesses business performance in order to make decisions about resource allocation. Performance assessment is based on EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation). These measures are different from the profit or loss reported in the consolidated financial statements which is shown after net interest and tax expense. This is because decisions that affect net interest expense and tax expense are made at the Group level. It is not considered appropriate to measure segment performance at the net profit after tax level.

The Group's operating segments are:

- **CSL Behring** – manufactures, markets, and develops plasma therapies (plasma products and recombinants), conducts early stage research on plasma and non-plasma therapies, excluding influenza, receives licence and royalty income from the commercialisation of intellectual property and undertakes the administrative and corporate function required to support the Group.
- **Seqirus** – manufactures and distributes non-plasma biotherapeutic products and develops influenza related products.

	CSL Behring US$m		Seqirus US$m		Consolidated Entity US$m	
	2019	2018	2019	2018	2019	2018
Sales and services to external customers	**7,187.3**	6,677.5	**1,018.1**	910.4	**8,205.4**	7,587.9
Pandemic Facility Reservation fees	**–**	–	**133.4**	117.7	**133.4**	117.7
Royalties and License revenue	**151.1**	124.8	**20.0**	20.0	**171.1**	144.8
Other revenue/Other income (excl interest income)	**4.5**	24.7	**24.2**	40.2	**28.7**	64.9
Total segment revenue	**7,342.9**	6,827.0	**1,195.7**	1,088.3	**8,538.6**	7,915.3
Segment Gross Profit	**4,195.1**	3,893.0	**582.3**	490.7	**4,777.4**	4,383.7
Segment Gross Profit %	**57.1%**	57.0%	**48.7%**	45.1%	**56.0%**	55.4%
Segment EBIT	**2,350.6**	2,327.9	**153.4**	52.4	**2,504.0**	2,380.3
Consolidated Operating Profit					**2,504.0**	2,380.3
Finance income					**13.8**	9.3
Finance costs					**(176.7)**	(108.4)
Consolidated profit before tax					**2,341.1**	2,281.2
Income tax expense					**(422.4)**	(552.3)
Consolidated net profit after tax					**1,918.7**	1,728.9
Amortisation	**76.5**	40.8	**25.8**	17.0	**102.3**	57.8
Depreciation	**244.5**	211.6	**28.6**	27.3	**273.1**	238.9
Segment EBITDA	**2,671.6**	2,580.3	**207.8**	96.7	**2,879.4**	2,677.0

Note 1: Segment Information and Business Combinations continued

	CSL Behring US$m		Seqirus US$m		Intersegment Elimination US$m		Consolidated Entity US$m	
	2019	2018	2019	2018	2019	2018	2019	2018
Segment assets	**11,249.7**	10,643.9	**1,333.5**	1,567.8	**(268.8)**	(1,437.2)	**12,314.4**	10,774.5
Segment liabilities	**6,697.3**	6,532.7	**634.6**	1,599.1	**(268.8)**	(1,437.2)	**7,063.1**	6,694.6
Other Information – capital expenditure excluding Business Acquisition								
Payments for property, plant and equipment	**1,017.0**	732.0	**100.6**	46.8	**–**	–	**1,117.6**	778.8
Payments for intangibles	**142.1**	124.6	**25.1**	89.2	**–**	–	**167.2**	213.8
Total capital expenditures excluding Business Acquisition							**1,284.8**	992.6

Inter-segment sales

Inter-segment sales are carried out on an arm's length basis and reflect current market prices.

Geographical areas of operation

The Group operates predominantly in Australia, the USA, Germany, the United Kingdom, Switzerland and China. The rest of the Group's operations are spread across many countries and are collectively disclosed as 'Rest of World'.

Geographic areas	Australia US$m		United States US$m		Germany US$m		UK US$m		Switzerland US$m		China US$m		Rest of world US$m		Total US$m	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
External Operating Revenue	**702.2**	691.5	**3,973.9**	3,521.8	**763.9**	817.7	**510.4**	362.6	**216.0**	227.4	**625.8**	589.8	**1,746.4**	1,704.5	**8,538.6**	7,915.3
Property, plant, equipment and intangible assets	**840.0**	776.9	**2,159.5**	1,702.5	**737.1**	589.3	**333.0**	321.8	**1,804.0**	1,487.2	**472.3**	467.0	**16.7**	9.2	**6,362.6**	5,353.9

Note 1b: Business Combination

Three business combinations occurred in the financial year ended 30 June 2018.

Ruide Acquisition

On 1 August 2017 CSL acquired 80% of the equity of Ruide from Humanwell for US$352m. Ruide develops, manufactures and commercialises plasma-derived products for the Chinese domestic market and provides a vehicle for the Group to access this growing market for plasma therapeutics. On 20 June 2018, Humanwell and CSL renegotiated the terms and conditions under which the remaining consideration would be paid. The payment of $102m for the 20% equity initially retained by Humanwell was paid in June 2018. There was no change to the acquisition accounting disclosed in the annual financial report of CSL Limited as at 30 June 2018.

Calimmune Acquisition

On 31 August 2017 CSL acquired 100% of the equity of Calimmune Inc for an upfront payment of $82m and a series of contingent payments subject to the achievement of development milestones. Calimmune has developed a suite of gene therapy technologies that may prove the basis of treatments for rare diseases. The acquisition provides CSL with a new technology platform and manufacturing process. There was no change to the acquisition accounting disclosed in the annual financial report of CSL Limited as at 30 June 2018.

Guangzhou Junxin Pharmaceutical Acquisition

On 14 May 2018 CSL acquired 100% of the equity of Guangzhou Junxin Pharmaceutical Limited. The acquired entity holds a GSP (Good Supply Practice) licence granted by the Chinese regulator. This licence enables the holder to own and sell inventory in the domestic Chinese market. In the future CSL will be able to participate more fully in the value chain for Albumin imported into China. This entity will also sell Ruide manufactured product in China. There was no change to the acquisition accounting disclosed in the annual financial report of CSL Limited as at 30 June 2018.

Note 2: Revenue and Expenses

Recognition and measurement of revenue

Revenue is recognised when the Group satisfies a performance obligation by transferring control of the promised good or service to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for the goods or services.

Further information about each source of revenue from contracts with customers and the criteria for recognition follows.

Sales: Revenue is earned (constrained by variable considerations, which include returns, discounts, rebates and allowances) from the sale of products and services. Sales are recognised when performance obligations are either satisfied over time or at a point in time. Generally the supply of product under a contract with a customer will represent the satisfaction of a performance obligation at a point in time, which is when control of the product passes to the customer, or generally upon shipment.

Significant estimates on Seqirus sales returns is performed by management in respect of the influenza season expected to be subject to return. Management performs the estimate with inputs including historical returns and customer sales data amongst other factors.

For contracts where the customer controls the plasma (tolling contracts) and the Group provides fractionation services – the Group recognises revenue over time as the performance obligations are satisfied.

Royalties: Revenue from licensees of CSL intellectual property reflect a right to use the intellectual property as it exists at the point in time in which the licence is granted. Where consideration is based on sales of product by the licensee, it is recognised when the customer's subsequent sales of product occurs.

Licence revenue: Revenue from licensees of CSL intellectual property reflects the transfer of a right to use the intellectual property as it exists at the point in time in which the licence is transferred to the customer. Consideration is highly variable and estimated using the most likely amount method. Subsequently, the estimate is constrained until it is highly probable that a significant revenue reversal will not occur when the uncertainty is resolved. Revenue is recognised as or when the performance obligations are satisfied.

Pandemic facility reservation fees: Revenue from governments in return for access to influenza manufacturing facilities in the event of a pandemic. Contracts are time based and revenue is recognized progressively over the life of the relevant contract, which aligns to the performance obligations being satisfied.

Revenue from contracts with customers includes amounts in Total Operating Revenue except Other Income.

Expenses	2019 US$m	2018 US$m
Finance costs	**127.8**	108.4
Unrealized foreign currency losses on debt	**48.9**	–
Total finance costs	**176.7**	108.4
Depreciation and amortisation of fixed assets	**273.1**	238.9
Amortisation of intangibles	**102.3**	57.8
Total depreciation and amortisation expense	**375.4**	296.7
Write-down of inventory to net realisable value	**191.3**	174.6
Rental expenses relating to operating leases	**81.6**	69.3
Employee benefits expense	**2,184.2**	1,942.9
Net foreign exchange gain/(loss)	**18.3**	(16.4)

Recognition and measurement of expenses

Total finance costs: Includes interest expense and borrowing costs. These are recognised as an expense when incurred, except where finance costs are directly attributable to the acquisition or construction of a qualifying asset where they are capitalised as part of the cost of the asset. Capitalised interest for qualifying assets during the year ended 30 June 2019 was $16.4m (2018: $12.7m). Interest-bearing liabilities and borrowings are stated at amortised cost. Any difference between the borrowing proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the borrowing period using the effective interest method. Unrealized foreign currency losses on debt is related to the EUR350m and CHF400m of Senior Unsecured Notes in the US Private Placement market (see Note 11). The foreign currency risk related to this debt was fully hedged as a net investment hedge in 2018 but only partially hedged as a cash flow hedge in 2019 following a transitional change of functional currency in certain operational entities.

Depreciation and amortisation: Refer to Note 8 for details on depreciation and amortisation of fixed assets and Note 7 for details on amortisation of intangibles.

Write-down of inventory to net realisable value: Included in Cost of Sales in the Statement of Comprehensive Income. Refer to Note 4 for details of inventories.

Rental expenses relating to operating leases: Operating leases are leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Employee benefits expense: Refer to Note 5 for further details.

Goods and Services Tax and other foreign equivalents (GST)

Revenues, expenses and assets are recognised net of GST, except where GST is not recoverable from a taxation authority, in which case it is recognised as part of an asset's cost of acquisition or as part of the expense.

Note 3: Tax

	2019 US$m	2018 US$m
a. Income tax expense recognised in the statement of comprehensive income		
Current tax expense		
Current year	**428.5**	484.3
Deferred tax expense/(recovery)		
Origination and reversal of temporary differences	**7.2**	70.1
Total deferred tax expense/(recovery)	**7.2**	70.1
Over/(under) provided in prior years	**(13.3)**	(2.1)
Income tax expense	**422.4**	552.3
b. Reconciliation between tax expense and pre-tax net profit		
The reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	**2,341.1**	2,281.2
Income tax calculated at 30% (2018: 30%)	**702.3**	684.4
Effects of different rates of tax on overseas income	**(256.1)**	(143.3)
Research and development incentives	**(25.5)**	(12.7)
Over/(under) provision in prior year	**(13.3)**	(2.1)
Other non-deductible expenses	**15.0**	26.0
Income tax expense	**422.4**	552.3
c. Income tax recognised directly in equity		
Deferred tax benefit/(expense)		
Share-based payments	**0.6**	(3.2)
Income tax benefit/(expense) recognised in equity	**0.6**	(3.2)
d. Deferred tax assets and liabilities		
Deferred tax asset	**378.7**	401.3
Deferred tax liability	**(168.7)**	(193.7)
Net deferred tax asset	**210.0**	207.6
Deferred tax balances reflect temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		
Inventories	**215.6**	146.0
Property, plant and equipment	**(162.6)**	(120.5)
Intangible assets	**(169.0)**	(168.0)
Trade and other payables	**32.7**	33.6
Recognised carry forward tax losses[a]	**183.4**	178.3
Retirement liabilities, net	**50.9**	37.7
Receivables and contract assets	**(54.9)**	3.0
Other assets	**4.9**	6.4
Interest bearing liabilities	**13.5**	5.6
Other liabilities and provisions	**74.2**	61.9
Tax bases not in net assets – share-based payments	**(0.4)**	1.8
Total recognised in the statement of comprehensive income	**188.3**	185.8
Amounts recognised in equity		
Share-based payments	**21.8**	21.8
Net deferred tax asset	**210.0**	207.6

a. Deferred tax assets in respect of carry forward tax losses are principally recorded in CSL entities in Switzerland and the UK (prior year: Switzerland and the UK) and are recognised as it is probable that future taxable profit will be available in those entities to utilise the losses.

	2019 US$m	2018 US$m
e. Movement in temporary differences during the year		
Opening balance	**207.6**	358.3
Credited/(charged) to profit before tax	**0.3**	(100.1)
Charged to other comprehensive income	**9.7**	(6.9)
Net deferred tax asset/(liability) recognized in business combination	**0.6**	(44.0)
Credited/(charged) to equity	**(8.2)**	(3.2)
Currency translation difference	**0.0**	3.5
Closing balance	**210.0**	207.6
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised for the following items:		
Tax losses with no expiry date[b]	**0.4**	0.4

b. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available for utilisation in the entities that have recorded these losses.

Current taxes

Current tax assets and liabilities are the amounts expected to be recovered from (or paid to) tax authorities, under the tax rates and laws in each jurisdiction. These include any rates or laws that are enacted or substantively enacted as at the balance sheet date.

Deferred taxes

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, carried forward unused tax assets and unused tax losses, only if it is probable that taxable profit will be available to utilise them.

The carrying amount of deferred income tax assets is reviewed at the reporting date. If it is no longer probable that taxable profit will be available to utilise them, they are reduced accordingly.

Deferred tax is measured using tax rates and laws that are enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or when the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set-off current tax assets against current tax liabilities and if they relate to the same taxable entity or group and the same taxation authority.

Income taxes attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or in equity, and not in the income statement.

CSL Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group effective from 1 July 2003.

Key Judgements and Estimates – Tax

Management regularly assesses the risk of uncertain tax positions, and recognition and recoverability of deferred tax assets. To do this requires judgements about the application of income tax legislation in jurisdictions in which the Group operates and the future operating performance of entities with carry forward losses. These judgements and assumptions, which include matters such as the availability and timing of tax deductions and the application of the arm's length principle to related party transactions, are subject to risk and uncertainty. Changes in circumstances may alter expectations and affect the carrying amount of deferred tax assets and liabilities. Any resulting adjustment to the carrying value of a deferred tax item will be recorded as a credit or charge to the statement of comprehensive income.

Note 4: Inventories

	2019 US$m	2018 US$m
Raw materials	**915.2**	718.9
Work in progress	**1,049.2**	1,165.8
Finished products	**1,074.4**	808.1
Total inventories	**3,038.8**	2,692.8

Raw Materials

Raw materials comprise collected and purchased plasma, chemicals, filters and other inputs to production that will be further processed into saleable products but have yet to be allocated to manufacturing.

Work in Progress

Work in progress comprises all inventory items that are currently in use in manufacturing and intermediate products such as pastes generated from the initial stages of the plasma production process.

Finished Products

Finished products comprise material that is ready for sale and has passed all quality control tests.

Inventories generally have expiry dates and the Group provides for product that is short dated. Expiry dates for raw material are no longer relevant once the materials are used in production. At this stage the relevant expiry date is that applicable to the resultant intermediate or finished product.

Inventories are carried at the lower of cost or net realisable value. Cost includes direct material and labour and an appropriate proportion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity.

Net realisable value is the estimated revenue that can be earned from the sale of a product less the estimated costs of both completion and selling. The Group assesses net realisable value of plasma derived products on a basket of products basis given their joint product nature.

Key Judgements and Estimates – Inventory

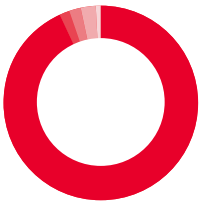
Various factors affect the assessment of recoverability of the carrying value of inventory, including regulatory approvals and future demand for the Group's products. These factors are taken into account in determining the appropriate level of provisioning for inventory.

Note 5: People Costs

(a) Employee Benefits

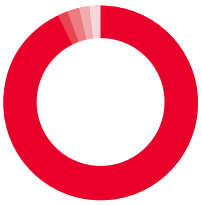
Employee benefits include salaries and wages, annual leave and long-service leave, defined benefit and defined contribution plans and share-based payments incentive awards.

People Cost 2019 – $2,184.2m



- Salaries and wages **$2,033.3**
- Defined benefit plan expense **$37.1**
- Defined contribution plan expense **$46.0**
- Equity settled share-based payments expense (LTI) **$52.0**
- Cash settled share-based payments expense (EDIP) **$15.8**

People Cost 2018 – $1,942.8m



- Salaries and wages **$1,807.7**
- Defined benefit plan expense **$29.9**
- Defined contribution plan expense **$40.0**
- Equity settled share-based payments expense (LTI) **$30.1**
- Cash settled share-based payments expense (EDIP) **$35.1**

Salaries and wages

Wages and salaries include non-monetary benefits, annual leave and long-service leave. These are recognised and presented in different ways in the financial statements:

- The liability for annual leave and the portion of long-service leave expected to be paid within twelve months is measured at the amount expected to be paid.
- The liability for long-service leave and annual leave expected to be paid after one year is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.
- The liability for annual leave and the portion of long-service leave that has vested at the reporting date is included in the current provision for employee benefits.
- The portion of long-service leave that has not vested at the reporting date is included in the non-current provision for employee benefits.

Defined benefit plans

	2019 US$m	2018 US$m
Expenses/(gains) recognised in the statement of comprehensive income are as follows:		
Current service costs	**33.1**	32.3
Net interest cost	**3.8**	3.1
Past service costs	**0.2**	(5.5)
Total included in employee benefits expense	**37.1**	29.9

Defined benefit pension plans provide either a defined lump sum or ongoing pension benefits for employees upon retirement, based on years of service and final average salary.

Liabilities or assets in relation to these plans are recognised in the balance sheet, measured as the present value of the obligation less the fair value of the pension fund's assets at that date.

Present value is based on expected future payments to the reporting date, calculated by independent actuaries using the projected unit credit method. Past service costs are recognised in income on the earlier of the date of plan amendments or curtailment, and the date that the Group recognises restructuring related costs.

Detailed information about the Group's defined benefit plans is in Note 18.

Key Judgements and Estimates – People Costs

The determination of certain employee benefit liabilities requires an estimation of future employee service periods and salary levels and the timing of benefit payments. These assessments are made based on past experience and anticipated future trends. The expected future payments are discounted using the rate applicable to high quality corporate bonds. Discount rates are matched to the expected payment dates of the liabilities.

Defined contribution plans

The Group makes contributions to various defined contribution pension plans and the Group's obligation is limited to these contributions. The amount recognised as an expense for the year ended 30 June 2019 was $46.0m (2018: $40.0m).

Equity settled share-based payments expense

Share-based payments expenses arise from plans that award long-term incentives.

Detailed information about the terms and conditions of the share-based payments arrangements is presented in Note 18.

Outstanding share-based payment equity instruments

The number and weighted average exercise price for each share-based payment scheme outstanding is as follows. All schemes are settled by physical delivery of shares except for instruments granted to good leavers from 2012 onwards, which may be settled in cash at the discretion of the company.

	Options		Performance Rights	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	822,588	A$91.36	684,941	A$0.00
Granted during the year	–	A$0.00	–	A$0.00
Exercised during the year	206,748	A$72.09	201,460	A$0.00
Cash settled during the year	–	A$0.00	6,836	A$0.00
Forfeited during the year	–	A$0.00	54,197	A$0.00
GESP True-up[1]	–	A$0.00	–	A$0.00
Closing balance at the end of the year	615,840	A$97.83	422,448	A$0.00
Exercisable at the end of the year	–	–	6,678	A$0.00

The share price at the dates of exercise (expressed as a weighted average) by equity instrument type, is as follows:

	2019	2018
Options	**A$215.88**	A$162.60
Performance Rights	**A$209.97**	A$137.99
RGP	**A$227.29**	A$161.53
EPA	**A$229.43**	–
GESP	**A$204.39**	A$150.02

Cash-settled share-based payments expense

The Group did not grant any notional shares related to the Executive Deferred Incentive Plan (EDIP) plan in the current fiscal year as this plan has been replaced with other equity-based schemes as previously disclosed. All cash settlements will cease after 30 September 2019 and the EDIP will cease to operate. The amount of the cash payment will be determined by reference to the CSL share price immediately before the award maturity date.

The October 2015 EDIP grant vested during the period ended 30 June 2019 and an amount of $30.1m was paid to participants (2018: $24.9m). The March 2016 EDIP grant vested during the period ending 30 June 2019 and an amount of $3.9m was paid to participants (2018: $1.2m). The carrying amount of the liability at 30 June 2019 attributable to the final vesting is $33.8m (2018: $57.0m inclusive of 2015) measured at fair value. Fair value is determined by reference to the CSL share price at reporting date, adjusted for expected future dividends that will be paid between reporting date and vesting date.

1 The exercise price at which GESP plan shares are issued is calculated at a 15% discount of the five day VWAP up to and including the lower of the ASX market price on the first and last dates of the contribution period. Accordingly, the exercise price and the final number of shares to be issued is not yet known (and may differ from the assumptions and fair values disclosed above). The number of shares which may ultimately be issued from entitlements granted on 1 March 2018 has been estimated based on information available as at 30 June 2019.

* Forfeitures as a result of Director retirement

Retain and Grow Plan (RGP)		Executive Performance and Alignment Plan (EPA)		Non-Executive Director Plan (NED)		Global Employee Share Plan (GESP)#		Total
Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	
306,620	A$0.00	206,793	A$0.00	–	A$0.00	99,459	A$137.21	2,120,401
303,976	A$0.00	165,664	A$0.00	4,978	A$0.00	204,681	A$142.86	679,299
82,222	A$0.00	51,628	A$0.00	1,485	A$0.00	195,790	A$149.35	739,333
–	A$0.00	408	A$0.00	–	A$0.00	–	A$0.00	7,244
27,618	A$0.00	4,583	A$0.00	1,262*	A$0.00	–	A$0.00	87,660
–	A$0.00	–	A$0.00	–	A$0.00	(1,570)	A$137.21	(1,570)
500,756	A$0.00	315,838	A$0.00	2,231	A$0.00	106,780	A$166.31	1,963,893
–	A$0.00	–	A$0.00	–	A$0.00	–	–	6,678

(b) Key management personnel disclosures

The remuneration of key management personnel is disclosed in section 17 of the Directors' Report and has been audited.

Total compensation for key management personnel

	2019 US$	2018 US$
Total of short term remuneration elements	**16,531,676**	18,875,181
Total of post-employment elements	**323,392**	304,813
Total of other long term elements	**86,380**	1,176,672
Total of share-based payments	**20,133,552**	13,325,116
Total of all remuneration elements	**37,075,000**	33,681,782

Our Future

Note 6: Research & Development

The Group conducts research and development activities to support future development of products to serve our patient communities, to enhance our existing products and to develop new therapies.

All costs associated with these activities are expensed as incurred as uncertainty exists up until the point of regulatory approval as to whether a research and development project will be successful. At the point of approval the total cost of development has largely been incurred.

For the year ended 30 June 2019, the research costs, net of recoveries, were $831.8m (2018: $702.4m). Further information about the Group's research and development activities can be found on the CSL website.

Note 7: Intangible Assets

	Goodwill US$m		Intellectual Property US$m		Software US$m		Intangible capital work in progress US$m		Total US$m	
Year	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Cost	**1,101.8**	1,102.0	**565.6**	562.3	**618.5**	418.8	**148.4**	179.8	**2,434.3**	2,262.9
Accumulated amortisation	**–**	–	**(332.1)**	(299.4)	**(223.9)**	(161.0)	**–**	–	**(556.0)**	(460.4)
Net carrying amount	**1,101.8**	1,102.0	**233.5**	262.9	**394.6**	257.8	**148.4**	179.8	**1,878.3**	1,802.5
Movement										
Net carrying amount at the beginning of the year	**1,102.0**	688.3	**262.9**	103.7	**257.8**	92.8	**179.8**	170.6	**1,802.5**	1,055.4
Additions[2]	**–**	–	**10.2**	2.1	**3.2**	0.7	**172.9**	218.1	**186.3**	220.9
Business acquisition	**–**	434.5	**–**	174.4	**–**	–	**–**	–	**–**	608.9
Transfers from intangible capital work in progress	**–**	–	**–**	–	**204.0**	210.2	**(204.0)**	(210.2)	**–**	–
Transfers to/from property, plant and equipment	**–**	–	**–**	–	**–**	–	**1.0**	0.6	**1.0**	0.6
Disposals	**–**	–	**(1.5)**	–	**(0.1)**	(0.8)	**0.1**	–	**(1.5)**	(0.8)
Amortisation for the year[3]	**–**	–	**(37.2)**	(14.6)	**(65.1)**	(43.2)	**–**	–	**(102.3)**	(57.8)
Currency translation differences	**(0.2)**	(20.8)	**(0.9)**	(2.7)	**(5.2)**	(1.9)	**(1.4)**	0.7	**(7.7)**	(24.7)
Net carrying amount at the end of the year	**1,101.8**	1,102.0	**233.5**	262.9	**394.6**	257.8	**148.4**	179.8	**1,878.3**	1,802.5

Goodwill

Any excess of the fair value of the purchase consideration of an acquired business over the fair value of the identifiable net assets (minus incidental expenses) is recorded as goodwill.

Goodwill is allocated to each of the cash-generating units but is monitored at the segment (business unit) level. The aggregate carrying amounts of goodwill allocated to each business unit are as follows:

	2019 $m	2018 $m
CSL Behring	**1,101.8**	1,102.0
Closing balance of goodwill as at 30 June	**1,101.8**	1,102.0

Goodwill is not amortised but is measured at cost less any accumulated impairment losses. Impairment occurs when a business unit's recoverable amount falls below the carrying value of its net assets.

The results of the impairment test show that each business unit's recoverable amount exceeds the carrying value of its net assets, inclusive of goodwill. Consequently, there is no goodwill impairment as at 30 June 2019.

A change in assumptions significant enough to lead to impairment is not considered a reasonable possibility.

2 The intangible capital work in progress additions relate to two significant information technology projects.
3 The amortisation charge is recognised in general and administration expenses in the statement of comprehensive income.

Intellectual property

Intellectual property acquired separately or in a business combination is initially measured at cost, which is its fair value at the date of acquisition. Following initial recognition, it is carried at cost less any amortisation and impairment.

The useful life of intellectual property generally ranges from 5 – 20 years. Certain intellectual property acquired in a business combination is considered to have an indefinite life.

Software

Costs incurred in developing or acquiring software, licences or systems that will contribute future financial benefits are capitalised. These include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 10 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, where the Group has the intention and ability to use the asset. The Group is undertaking two major software programs, these will be capitalized as they are brought into use and amortised over their estimated useful life of ten years.

Recognition and measurement

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life of the asset. Significant software intangible assets are amortised over a ten year useful life. The amortisation period and method is reviewed at each financial year end at a minimum.

Intangible assets with indefinite useful lives are not amortised. The useful life of these intangibles is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

Impairment of intangible assets

Assets with finite lives are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets that have an indefinite useful life (including goodwill) are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired.

An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units), other than goodwill that is monitored at the segment level.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

Key Judgements and Estimates

The impairment assessment process requires management to make significant judgements. Determining whether goodwill and indefinite lived intangibles have been impaired requires an estimation of the recoverable amount of the cash generating units using a discounted cash flow methodology. This calculation uses cash flow projections based on operating budgets and a three-year strategic business plan, after which a terminal value, based on management's view of the longer term growth profile of the business is applied. Cash flows have been discounted using an implied pre-tax discount rate of 10.6% (2018: 9.9%) which is calculated with reference to external analyst views, long-term government bond rates and the company's pre-tax cost of debt. The determination of cash flows over the life of an asset requires judgement in assessing the future demand for the Group's products, any changes in the price and cost of those products and of other costs incurred by the Group.

Note 8: Property, Plant and Equipment

	Land US$m		Buildings US$m		Leasehold Improvements US$m	
	2019	2018	2019	2018	2019	2018
Cost	**38.8**	39.8	**687.5**	665.2	**381.6**	326.6
Accumulated depreciation/amortisation	**–**	–	**(197.5)**	(175.3)	**(115.7)**	(95.7)
Net carrying amount	**38.8**	39.8	**490.0**	489.9	**265.9**	230.9
Movement						
Net carrying amount at the start of the year	**39.8**	37.2	**489.9**	379.3	**230.9**	200.4
Transferred from capital work in progress	**–**	–	**32.7**	116.5	**58.8**	42.9
Business Acquisition	**–**	–	**–**	22.8	**–**	–
Other Additions[4]	**0.1**	3.4	**0.6**	0.3	**1.7**	11.3
Disposals	**–**	–	**(0.1)**	(0.1)	**(4.7)**	(2.1)
Transferred to/from intangibles	**–**	–	**–**	–	**–**	–
Depreciation/amortisation for the year	**–**	–	**(25.7)**	(21.8)	**(24.0)**	(22.0)
Accumulated depreciation/amortisation on disposals	**–**	–	**0.4**	0.0	**4.0**	1.4
Currency translation differences	**(1.1)**	(0.8)	**(7.8)**	(7.1)	**(0.9)**	(1.0)
Net carrying amount at the end of the year	**38.8**	39.8	**490.0**	489.9	**265.9**	230.9

Property, plant and equipment

Land, buildings, capital work in progress and plant and equipment assets are recorded at historical cost less, where applicable, depreciation and amortisation.

Depreciation is on a straight-line basis over the estimated useful life of the asset.

Buildings	5 – 40 years
Plant and equipment	3 – 15 years
Leasehold improvements	5 – 10 years

Assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. Items of property, plant and equipment are derecognised upon disposal or when no further economic benefits are expected from their use or disposal.

Impairment testing for property, plant and equipment occurs if an impairment trigger is identified. No impairment triggers have been identified in the current year.

Gains and losses on disposals of items of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income when realised.

40% of the Holly Springs facility, acquired with the Novartis Influenza business, is legally owned by the US Government. Full legal title will transfer to CSL on the completion of the Final Closeout Technical Report, expected in the next one to three years. CSL has full control of the asset and 100% of the value of the facility is included in the consolidated financial statements.

Assets under Finance Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. A finance lease is capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities and borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term.

Leasehold improvements

The cost of improvements to leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

4 The capital work in progress additions are the result of major capacity projects.

Plant and Equipment US$m		Leased Property, Plant and Equipment US$m		Capital work in progress US$m		Total US$m	
2019	2018	2019	2018	2019	2018	2019	2018
3,040.0	2,909.3	**34.3**	35.0	**2,221.0**	1,340.5	**6,403.2**	5,316.4
(1,584.5)	(1,472.5)	**(21.2)**	(21.5)	**–**	–	**(1,918.9)**	(1,765.0)
1,455.5	1,436.8	**13.1**	13.5	**2,221.0**	1,340.5	**4,484.3**	3,551.4
1,436.8	1,230.1	**13.5**	15.7	**1,340.5**	1,080.0	**3,551.4**	2,942.7
246.2	371.9	**–**	–	**(337.7)**	(531.3)	**–**	–
–	26.1	**–**	–	**–**	–	**–**	48.9
12.3	18.1	**3.4**	1.6	**1,232.3**	807.0	**1,250.4**	841.7
(89.9)	(43.0)	**(4.3)**	(2.6)	**1.8**	(0.6)	**(97.2)**	(48.4)
–	–	**–**	–	**(1.0)**	(0.6)	**(1.0)**	(0.6)
(220.6)	(192.2)	**(2.9)**	(3.0)	**–**	–	**(273.2)**	(239.0)
88.7	38.8	**3.4**	1.9	**–**	–	**96.5**	42.1
(18.0)	(13.0)	**–**	(0.1)	**(14.9)**	(14.0)	**(42.6)**	(36.0)
1,455.5	1,436.8	**13.1**	13.5	**2,221.0**	1,340.5	**4,484.3**	3,551.4

Note 9: Deferred Government Grants

	2019 US$m	2018 US$m
Current deferred income	**2.8**	3.1
Non-current deferred income	**34.6**	37.7
Total deferred government grants	**37.4**	40.8

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to an expense item are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the expenses that they are intended to compensate. Government grants received for which there are no future related costs are recognised in the statement of comprehensive income immediately. Government grants relating to the purchase of property, plant and equipment are included in current and non-current liabilities as deferred income and are released to the statement of comprehensive income on a straight line basis over the expected useful lives of the related assets.

Returns, Risk & Capital Management

Note 10: Shareholder Returns

Dividends

Dividends are paid from the retained earnings and profits of CSL Limited, as the parent entity of the Group. (See Note 19 for the Group's retained earnings). During the year, the parent entity reported profits of US$461.9m (2018: US$1,017.8m). The parent entity's retained earnings as at 30 June 2019 were US$8,484.4m (2018: US$8,824.4m). During the financial year US$806.8m was distributed to shareholders by way of a dividend, with a further US$453.1m being determined as a dividend payable subsequent to the balance date.

Dividend paid	2019 US$m	2018 US$m
Paid: Final ordinary dividend of US$0.93 per share, unfranked, paid on 12 October 2018 for FY18 (prior year: US$0.72 per share, unfranked, paid on 13 October 2017 for FY17)	**420.3**	323.6
Paid: Interim ordinary dividend of US$0.85 per share, unfranked, paid on 12 April 2019 for FY19 (prior year: US$0.79 per share, unfranked, paid on 13 April 2018 for FY18)	**386.5**	348.6
Total paid	**806.8**	672.2
Dividend determined, but not paid at year end:		
Final ordinary dividend of US$1.00 per share, unfranked, expected to be paid on 11 October 2019 for FY19, based on shares on issue at reporting date. The aggregate amount of the proposed dividend will depend on actual number of shares on issue at dividend record date (prior year: US$0.93 per share, unfranked paid on 12 October 2018 for FY18)	**453.1**	420.7

The distribution in respect of the 2019 financial year represents a US$1.85 dividend paid for FY2019 on each ordinary share held. These dividends are approximately 44% of the Group's basic earnings per share ("EPS") of US$4.236.

Earnings per Share

CSL's basic and diluted EPS are calculated using the Group's net profit for the financial year of US$1,918.7m (2018: US$1,728.9m).

	2019	2018
Basic EPS	**US$4.236**	US$3.822
Weighted average number of ordinary shares	**452,919,486**	452,353,221
Diluted EPS	**US$4.226**	US$3.809
Adjusted weighted average number of ordinary shares, represented by:	**454,027,808**	453,876,613
Weighted average ordinary shares	**452,919,486**	452,353,221
Plus:		
Employee share schemes	**1,108,322**	1,523,391

Diluted EPS differs from Basic EPS as the calculation takes into account potential ordinary shares arising from employee share schemes operated by the Group.

On-market Share Buyback

The Group did not undertake any share buy backs during the year.

Contributed Equity

The following table illustrates the movement in the Group's contributed equity.[5]

	2019		2018	
	Numbers of shares	US$m	Numbers of shares	US$m
Opening balance at 1 July	**452,400,784**	**(4,634.5)**	453,251,764	(4,534.3)
Shares issued to employees (see also Notes 5 and 18):				
Performance Options Plan	**206,748**	**10.8**	24,540	0.6
Performance Rights Plan (for nil consideration)	**201,460**	**–**	67,714	–
Retain and Grow Plan (for nil consideration)	**82,222**	**–**	683	–
Executive Performance & Alignment plan	**51,628**	**–**	–	–
Global Employee Share Plan (GESP)	**195,790**	**20.7**	182,518	15.1
Share buy-back, inclusive of cost	**–**	**–**	(1,126,435)	(115.9)
Closing balance	**453,138,632**	**(4,603.0)**	452,400,784	(4,634.5)

5 Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Where the Group reacquires its own shares, for example as a result of a share buy-back, those shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid to acquire the shares, including any directly attributable transaction costs net of income taxes, is recognised directly as a reduction in equity.

Note 11: Financial Risk Management

CSL holds financial instruments that arise from the Group's need to access financing, from the Group's operational activities and as part of the Group's risk management activities.

The Group is exposed to financial risks associated with its financial instruments. Financial instruments comprise cash and cash equivalents, receivables, payables, bank loans and overdrafts, unsecured notes, and lease liabilities.

The primary risks these give rise to are:

- Foreign exchange risk.
- Interest rate risk.
- Credit risk.
- Funding and liquidity risk.
- Capital management risk.

These risks, and the strategies used to mitigate them, are outlined below.

Source of Risk	Risk Mitigation
a. Foreign exchange risk	
The Group is exposed to foreign exchange risk because of its international operations. These risks relate to future commercial transactions, assets and liabilities denominated in other currencies and net investments in foreign operations.	Where possible CSL takes advantage of natural hedging (i.e. the existence of payables and receivables in the same currency). The Group also reduces its foreign exchange risk on net investments in foreign operations by denominating external borrowings in currencies that match the currencies of its foreign investments.
b. Interest Rate Risk	
The Group is exposed to interest rate risk through its primary financial assets and liabilities.	The Group mitigates interest rate risk on borrowings primarily by entering into fixed rate arrangements, which are not subject to interest rate movements in the ordinary course. If necessary, CSL also hedges interest rate risk using derivative instruments. As at 30 June 2019, no derivative financial instruments hedging interest rate risk were outstanding (2018: Nil).
c. Credit Risk	
The Group is exposed to credit risk from financial instruments contracts and trade and other receivables. The maximum exposure to credit risk at reporting date is the carrying amount, net of any provision for impairment inclusive of any lifetime expected credit loss under AASB 9, if applicable, of each financial asset in the balance sheet.	The Group mitigates credit risk from financial instruments contracts by only entering into transactions with counterparties who have sound credit ratings and with whom the Group has a signed netting agreement. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations. The Group minimises the credit risk associated with trade and other debtors by undertaking transactions with a large number of customers in various countries. Creditworthiness of customers is reviewed prior to granting credit, using trade references and credit reference agencies.
d. Funding and Liquidity Risk	
The Group is exposed to funding and liquidity risk from operations and from external borrowing. One type of this risk is credit spread risk, which is the risk that in refinancing its debt, CSL may be exposed to an increased credit spread. Another type of this risk is liquidity risk, which is the risk of not being able to refinance debt obligations or meet other cash outflow obligations when required. Liquidity and re-financing risks are not significant for the Group, as CSL has a prudent gearing level and strong cash flows.	The Group mitigates funding and liquidity risks by ensuring that: • The Group has sufficient funds on hand to achieve its working capital and investment objectives • The Group focusses on improving operational cash flow and maintaining a strong balance sheet • Short-term liquidity, long-term liquidity and crisis liquidity requirements are effectively managed, minimising the cost of funding and maximising the return on any surplus funds through efficient cash management • It has adequate flexibility in financing to balance short-term liquidity requirements and long-term core funding and minimise refinancing risk
e. Capital Risk Management	
The Group's objectives when managing capital are to safeguard its ability to continue as a going concern while providing returns to shareholders and benefits to other stakeholders. Capital is defined as the amount subscribed by shareholders to the Company's ordinary shares and amounts advanced by debt providers to any Group entity.	The Group aims to maintain a capital structure, which reflects the use of a prudent level of debt funding. The aim is to reduce the Group's cost of capital without adversely affecting the credit margins applied to the Group's debt funding. Each year the Directors determine the dividend taking into account factors such as profitability and liquidity. The Directors have proposed share buybacks in previous years, consistent with the aim of maintaining an efficient balance sheet, and with the ability to cease a buyback at any point should circumstances such as liquidity conditions change. Refer to Note 10 for details of share buybacks.

Risk management approach

The Group uses sensitivity analysis (together with other methods) to measure the extent of financial risks and decide if they need to be mitigated.

If so, the Group's policy is to use derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to support its objective of achieving financial targets while seeking to protect future financial security.

The aim is to reduce the impact of short-term fluctuations in currency or interest rates on the Group's earnings.

Derivatives are exclusively used for this purpose and not as trading or other speculative instruments.

a. Foreign exchange risk

The objective is to match the contracts with committed future cash flows from sales and purchases in foreign currencies to protect the Group against exchange rate movements.

The Group reduces its foreign exchange risk on net investments in foreign operations by denominating external borrowings in currencies that match the currencies of its foreign investments.

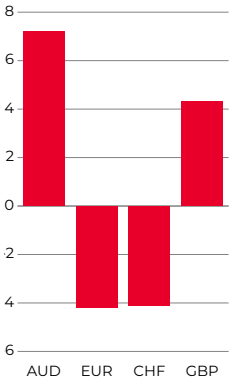
The total value of forward exchange contracts in place at reporting date is nil (2018: Nil).

Sensitivity analysis – USD values

Profit after tax – sensitivity to general movement of 1%
A movement of 1% in the USD exchange rate against AUD, EUR, CHF and GBP would not generate a material impact to profit after tax.

Equity – sensitivity to general movement of 1%
Any change in equity is recorded in the Foreign Currency Translation Reserve.

FX Sensitivity on Equity (US$m)



This calculation is based on changing the actual exchange rate of US Dollars to AUD, EUR, CHF and GBP as at 30 June 2019 by 1% and applying these adjusted rates to the net assets (excluding investments in subsidiaries) of the foreign currency denominated financial statements of various Group entities.

b. Interest rate risk

At 30 June 2019, it is estimated that a general movement of one percentage point in the interest rates applicable to investments of cash and cash equivalents would have changed the Group's profit after tax by approximately $4.6m. This calculation is based on applying a 1% movement to the total of the Group's cash and cash equivalents at year end.

At 30 June 2019, it is estimated that a general movement of one percentage point in the interest rates applicable to floating rate unsecured bank loans would have changed the Group's profit after tax by approximately $8.9m. This calculation is based on applying a 1% movement to the total of the Group's floating rate unsecured bank loans at year end.

As at 30 June 2019, the Group had the following bank facilities, unsecured notes and finance leases:

- Seven revolving committed bank facilities totalling $1,611.0m are available. Of these facilities $341.5m mature in the six months ending 31 December 2019, and the balance matures in December 2020. Interest on the facilities is paid quarterly in arrears at a variable rate. As at the reporting date the Group had $1,026.1m in undrawn funds available under these facilities;
- US$750m uncommitted Commercial Paper Program. As at the reporting date there was $568.1m in undrawn funds available under this facility;
- EUR237.3m committed bank facility (the KfW loan) with quarterly repayments commencing in December 2019 through to June 2027.
- US$2,300m of Senior Unsecured Notes in the US Private Placement market. The notes mature in March 2020 (US$150m), November 2021 (US$250m), March 2023 (US$150m), November 2023 (US$200m), March 2025 (US$100m), October 2025 (US$100m), October 2026 (US$150m), November 2026 (US$100m), October 2027 (US$250m), October 2028 (US$200m), October 2029 (US$200m), October 2031 (US$200m), October 2032 (US$150m) and October 2037 (US$100m). The weighted average interest rate on the notes is fixed at 3.37%.
- EUR350m of Senior Unsecured Notes in the US Private Placement market. The Notes mature in November 2022 (EUR100m), November 2024 (EUR150m) and November 2026 (EUR100m). The weighted average interest rate on the notes is fixed at 1.90%;
- CHF400m of Senior Unsecured Notes in the US Private Placement market. The notes mature in October 2023 (CHF150m) and October 2025 (CHF250m). The weighted average interest rate on the notes is fixed at 0.88%;
- US$500m of Unsecured Floating Rate Notes (the QDI Bond) in the Hong Kong market. The notes mature in December 2021.
- Finance leases with a weighted average lease term of 5 years (2018: 6 years). The weighted average discount rate implicit in the leases is 4.69% (2018: 4.77%). The Group's lease liabilities are secured by leased assets of $13.1m (2018: $13.5m). In the event of default, leased assets revert to the lessor.

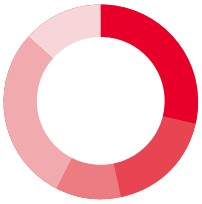
The Group is in compliance with all debt covenants.

c. *Credit Risk*

The Group only invests its cash and cash equivalent financial assets with financial institutions having a credit rating of at least 'A' or better, as assessed by independent rating agencies.

	Floating rate[6]		Non-Interest bearing		Total		Average Closing Interest Rate	
	US$m		US$m		US$m		%	
	2019	2018	2019	2018	2019	2018	2019	2018
Financial Assets								
Cash and cash equivalents	**657.8**	814.7	–	–	**657.8**	814.7	**0.5%**	0.8%
Trade and other receivables	–	–	**1,726.5**	1,380.8	**1,726.5**	1,380.8	–	–
Other financial assets	–	–	**10.3**	7.8	**10.3**	7.8	–	–
	657.8	814.7	**1,736.8**	1,388.6	**2,394.6**	2,203.3		

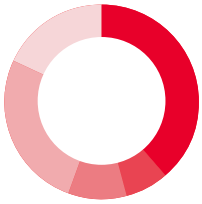
Credit quality of financial assets
(30 June 2019 in $m)



- Financial Institutions* **$690.4**
- Governments **$431.5**
- Hospitals **$257.7**
- Buying Groups **$700.9**
- Other **$314.1**

* US$657.8m of the assets held with financial institutions are held as cash or cash equivalents, $22.6m of trade and other receivables and $10.0m of other financial assets. Financial assets held with non-financial institutions include US$1,703.9m of trade and other receivables and $0.4m of other financial assets.

Credit quality of financial assets
(30 June 2018 in $m)



- Financial Institutions* **$854.2**
- Governments **$161.1**
- Hospitals **$213.7**
- Buying Groups **$580.6**
- Other **$393.7**

* US$814.7m of the assets held with financial institutions are held as cash or cash equivalents, $33.3m of trade and other receivables and $6.2m of other financial assets. Financial assets held with non-financial institutions include US$1,349.1m of trade and other receivables and $1.6m of other financial assets.

Refer to Note 15 for the Group's policy on expected credit loss.

The Group has not renegotiated any material collection/repayment terms of any financial assets in the current financial year.

Government or government-backed entities (such as hospitals) often account for a significant proportion of trade receivables. As a result, the Group carries receivables from a number of Southern European governments. The credit risk associated with trading in these countries is considered on a country-by-country basis and the Group's trading strategy is adjusted accordingly. The factors taken into account in determining the credit risk of a particular country include recent trading experience, current economic and political conditions and the likelihood of continuing support from agencies such as the European Central Bank. An analysis of trade receivables that are past due and, where required, the associated provision for impairment, is as follows. All other financial assets are less than 30 days overdue.

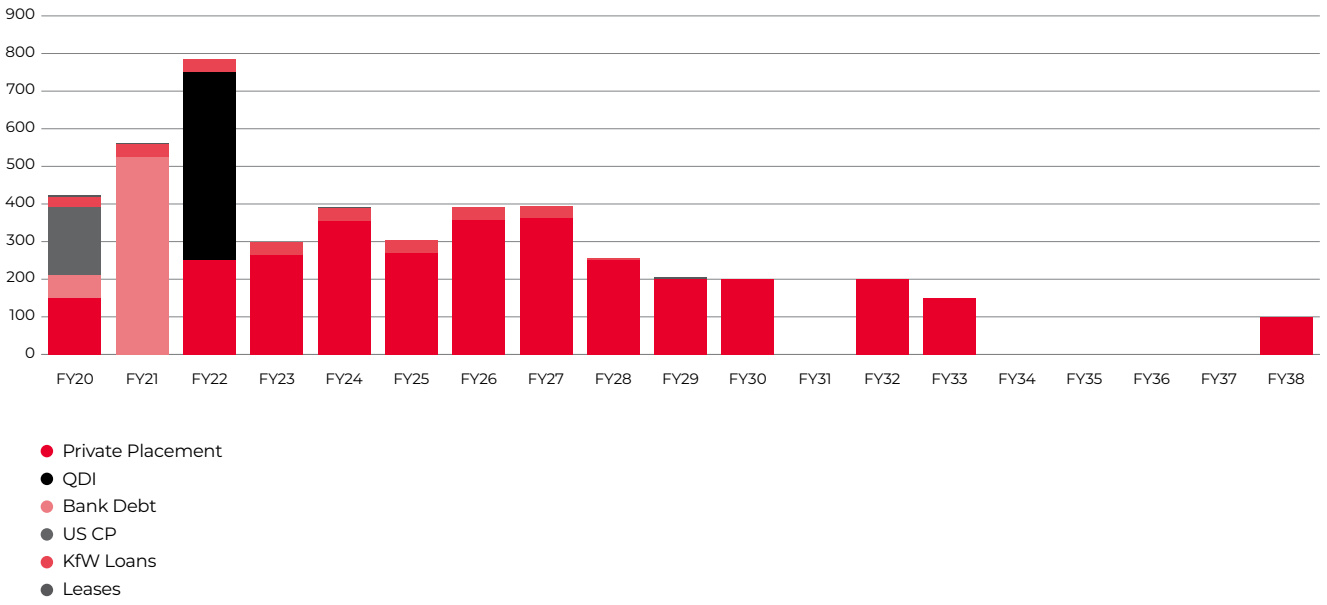
	Trade Receivables					
	Gross		Provision		Net	
	2019 US$m	2018 US$m	2019 US$m	2018 US$m	2019 US$m	2018 US$m
Trade receivables:						
current	**1,311.8**	925.7	**3.6**	6.4	**1,308.2**	919.3
less than 30 days overdue	**18.7**	66.4	–	0.2	**18.7**	66.2
between 30 and 90 days overdue	**38.1**	51.0	**0.1**	0.3	**38.0**	50.7
more than 90 days overdue	**87.8**	71.8	**13.8**	14.6	**74.0**	57.2
	1,456.4	1,114.9	**17.5**	21.5	**1,438.9**	1,093.4

6 Floating interest rates represent the most recently determined rate applicable to the instrument at balance sheet date. All interest rates on floating rate financial assets and liabilities are subject to reset within the next six months.

d. Funding and liquidity risk

The maturity profile of the Group's debt is shown in the following chart.

Maturity Profile of Debt by Facility
(US$ millions)



The following table analyses the Group's financial liabilities.

Interest-bearing liabilities and borrowings	2019 US$m	2018 US$m
Current		
Bank overdrafts – Unsecured	**–**	2.0
Bank Borrowings – Unsecured	**85.6**	20.7
Commercial Paper	**181.9**	–
Senior Unsecured Notes – Unsecured	**150.0**	200.0
Lease liability – Secured	**3.1**	3.0
	420.6	225.7
Non-current		
Bank loans – Unsecured	**769.0**	533.3
Senior Unsecured Notes – Unsecured	**3,453.7**	3,606.8
Lease liability – Secured	**19.5**	20.5
	4,242.2	4,160.6

Interest-bearing liabilities and borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing liabilities and borrowings are stated at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of comprehensive income over the period of the borrowings.

Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The following table categorises the financial liabilities into relevant maturity periods, taking into account the remaining period at the reporting date and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the balance sheet.

	Contractual payments due									
	1 year or less US$m		Between 1 year and 5 years US$m		Over 5 years US$m		Total US$m		Average interest Rate %	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Trade and other payables (non-interest bearing)	**1,407.7**	1,256.8	**–**	138.9	**–**	–	**1,407.7**	1,395.7	**–**	–
Bank loans – unsecured (floating rates)	**77.4**	29.8	**533.6**	324.2	**–**	–	**611.0**	354.0	**3.1%**	2.9%
Bank loans – unsecured (fixed rates)	**28.4**	2.3	**180.1**	167.3	**73.9**	63.1	**282.4**	232.7	**1.0%**	1.0%
Bank overdraft – unsecured (floating rates)	**–**	2.0	**–**	–	**–**	–	**–**	2.0	**–**	–
Commercial Paper Program (floating rates)	**184.3**	–	**–**	–	**–**	–	**184.3**	–	**2.6%**	–
Senior unsecured notes (fixed rates)	**238.7**	292.2	**1,503.0**	1,260.6	**2,041.5**	2,526.3	**3,783.2**	4,079.1	**2.9%**	2.9%
Senior unsecured notes (floating rate)	**14.6**	14.6	**521.9**	536.5	**–**	–	**536.5**	551.1	**3.0%**	2.9%
Lease liabilities (fixed rates)	**3.3**	3.1	**13.8**	16.8	**9.3**	10.0	**26.4**	29.9	**4.7%**	4.8%
	1,954.4	1,600.8	**2,752.4**	2,444.3	**2,124.7**	2,599.4	**6,831.5**	6,644.5		

Floating interest rates represent the most recently determined rate applicable to the instrument at balance sheet date.
All interest rates on floating rate financial assets and liabilities are subject to reset within the next six months.

Fair value of financial assets and financial liabilities

The carrying value of financial assets and liabilities is materially the same as the fair value. The following methods and assumptions were used to determine the net fair values of financial assets and liabilities.

Cash

The carrying value of cash equals fair value, due to the liquid nature of cash.

Trade and other receivables/payables

The carrying value of trade and other receivables/payables with a remaining life of less than one year is deemed to be equal to its fair value.

Interest bearing liabilities

Fair value is calculated based on the discounted expected principal and interest cash flows, using rates currently available for debt of similar terms, credit risk and remaining maturities.

The Group also has external loans payable that have been designated as a hedge of its investment in foreign subsidiaries (known as a net investment hedge).

An effective hedge is one that meets certain criteria. Gains or losses on the net investment hedge that relate to the effective portion of the hedge are recognised in equity. Gains or losses relating to the ineffective portion, if any, are recognised in the consolidated statement of comprehensive income.

Valuation of financial instruments

For financial instruments measured and carried at fair value, the Group uses the following to categorise the method used:

- Level 1: Items traded with quoted prices in active markets for identical liabilities
- Level 2: Items with significantly observable inputs other than quoted prices in active markets
- Level 3: Items with unobservable inputs (not based on observable market data)

There were no derivatives outstanding as of 30 June 2019 (30 June 2018 – nil).

There were no transfers between Level 1 and 2 during the year.

Note 12: Equity and Reserves

(a) Contributed Equity

	2019 US$m	2018 US$m
Ordinary shares issued and fully paid	–	–
Share buy-back reserve	**(4,603.0)**	(4,634.5)
Total contributed equity	**(4,603.0)**	(4,634.5)

Ordinary shares receive dividends as declared and, in the event of winding up the company, participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the company.

Due to share buy-backs being undertaken at higher prices than the original subscription prices, the balance for ordinary share contributed equity has been reduced to nil, and a reserve created to reflect the excess value of shares bought over the original amount of subscribed capital. Refer to Note 10 for further information about on-market share buy-backs.

Information relating to employee performance option plans and GESP, including details of shares issued under the scheme, is set out in Note 5.

(b) Reserves

Movement in reserves

	Share-based payments reserve (i) US$m		Foreign currency translation reserve (ii) US$m		Total US$m	
	2019	2018	2019	2018	2019	2018
Opening balance	**195.1**	168.2	**29.1**	126.0	**224.2**	294.2
Share-based payments expense	**52.0**	30.1		–	**52.0**	30.1
Deferred tax on share-based payments	**0.6**	(3.2)		–	**0.6**	(3.2)
Net exchange gains/(losses) on translation of foreign subsidiaries, net of hedge		–	**(34.7)**	(96.9)	**(34.7)**	(96.9)
Closing balance	**247.7**	195.1	**(5.6)**	29.1	**242.0**	224.2

Nature and purpose of reserves

i. Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options, performance rights and GESP rights issued to employees.

ii. Foreign currency translation reserve

Where the functional currency of a subsidiary is not US dollars, its assets and liabilities are translated on consolidation to US dollars using the exchange rates prevailing at the reporting date, and its profit and loss is translated at average exchange rates. All resulting exchange differences are recognized in other comprehensive income and in the foreign currency translation reserve in equity. Exchange differences arising from borrowings designated as hedges of net investments in foreign entities are also included in this reserve.

Note 13: Commitments and Contingencies[7]

(a) Commitments

Operating leases entered into relate predominantly to leased land and rental properties. The leases have varying terms and renewal rights. Rental payments under the leases are predominantly fixed, but generally contain inflation escalation clauses.

Finance leases entered into relate predominantly to leased plant and equipment. The leases have varying terms but lease payments are generally fixed for the life of the agreement. In some instances, at the end of the lease term the Group has the option to purchase the equipment.

No operating or finance lease contains restrictions on financing or other leasing activities.

Commitments in relation to non-cancellable operating leases, finance leases and capital expenditure contracted but not provided for in the financial statements are payable as follows:

	Operating Leases US$m		Finance Leases US$m		Capital Commitments US$m		Total US$m	
	2019	2018	2019	2018	2019	2018	2019	2018
Not later than one year	**77.1**	64.5	**3.8**	3.7	**802.0**	532.2	**882.9**	600.4
Later than one year but not later than five years	**288.6**	242.5	**10.9**	10.4	**148.4**	151.5	**447.9**	404.4
Later than five years	**369.3**	466.5	**12.1**	14.5	**–**	–	**381.4**	481.0
Sub-total	**735.0**	773.5	**26.8**	28.6	**950.4**	683.7	**1,712.2**	1,485.8
Future finance charges	**–**	–	**(4.2)**	(5.1)	**–**	–	**(4.2)**	(5.1)
Total	**735.0**	773.5	**22.6**	23.5	**950.4**	683.7	**1,708.0**	1,480.7

The present value of finance lease liabilities is as follows:

	2019 US$m	2018 US$m
Not later than one year	**3.1**	3.0
Later than one year but not later than five years	**8.7**	7.9
Later than five years	**10.8**	12.6
Total	**22.6**	23.5

(b) Contingent assets and liabilities

Litigation

The Group is involved in litigation in the ordinary course of business, including litigation for breach of contract and other claims. In certain cases, the Group has recognized a legal provision (see Note 16) which would be utilised should any settlements be required.

The Group remains subject to certain patent infringement actions brought by competitors. CSL is highly confident in our intellectual property positions which are the product of more than a decade of innovative research by the Group. The Company is vigorously defending against the claims.

7 Commitments and contingencies are disclosed net of the amount of GST (or equivalent) recoverable from, or payable to, a taxation authority.

Efficiency of Operation

Note 14: Cash and Cash Equivalents, Cash Flows

	2019 US$m	2018 US$m
Reconciliation of cash and cash equivalents		
Cash at bank and on hand	**653.8**	572.5
Cash deposits	**4.0**	242.2
Less bank overdrafts	**–**	(2.0)
Total cash and cash equivalents	**657.8**	812.7
Reconciliation of Profit after tax to Cash Flows from Operations		
Profit after tax	**1,918.7**	1,728.9
Non-cash items in profit after tax:		
Depreciation, amortisation and impairment charges	**375.5**	296.7
Loss on disposal of property, plant and equipment	**(0.8)**	3.4
Gain/(loss) on sale of assets	**–**	(3.8)
Share-based payments expense	**52.0**	30.1
Changes in assets and liabilities:		
Increase in trade and other receivables	**(367.1)**	(304.8)
Increase in inventories	**(367.0)**	(138.0)
(Increase)/decrease in retirement benefit assets	**(2.1)**	1.3
(Increase)/decrease in net tax assets	**(98.7)**	127.7
Increase in trade and other payables	**113.1**	128.8
(Decrease)/increase in deferred government grants	**(1.4)**	3.3
Increase in provisions	**17.2**	24.8
Increase in retirement benefit liabilities	**5.0**	3.7
Net cash inflow from operating activities	**1,644.4**	1,902.1
Non-cash financing activities		
Acquisition of plant and equipment by means of finance leases	**3.4**	1.6

Cash, cash equivalents and bank overdrafts

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. They are made up of:

- Cash on hand.
- At call deposits with banks or financial institutions.
- Investments in money market instruments with original maturities of six months or less, that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the cash flow statement, cash at the end of the financial year is net of bank overdraft amounts.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities that are recoverable from or payable to a taxation authority are presented as part of operating cash flows.

Note 15: Trade Receivables and Payables

(a) Trade and other receivables

	2019 US$m	2018 US$m
Current		
Trade receivables	**1,274.4**	1,114.9
Contract Assets	**182.0**	–
Less: Provision for expected credit loss	**(17.5)**	(21.5)
	1,438.9	1,093.4
Sundry receivables	**266.0**	272.1
Prepayments	**116.8**	112.5
Carrying amount of current receivables and contract assets[8]	**1,821.7**	1,478.0
Non-current		
Long term deposits/other receivables	**21.6**	15.3
Carrying amount of non-current other receivables[8]	**21.6**	15.3

Trade, other receivables, and contract assets are initially recorded at fair value and are generally due for settlement within 30 to 60 days from date of invoice. Collectability is regularly reviewed at an operating unit level.

A provision for expected credit loss (ECL) is recognized in accordance with AASB 9. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. When a trade receivable for which a provision for impairment has been recognised becomes uncollectible in a subsequent period, it is written off against the provision.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Contract assets and deferred revenue (contract liabilities): The completion of performance obligations often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in contract assets. Amounts billed in accordance with customer contracts, but where the Group had not yet provided a good or service, are recorded and presented as part of deferred revenue. Deferred revenue is recognised as revenue when the Group performs under the contract.

Other current receivables are recognised and carried at the nominal amount due upon a unconditional right to payment. Non-current receivables are recognised and carried at amortised cost. They are non-interest bearing and have various repayment terms.

As at 30 June 2019, the Group had made provision for impairment of $17.5m (2018: $21.5m).

	2019 US$m	2018 US$m
Opening balance at 1 July	21.5	22.6
Additional allowance/(utilised/written back)	(3.5)	(0.8)
Currency translation differences	(0.5)	(0.3)
Closing balance at 30 June	17.5	21.5

Non-trade receivables do not include any impaired or overdue amounts and it is expected they will be received when due. The Group does not hold any collateral in respect to other receivable balances.

Key Judgements and Estimates

In applying the Group's accounting policy to trade and other receivables with governments and related entities in South Eastern Europe as set out in Note 11, significant judgement is involved in assessing the expected credit loss of trade or other receivable amounts. Matters considered include recent trading experience, current economic and political conditions and the likelihood of continuing support from agencies such as the European Central Bank.

8 The carrying amount disclosed above is a reasonable approximation of fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable disclosed above. Refer to Note 11 for more information on the risk management policy of the Group and the credit quality of trade receivables.

(b) Trade and other payables

	2019 US$m	2018 US$m
Current		
Trade payables	**422.6**	417.4
Accruals and other payables	**951.5**	807.0
Share-based payments (EDIP)	**33.6**	32.4
Carrying amount of current trade and other payables	**1,407.7**	1,256.8
Non-current		
Accruals and other payables	**86.5**	102.0
Share-based payments (EDIP)	**–**	24.6
Carrying amount of non-current other payables	**86.5**	126.6

Trade and other payables represent amounts reflected at notional amounts owed to suppliers for goods and services provided to the Group prior to the end of the financial year that are unpaid. Trade and other payables are non-interest bearing and have various repayment terms but are usually paid within 30 to 60 days of recognition.

Receivables and payables include the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, taxation authorities is included in other receivables or payables in the balance sheet.

Note 16: Provisions

	Employee benefits US$m	Legal US$m	Other US$m	Total US$m
Current				
Carrying amount at the start of the year	116.3	63.6	0.8	180.7
Utilised	(60.2)	–	–	(60.2)
Additions	76.8	–	–	76.8
Currency translation differences	(2.5)	–	0.1	(2.4)
Carrying amount at the end of the year	**130.4**	**63.6**	**0.9**	**194.9**
Non-current				
Carrying amount at the start of the year	34.4	–	0.3	34.7
Utilised	(2.2)	–	–	(2.2)
Additions	4.1	–	–	4.1
Currency translation differences	(0.4)	–	(0.3)	(0.7)
Carrying amount at the end of the year	**35.9**	**–**	**–**	**35.9**

Provisions are recognised when all three of the following conditions are met:

- The Group has a present or constructive obligation arising from a past transaction or event.
- It is probable that an outflow of resources will be required to settle the obligation.
- A reliable estimate can be made of the obligation.

Provisions are not recognised for future operating losses.

Provisions recognised reflect management's best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to settle the obligation at a pre-tax discount rate that reflects current market assessments of the time value of money and of the risks specific to the obligation.

Detailed information about the employee benefits is presented in Note 5.

Other Notes

Note 17: Related Party Transactions

Ultimate controlling entity

The ultimate controlling entity is CSL Limited, otherwise described as the parent company.

Related party transactions

The parent company entered into the following transactions during the year with related parties in the Group.

Wholly owned subsidiaries

- Loans were advanced and repayments received on the long term intercompany accounts.
- Interest was charged on outstanding intercompany loan account balances.
- Sales and purchases of products.
- Licensing of intellectual property.
- Provision of marketing services by controlled entities.
- Management fees were received from a controlled entity.
- Management fees were paid to a controlled entity.

The transactions were undertaken on commercial terms and conditions.

Payment for intercompany transactions is through intercompany loan accounts and may be subject to extended payment terms.

Ownership interests in related parties

All transactions with subsidiaries have been eliminated on consolidation.

Subsidiaries

The following table lists the Group's material subsidiaries.

		Percentage owned	
Company	Country of Incorporation	2019 %	2018 %
CSL Limited	Australia		
Subsidiaries of CSL Limited:			
CSL Innovation Pty Ltd*	Australia	100	100
CSL Behring (Australia) Pty Ltd	Australia	100	100
CSL Behring LLC	USA	100	100
CSL Plasma Inc	USA	100	100
CSL Behring GmbH	Germany	100	100
CSL Behring AG	Switzerland	100	100
CSL Behring Lengnau AG	Switzerland	100	100
Seqirus UK Limited	UK	100	100
Seqirus Pty Ltd	Australia	100	100
Seqirus Vaccines Limited	UK	100	100
Seqirus Inc	USA	100	100

* This entity was named Zenyth Therapeutics Pty Ltd until 1 June 2019

Key management personnel transactions with the Group

The following transactions with key management personnel and their related entities have occurred during the financial year. These transactions occur as part of a normal supplier or partner relationship on "arm's length" terms:

CSL has entered into a number of contracts, including collaborative research agreements, with Monash University, of which Megan Clark is a member of Council.

CSL has entered into a number of contracts, including collaborative research agreements, with the Walter and Eliza Hall Institute for Medical Research, of which Marie McDonald is a director.

CSL has entered into a research collaboration with Frazier Healthcare, of which Tadataka Yamada is a partner.

CSL in Australia has a corporate account with Medibank Private Limited, of which Christine O'Reilly is a director.

CSL has entered into a research collaboration with the Baker Heart and Diabetes Institute, of which Christine O'Reilly is a director.

CSL has received financial services from Bank of America Merrill Lynch, of which Megan Clark is a member of the Australian Advisory Board.

CSL has a commercial arrangement to acquire laboratory supplies from Agilent Technologies, of which Tadataka Yamada is a director.

CSL has entered into a research collaboration with the Centre of Eye Research Australia, of which Andrew Cuthbertson is a director.

Note 18: Detailed Information – People Costs

(a) Defined benefit plans

The Group sponsors a range of defined benefit pension plans that provide either a lump sum or ongoing pension benefit for its worldwide employees upon retirement. Entities of the Group who operate defined benefit plans contribute to the respective plans in accordance with the Trust Deeds, following the receipt of actuarial advice.

The surplus/deficit for each defined benefit plan operated by the Group is as follows:

	June 2019 $m			June 2018 $m		
Pension Plan	Plan Assets	Accrued benefit	Plan surplus/ (deficit)	Plan Assets	Accrued benefit	Plan surplus/ (deficit)
CSL Pension Plan (Australia) – provides a lump sum benefit upon exit	**20.3**	**(19.0)**	**1.3**	23.3	(19.2)	4.1
CSL Behring AG Pension Plan (Switzerland) – provides an ongoing pension	**582.6**	**(664.4)**	**(81.8)**	533.9	(559.8)	(25.9)
CSL Behring Union Pension Plan (USA) – provides an ongoing pension	**62.2**	**(62.0)**	**0.2**	59.4	(61.3)	(1.9)
CSL Behring GmbH Supplementary Pension Plan (Germany) – provides an ongoing pension	**–**	**(190.0)**	**(190.0)**	–	(166.2)	(166.2)
bioCSL GmbH Pension Plan (Germany) – provides an ongoing pension	**–**	**(2.9)**	**(2.9)**	–	(2.7)	(2.7)
CSL Behring KG Pension Plan (Germany) – provides an ongoing pension	**–**	**(14.7)**	**(14.7)**	–	(12.9)	(12.9)
CSL Plasma GmbH Pension Plan (Germany) – provides an ongoing pension	**–**	**(0.3)**	**(0.3)**	–	(0.3)	(0.3)
CSL Behring KK Retirement Allowance Plan (Japan) – provides a lump sum benefit upon exit	**–**	**(14.7)**	**(14.7)**	–	(14.3)	(14.3)
CSL Behring S.A. Pension Plan (France) – provides a lump sum benefit upon exit	**–**	**(1.4)**	**(1.4)**	–	(1.1)	(1.1)
CSL Behring S.p.A Pension Plan (Italy) – provides a lump sum benefit upon exit	**–**	**(1.2)**	**(1.2)**	–	(1.3)	(1.3)
Total	**665.1**	**(970.6)**	**(305.5)**	616.6	(839.1)	(222.5)

In addition to the plans listed above, CSL Behring GmbH and Seqirus GmbH employees are members of multi-employer plans administered by an unrelated third party. CSL Behring GmbH, Seqirus GmbH and their employees make contributions to the plans and receive pension entitlements on retirement. Participating employers may have to make additional contributions in the event that the plans have insufficient assets to meet their obligations. However, there is insufficient information available to determine this amount on an employer by employer basis. The contributions made by CSL Behring GmbH and Seqirus GmbH are determined by the Plan Actuary and are designed to be sufficient to meet the obligations of the plans based on actuarial assumptions. Contributions made by CSL Behring GmbH and Seqirus GmbH are expensed in the year in which they are made.

Movements in Accrued benefits and assets

During the financial year the value of accrued benefits increased by $131.5m, mainly attributable to three main factors:

- Actuarial adjustments, due primarily to lower discount rates at the end of the year than originally anticipated by the actuary, generated an increase in accrued benefits of $75.6m. These adjustments do not affect the profit and loss as they are recorded in Other Comprehensive Income.
- Service cost charged to the profit and loss of $33.1m. This amount represents the increased benefit entitlement of members, arising from an additional year of service and salary increases

Interest costs of $11.9m, representing the discount rate on the benefit obligation and anticipated monthly benefit payments.

- In the prior year the value of accrued benefits decreased by $6.0m. The decrease is mainly attributable to three main factors:
- Actuarial adjustments, due primarily to higher discount rates at the end of the year than originally anticipated by the actuary, generated a decrease in accrued benefits of $25.9m. These adjustments do not affect the profit and loss as they are recorded in Other Comprehensive Income.
- Foreign currency movements had a $18.5m favourable impact on the value of accrued benefits, this movement is taken to the Foreign Currency Translation Reserve.

Offsetting these decreases were:

- Service cost charged to the profit and loss of $40.2m. This amount represents the increased benefit entitlement of members, arising from an additional year of service and salary increases, which are taken into account in the calculation of the accrued benefit.

Plan assets increased by $38.3m during the financial year. The increase is mainly attributable to the following factors:

- Contributions made by employer and employee increased plan assets by $37.9m.

Investment returns increased plan assets by $5.9m; and

Offsetting these increases were benefits paid by the plans of $3.7m and unfavourable foreign currency movements of $1.1m which are taken directly to the Foreign Currency Translation Reserve.

In the prior year plan the value of plan assets increased by $21.3m. Contributing factors were investment returns earned on plan assets ($17.9m), employer and employee contributions ($32.9m); offset by benefits paid by the plan ($8.3m) and unfavourable currency movements ($20.6m).

The principal actuarial assumptions, expressed as weighted averages, at the reporting date are:	2019 %	2018 %
Discount rate	**1.0%**	1.3%
Future salary increases	**2.1%**	2.0%
Future pension increases	**0.4%**	0.4%

Plan Assets:

The major categories of total plan assets are as follows:	2019 $m	2018 $m
Cash	**40.8**	38.2
Instruments quoted in active markets:		
Equity Instruments	**227.3**	219.9
Bonds	**278.7**	262.7
Unquoted investments – property	**115.1**	92.3
Other assets	**3.2**	3.5
Total Plan assets	**665.1**	616.6

The variable with the most significant impact on the defined benefit obligation is the discount rate applied in the calculation of accrued benefits. A decrease in the average discount rate applied to the calculation of accrued benefits of 0.25% would increase the defined benefit obligation by $38.7m. An increase in the average discount rate of 0.25% would reduce the defined benefit obligation by $36.0m.

The defined benefit obligation will be discharged over an extended period as members exit the plans. The plan actuaries have estimated that the following payments will be required to satisfy the obligation. The actual payments will depend on the pattern of employee exits from the Group's plans.

Year ended 30 June 2020	$22.8m (2018: 21.9m)
Between two and five years	$99.3m (2018: 92.9m)
Between five and ten years	$148.1m (2018: 139.1m)
Beyond ten years	$699.7m (2018: 585.2m)

(b) Share-based payments – equity settled

In 2017 CSL introduced a new long term incentive framework. Legacy programs will cease to operate in 2020.

Long Term Incentives under the current framework

A face value equity allocation methodology, being a volume weighted average share price based on the market price of a CSL share at the time of grant, is used to determine the number of units granted to a participant under each of the shared based payment plans, which are as follows:

The Executive Performance and Alignment Plan (EPA) that grants Performance Share Units (PSU) to qualifying executives. Vesting is subject to continuing employment, satisfactory performance and the achievement of an absolute return measure. The return measure is a seven year rolling average Return on Invested Capital.

The Retain and Grow Plan (RGP) that grants Restricted Share Units (RSU) to qualifying employees, participation in the RGP plan is broader than in the EPA plan. Vesting is subject to continuing employment and satisfactory performance.

Under both the EPA and annual RGP plans grants will vest in equal tranches on the first, second, third and fourth anniversaries of grant. For RGP commencement benefit awards, vesting dates will vary.

There have been no changes to the terms of grant of any existing instruments.

The fair value of the PSUs and RSUs granted is estimated at the date of grant using an adjusted form of the Black Scholes model, taking into account the terms and conditions upon which the PSUs and RSUs were granted. There is no exercise price payable on PSUs or RSUs. On 1 September 2018, 159,275 PSUs and 284,365 RSUs were granted. The relevant tranche of PSUs and RSUs will exercise upon vesting on 1 September 2018, 2019, 2020, 2021, and 2022. On 1 March 2019, 6,389 PSUs and 19,611 RSUs were granted. The relevant tranche of PSUs and RSUs will exercise upon vesting between March 2019 and September 2022.

Legacy Share-based Long Term Incentives (LTI) issued in October 2014, October 2015 and October 2016

Performance rights grants made in 2014, 2015 and 2016 will vest over a four year period with no retest. The EPS growth test has 100% vesting occurring at a 13% compound annual growth rate and the potential for additional vesting on the achievement of stretch EPS growth targets. The relative TSR test is against a cohort of global pharmaceutical and biotechnology companies and progressive vesting has been reintroduced with 50% vesting where CSL's performance is at the 50th percentile rising to 100% vesting at the 75th percentile. Performance Options also vest over a four year period and have no performance hurdles. The options only have value when the share price on exercise exceeds the exercise price. The company does not provide loans to fund the exercise of options.

The Non-Executive Directors Plan (NED)

The Non-Executive Directors (NED) pay a minimum of 20% of their pre-tax base fee in return for a grant of Rights, each Right entitling a NED to acquire one CSL share at no cost. There is a nominated restriction period, of three to fifteen years, after which the NED will have access to their shares.

On 23 August 2018, 4,978 Rights were granted under the NED vesting on 18 February 2019 and 19 August 2019.

Global Employee Share Plan (GESP)

The Global Employee Share Plan (GESP) allows employees to make contributions from after tax salary up to a maximum of A$6,000 per six month contribution period. The employees receive the shares at a 15% discount to the applicable market rate, as quoted on the ASX on the first day or the last day of the six-month contribution period, whichever is lower.

Recognition and measurement

The fair value of options or rights is recognised as an employee benefit expense with a corresponding increase in equity. Fair value is independently measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or rights. Fair value is independently determined using a combination of the Binomial and Black Scholes valuation methodologies, including Monte Carlo simulation, taking into account the terms and conditions on which the options and rights were granted. The fair value of the options granted excludes the impact of any non-market vesting conditions, which are included in assumptions about the number of options that are expected to vest.

At each reporting date, the number of options and rights that are expected to vest is revised. The employee benefit expense recognised each period takes into account the most recent estimate of the number of options and rights that are expected to vest. No expense is recognised for options and rights that do not ultimately vest, except where the vesting is conditional upon a market condition and that market condition is not met.

Valuation assumptions and fair values of equity instruments granted

The model inputs for performance share units, restricted share units and GESP awards granted during the year ended 30 June 2019 included:

	Fair Value[9]	Share Price	Exercise Price	Expected volatility[10]	Life assumption	Expected dividend yield	Risk free interest rate
	A$	A$	A$				
Performance Share Units (by grant date)							
1 September 2018 – Tranche 1	$223.06	$225.41	Nil	17.97%	12 months	1.05%	1.99%
1 September 2018 – Tranche 2	$221.72	$225.41	Nil	20.45%	24 months	1.05%	1.95%
1 September 2018 – Tranche 3	$219.41	$225.41	Nil	20.17%	36 months	1.05%	2.25%
1 September 2018 – Tranche 4	$216.13	$225.41	Nil	20.24%	48 months	1.05%	2.34%
1 March 2019 – Tranche 1	$187.94	$189.05	Nil	26.71%	6 months	1.17%	1.84%
1 March 2019 – Tranche 2	$185.75	$189.05	Nil	21.43%	18 months	1.17%	1.70%
1 March 2019 – Tranche 3	$183.60	$189.05	Nil	21.94%	30 months	1.17%	1.79%
1 March 2019 – Tranche 4	$181.47	$189.05	Nil	21.28%	42 months	1.17%	1.89%
Restricted Share Units (by grant date)							
1 September 2018 – Tranche 1	$225.41	$225.41	Nil	N/A	Nil	1.05%	1.50%
1 September 2018 – Tranche 1	$224.24	$225.41	Nil	17.97%	6 months	1.05%	1.99%
1 September 2018 – Tranche 2	$223.06	$225.41	Nil	17.94%	12 months	1.05%	1.99%
1 September 2018 – Tranche 2	$221.89	$225.41	Nil	20.45%	18 months	1.05%	1.95%
1 September 2018 – Tranche 3	$220.72	$225.41	Nil	20.33%	24 months	1.05%	2.04%
1 September 2018 – Tranche 3	$219.57	$225.41	Nil	20.17%	30 months	1.05%	2.25%
1 September 2018 – Tranche 4	$218.41	$225.41	Nil	20.12%	36 months	1.05%	2.13%
1 September 2018 – Tranche 4	$216.13	$225.41	Nil	20.24%	48 months	1.05%	2.34%
1 March 2019 – Tranche 1	$189.05	$189.05	Nil	26.71%	6 months	1.17%	1.84%
1 March 2019 – Tranche 1	$187.94	$189.05	Nil	23.60%	Nil	1.17%	1.50%
1 March 2019 – Tranche 2	$186.85	$189.05	Nil	21.43%	18 months	1.17%	1.70%
1 March 2019 – Tranche 2	$185.75	$189.05	Nil	23.60%	12 months	1.17%	1.74%
1 March 2019 – Tranche 3	$184.68	$189.05	Nil	21.94%	30 months	1.17%	1.79%
1 March 2019 – Tranche 3	$183.60	$189.05	Nil	20.58%	24 months	1.17%	1.78%
1 March 2019 – Tranche 4	$181.47	$189.05	Nil	21.28%	42 months	1.17%	1.89%
NED Rights (by grant date)							
23 August 2018 – Tranche 1	$215.17	$216.28	Nil	19.42%	6 months	1.05%	1.98%
23 August 2018 – Tranche 2	$214.05	$216.28	Nil	17.94%	12 months	1.05%	1.98%
GESP (by grant date)[11]							
1 September 2018	$72.65	$210.65	$138.00	20.0%	6 months	1.75%	1.75%
1 March 2019	$37.44	$198.13	$160.69	20.0%	6 months	1.50%	1.75%

9 PSUs are subject to a ROIC based performance measure.

10 The expected volatility is based on the historic volatility (calculated based on the remaining life assumption of each equity instrument), adjusted for any expected changes.

11 The fair value of GESP equity instruments is estimated based on the assumptions prevailing on the grant date. In accordance with the terms and conditions of the GESP plan, shares are issued at a 15% discount to the lower of the ASX market price on the first and last dates of the contribution period.

(c) Share-based payments – cash settled

The notional shares under the Executive Deferred Incentive Plan generate a cash payment to participants in three years' time, or in limited instances over a prorated period (see Note 5), provided they are still employed by the company and receive a satisfactory performance review over that period. The amount of the cash payment will be determined by reference to the CSL share price immediately before the award maturity date.

Recognition and measurement

The fair value of the cash-settled notional shares is measured by reference to the CSL share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period. The ultimate cost of these transactions will be equal to the fair value at settlement date. The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is carried out as follows:

- At each reporting date between grant and settlement, the fair value of the award is determined.
- During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- All changes in the liability are recognised in employee benefits expense for the period.
- The fair value of the liability is determined by reference to the CSL Limited share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period.
- The following table lists the inputs to the valuation models used during the year for EDIP purposes.

	2019		2018	
Grant date	Fair value of grants at reporting date	Dividend yield %	Fair value of grants at reporting date	Dividend yield %
October 2016*	**A$214.07**	**1.75%**	A$191.11	1.75%
January 2017*	**A$214.33**	**1.75%**	A$193.05	1.75%
April 2017*	**A$214.07**	**1.75%**	A$194.14	1.75%
July 2017*	**A$214.07**	**1.75%**	A$191.59	1.75%
October 2017*	**A$214.70**	**1.75%**	A$193.49	1.75%

* The fair value of grants are the weighted average fair values.

Note 19: Detailed Information – Shareholder Returns

Note	Consolidated Entity 2019 $m	2018 $m
Retained earnings		
Opening balance at 1 July	**8,490.2**	7,403.9
Net profit for the year	**1,918.7**	1,728.9
Opening Balance Sheet adj. ASB 15	**74.0**	–
Dividends	**(806.8)**	(672.2)
Actuarial gain on defined benefit plans	**(76.8)**	36.5
Deferred tax on actuarial (loss) on defined benefit plans	**13.0**	(6.9)
Closing balance at 30 June	**9,612.3**	8,490.2
Performance Options Plan		
Options exercised under Performance Option plans as follows		
8,530 issued at A$29.34 (2018: 24,540 issued at A$29.34)	**0.2**	0.6
198,218 issued at A$73.93	**10.6**	–
	10.8	0.6
Global Employee Share Plan (GESP)		
97,889 issued at A$138.00 on 24 September 2018 (2018: 78,55 issued at A$100.73 on 6 September 2017)	**9.7**	6.3
97,901 issued at A$160.69 on March/April 2019 (2018: 103,966 issued at A$109.05 on 6 March 2018)	**11.1**	8.8
	20.8	15.1

Note 20: Auditor Remuneration

During the year the following fees were paid or were payable for services provided by CSL's auditor and by the auditor's related practices:

Audit or Review of Financial Reports	2019 US$	2018 US$
Audit services		
Ernst & Young Australia	**1,404,900**	1,303,084
Ernst & Young related practices	**3,524,375**	3,457,294
Total remuneration for audit services	**4,929,275**	4,760,378
Audit-related services		
Ernst & Young Australia	**64,778**	50,389
Ernst & Young related practices	**16,753**	11,078
Total remuneration for audit-related services	**81,531**	61,467
Non-audit services		
Ernst & Young Australia	**186,845**	141,185
Ernst & Young related practices	**1,650**	606,114
Total remuneration for non-audit services	**188,495**	747,298
Total remuneration for all services rendered	**5,199,301**	5,569,143

Note 21: Deed of Cross Guarantee

On 22 October 2009, a deed of cross guarantee was executed between CSL Limited and some of its wholly owned entities, namely CSL International Pty Ltd, CSL Finance Pty Ltd, CSL Biotherapies Pty Ltd (now Seqirus (Australia) Pty Ltd) and Zenyth Therapeutics Pty Ltd. Since the establishment of the deed Seqirus Pty Ltd, CSL Behring (Australia) Pty Ltd and CSL Behring (Privigen) Pty Ltd have been added to the deed. During the year ended 30 June 2017 Seqirus Australia Holdings Pty Ltd was added to the deed. Under this deed, each company guarantees the debts of the others. By entering into the deed, these specific wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The entities that are parties to the deed represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by CSL Limited, they also represent the 'Extended Closed Group'. A consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2019 and 30 June 2018 and a consolidated balance sheet as at each date for the Closed Group is set out below.

	Consolidated Closed Group	
	2019	2018
Income Statement	**US$m**	**US$m**
Continuing operations		
Sales revenue	**830.9**	853.5
Cost of sales	**(558.7)**	(531.6)
Gross profit	**272.2**	321.9
Sundry revenues	**38.9**	88.6
Dividend income	**745.9**	1,066
Interest income	**31.6**	59.2
Research and development expenses	**(148.3)**	(150.5)
Selling and marketing expenses	**(51.8)**	(58.4)
General and administration expenses	**(168.6)**	(147.3)
Finance costs	**(27.4)**	(25.7)
Profit before income tax expense	**692.5**	1,153.8
Income tax expense	**(0.1)**	(33.8)
Profit for the year	**692.4**	1,120.0

Balance Sheet	2019 US$m	2018 US$m
Current Assets		
Cash and cash equivalents	**13.6**	270.0
Trade and other receivables	**386.2**	181.6
Inventories	**205.1**	196.4
Total Current Assets	**604.9**	648.1
Non-current assets		
Trade and other receivables	**40.9**	5.6
Other financial assets	**14,627.2**	15,176.9
Property, plant and equipment	**723.6**	673.5
Deferred tax assets	**56.1**	25.3
Intangible assets	**29.9**	32.7
Retirement benefit assets	**1.3**	4.2
Total Non-Current Assets	**15,479.0**	15,917.3
Total assets	**16,083.9**	16,565.4
Current liabilities		
Trade and other payables	**71.1**	211.1
Provisions	**47.8**	45.6
Deferred government grants	**2.7**	2.9
Total Current Liabilities	**121.6**	259.5
Non-current liabilities		
Trade and other payables	**325.4**	9.1
Interest-bearing liabilities and borrowings	**1,207.7**	1,238.5
Provisions	**8.0**	7.7
Deferred government grants	**30.9**	34.1
Total Non-Current Liabilities	**1,572.0**	1,289.5
Total liabilities	**1,693.6**	1,549.1
Net assets	**14,390.3**	15,016.3
Equity		
Contributed equity	**(3,434.0)**	(4,485.3)
Reserves	**88.3**	(4,854.5)
Retained earnings	**17,736.0**	24,356.1
TOTAL EQUITY	**14,390.3**	15,016.3

Summary of movements in consolidated retained earnings of the Closed Group	2019 US$m	2018 US$m
Retained earnings at beginning of the financial year	**17,720.0**	23,908.6
Net profit	**692.4**	1,120.0
Actuarial gain/(loss) on defined benefit plans, net of tax	**0.6**	0.8
Dividends provided for or paid	**(677.1)**	(673.3)
Retained earnings at the end of the financial year	**17,735.9**	23,356.1

Note 22: Parent Entity Information

		2019 US$m	2018 US$m
	Information relating to CSL Limited ('the parent entity')		
(a)	**Summary financial information**		
	The individual financial statements for the parent entity show the following aggregate amounts:		
	Current assets	**336.9**	412.4
	Total assets	**6,072.1**	5,829.7
	Current liabilities	**42.3**	182.9
	Total liabilities	**2,269.0**	1,221.2
	Contributed equity	**(4,057.1)**	(4,088.9)
	Share-based payments reserve	**–**	128.8
	Foreign Currency Translation Reserve	**(624.2)**	(255.8)
	Retained earnings	**8,484.4**	8,824.4
	Net Assets & Total Equity	**3,803.1**	4,608.5
	Profit or loss for the year	**461.9**	1,017.8
	Total comprehensive income	**201.6**	1,017.9

(b) Guarantees entered into by the parent entity

The parent entity provides certain financial guarantees in the ordinary course of business. No liability has been recognised in relation to these guarantees as the fair value of the guarantees is immaterial. These guarantees are mainly related to all external debt facilities of the Group. In addition, the parent entity provides letters of comfort to indicate support for certain controlled entities to the amount necessary to enable those entities to meet their obligations as and when they fall due, subject to certain conditions (including that the entity remains a controlled entity).

(c) Contingent liabilities of the parent entity

The parent entity did not have any material contingent liabilities as at 30 June 2019 or 30 June 2018. For information about guarantees given by the parent entity, please refer above and to Note 21.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any material contractual commitments for the acquisition of property, plant and equipment as at 30 June 2019 or 30 June 2018.

Note 23: Subsequent Events

Other than as disclosed elsewhere in these statements, there are no matters or circumstances which have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, results of those operations or the state of affairs of the Group in subsequent financial years.

Note 24: New and Revised Accounting Standards

(a) New and revised standards and interpretations adopted by the Group

The Group has adopted, for the first time, certain standards and amendments to accounting standards. The adoption of AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments as of 1 July 2018 has been disclosed in these financial statements. The Group has also early adopted AASB 2018-6 Amendment to Australian Accounting Standards – Definition of a Business, which clarifies the minimum requirements for a business.

(b) New and revised standards and interpretations not yet adopted by the Group

The following new and revised accounting standards and interpretations published by the Australian Accounting Standards Board which are considered relevant to the Group, are not yet effective. Unless otherwise stated below the Group has not yet completed its assessment of the impact of these new and revised standards on the financial report.

Applicable to the Group for the year ended 30 June 2020:

AASB 16 – Leases

This standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Key judgments in determining the lease value include incremental borrowing rates and lease period. Depreciation on the asset and interest on the liability will be recognised. The new standard will create new assets (right of use assets) and new liabilities (lease liabilities) and change the character of various items in the statement of comprehensive income. Amounts that had been included in lease expense will be reported in depreciation and interest expense under the new standard. The most significant category of right of use assets and liabilities will be plasma centre leases. The impact of adopting the standard on the net profit before tax is not expected to be material.

AASB2018-2 (Amendment to AASB 119 – Employee Benefits)

This pronouncement specifies how an entity accounts for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period. It requires entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event occurs. It also clarifies that when such an event occurs, an entity recognises the past service cost or a gain or loss on settlement separately from its assessment of the asset ceiling.

IFRIC Interpretation 23 – Uncertainty over income tax treatments

IFRIC23 clarifies the application of recognition and measurement requirements of AASB 112 Income Taxes where there is uncertainty over income tax treatments. The interpretation is not expected to result in any material change to the financial statements of the group.

Directors' Declaration

1) In the opinion of the Directors:
   (a) the financial statements and notes of the company and of the Group are in accordance with the Corporations Act 2001 (Cth), including:
      (i) giving a true and fair view of the company's and Group's financial position as at 30 June 2019 and of their performance for the year ended on that date; and
      (ii) complying with Australian Accounting Standards and Corporations Regulations 2001.
   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2) About this Report (a) in the notes to the financial statements confirms that the financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.
3) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 (Cth) for the financial period ended 30 June 2019.
4) In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 21 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee dated 22 October 2009.

This declaration is made in accordance with a resolution of the directors.

Dr Brian McNamee AO
Chairman

Paul Perreault
Managing Director

Melbourne
August 13 2019

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Independent Auditor's Report to the Members of CSL Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CSL Limited (the Company), and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Existence and valuation of inventories

Why significant	How our audit addressed the key audit matter
At 30 June 2019, the Group holds inventories of $3,038.8 million which are recorded at the lower of cost and net realisable value. The Group's accounting for inventories is complex as the nature of products being produced and the strict quality and efficacy requirements it is required to comply with leads to a risk that inventories may be valued at greater than their recoverable amount. Provisions can be recognised for all components of inventories, including raw materials, work in progress and finished goods. The Group considers a number of factors when determining the appropriate level of inventory provisioning, including regulatory approvals and future demand for the Group's products. In addition, the geographic footprint of the Group and the movements and sale of inventory between the Group's operations means both the existence of inventories and the valuation of inventories is a key audit matter. This includes considering whether any mark up of inventories from sales within the Group is appropriately eliminated in the consolidated financial statements. The Group's disclosures with respect to inventories is included in Note 4 of the financial report.	We have assessed the carrying value of inventories, including costing and provisions for obsolescence and net realisable value at 30 June 2019. The existence of inventories has been tested through our attendance at regular cycle counts conducted throughout the period or through attendance at year-end inventory stocktakes in all locations with significant stock holdings. Observing physical inventories assisted with our valuation assessment as we were able to identify quality issues and validate expiry dates of products. We assessed the appropriateness of the determination of inventory cost by assessing the accuracy of the standard costing used by the Group and assessing the recognition of variances from standard costs. We assessed whether inventory is recognised at the lower of cost or net realisable value at period end by comparing the inventory value measured at cost to audit evidence supporting net realisable value such as the current selling price of the products and achieved margins. We assessed whether the provisions for obsolescence calculated by the Group reflect known quality issues and commercial considerations including product expiration, market demand, and manufacturing plans, as well as their compliance with Australian Accounting Standards, and consistent application from prior periods. We assessed the Group's financial report consolidation process, the elimination of any unrealised profits on transactions between group entities and resultant tax consequences. We have assessed the Group's disclosures with respect to inventories in Note 4 of the financial report.

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2. Tax complexities

Why significant	How our audit addressed the key audit matter
Recoverability of deferred tax assets The Group has recognised deferred tax assets related to carry-forward tax losses of $183.4 million. The majority relates to two entities, Seqirus UK Ltd (United Kingdom) and CSL Behring Lengnau AG (Switzerland). The Group recognised deferred tax assets for tax losses carried forward to the extent that it was considered probable that future taxable profits will be available, against which unused tax losses can be utilised. Assessing the future taxable profit is complex and requires significant estimates, in particular around the future taxable income of the loss making business. The valuation of the deferred tax asset for CSL Behring Lengnau AG (Switzerland) is also dependent on the timing of the future profits, as this impacts the tax rate at which the deferred tax asset will be realised. Uncertain tax positions The Group operates in a number of different tax jurisdictions, all of which have specific risks and regulations that need to be considered. In particular, transfer pricing arrangements relating to transactions within the Group are significant with a large number of cross-border purchases and sales, as well as transfers of intellectual property between Group entities in different tax jurisdictions. The Group's disclosures with respect to taxation are included in Note 3 of the financial report.	Recoverability of deferred tax assets Our audit procedures over the recoverability of the deferred tax assets included assessing the forecast cash flows and considering whether they were based on reasonable assumptions. In addition, we considered other assumptions such as transfer pricing, tax depreciation and the deductibility of expenditure, including local tax legislation in each relevant jurisdiction. Additionally, we assessed whether the Group's disclosures relating to the application of judgement in estimating recognised and unrecognised deferred tax asset balances. Uncertain tax positions We assessed the Group's various tax exposures to assess whether adequate provisions have been recorded for exposures with higher risk and uncertainty. Involving our taxation specialists in relevant countries, our audit procedures included: ► assessing the Group's determination of current and deferred income tax expense, with particular focus on uncertain tax positions and transfer pricing; ► considering any third party taxation advice received; ► understanding the status of and accounting for any tax audits being conducted by regulators around the world and their findings; and ► considering the Group's transfer pricing documentation.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of CSL Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Rodney Piltz
Partner
13 August 2019

Kylie Bodenham
Partner
13 August 2019

12 Share Information

CSL Limited

Issued Capital Ordinary Shares: 453,138,632 as at 30 June 2019.

Details of incorporation

CSL's activities were carried on within the Commonwealth Department of Health until the Commonwealth Serum Laboratories Commission was formed as a statutory corporation under the *Commonwealth Serum Laboratories Act 1961* (Cth) (the CSL Act) on 2 November 1961. On 1 April 1991, the Corporation was converted to a public company limited by shares under the Corporations Law of the Australian Capital Territory and it was renamed Commonwealth Serum Laboratories Limited. These changes were brought into effect by the *Commonwealth Serum Laboratories (Conversion into Public Company) Act 1990* (Cth). On 7 October 1991, the name was changed to CSL Limited. The Commonwealth divested all of its shares by public float on 3 June 1994.

The CSL *Sale Act 1993* (Cth) amends the CSL Act to impose certain restrictions on the voting rights of persons having significant foreign shareholdings, and certain restrictions on CSL itself. CSL ordinary shares (being the only class of shares on issue) have been traded on the Australian Securities Exchange (ASX) since 30 May 1994. Melbourne is the Home Exchange.

In June 2014, CSL commenced a sponsored Level 1 American Depository Receipts (ADR) program with the Bank of New York Mellon. The sponsored ADR program replaced the unsponsored ADR programs that have previously operated with CSL's involvement.

The ADRs are tradeable via licensed US brokers in the ordinary course of trading in the Over-The-Counter (OTC) market in the US. Particulars for the sponsored ADR program are: US Exchange – OTC and DR Ticker Symbol – CSLLY.

Substantial shareholders

As at 30 June 2019, BlackRock Inc and its subsidiaries and The Vanguard Group Inc and its subsidiaries were substantial shareholders in CSL. The number of shares to which each substantial holder and the substantial holder's associates have a relevant interest, as disclosed in substantial holding notices given to CSL, are as follows:

Name	Number of shares held	% of total voting rights
BlackRock Inc and its subsidiaries (last notice received on 3 March 2017)	22,884,245	5.02
The Vanguard Group Inc and its subsidiaries (last notice received on 31 October 2018)	23,049,170	5.10

Voting rights

At a general meeting, subject to restrictions imposed on significant foreign shareholdings and some other minor exceptions, on a show of hands each shareholder present has one vote. On a poll, each shareholder present has one vote for each fully paid share held in person or by proxy.

In accordance with the CSL Act, CSL's Constitution provides that the votes attaching to significant foreign shareholdings are not to be counted when they pertain to the appointment, removal or replacement of more than one-third of the directors of CSL who hold office at any particular time. A significant foreign shareholding is one where a foreign person has a relevant interest in 5% or more of CSL's voting shares.

Distribution of shareholdings as at 30 June 2019

Range	Total Holders	Shares	% of Issued Capital
1 – 1,000	140,267	33,287,407	7.35
1,001 – 5,000	22,364	51,407,512	11.34
5,001 – 10,000	3,629	24,949,316	5.51
10,001 – 100,000	1,510	27,040,645	5.97
100,001 and over	54	316,453,752	69.84
Total shareholders and shares on issue	**167,824**	**453,138,632**	**100.00**

Unmarketable Parcels	Minimum Parcel Size	Holders	Shares
Minimum A$500.00 parcel at A$215.00 per share (being the closing market price on 28 June 2019)	3	494	609

Shareholder information

Share Registry is overseen by Computershare. Shareholders with enquiries go to investorcentre.com where most common questions can be answered by virtual agent "Penny". There is an option to contact the Share Registry by email if the virtual agent cannot provide the answer. Alternatively, shareholders may telephone or write to the Share Registry at the below address.

Separate shareholdings may be consolidated by advising the Share Registry in writing or by completing a Request to Consolidate Holdings form which can be found online at investorcentre.com.

Change of address should be notified to the Share Registry online via the Investor Centre at investorcentre.com, by telephone or in writing without delay. Shareholders who are broker sponsored on the CHESS sub-register must notify their sponsoring broker of a change of address.

Direct payment of dividends into a nominated account is mandatory for shareholders with a registered address in Australia or New Zealand. All shareholders are encouraged to use this option by providing a payment instruction online via the Investor Centre at investorcentre.com or by obtaining a direct credit form from the Share Registry or by advising the Share Registry in writing with particulars.

CSL now offers shareholders the opportunity to receive dividend payments in US dollars by direct credit to a US bank account. Shareholders who wish to avail themselves of this payment option for the 2019 final dividend payment must provide their valid US bank account details to the Share Registry by the dividend record date of 12 September 2019.

The Annual Report is produced for your information. The default option is an online Annual Report via CSL.com. If you opted to continue to receive a printed copy and you receive more than one or you wish to be removed from the mailing list for the Annual Report, please advise the Share Registry. You will continue to receive Notices of Meeting and Proxy forms.

The Annual General Meeting will be held at The Westin Sydney, New South Wales, the Grand Ballroom, at 1 p.m. on Wednesday, 16 October 2019. For transport and parking directions to the venue please visit westinsydney.com.

CSL's twenty largest shareholders as at 30 June 2019

	Shareholder	Account	Shares	% Total Shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		152,767,640	33.71
2	J P MORGAN NOMINEES AUSTRALIA LIMITED		81,609,220	18.01
3	CITICORP NOMINEES PTY LIMITED		27,754,509	6.12
4	NATIONAL NOMINEES LIMITED		13,903,808	3.07
5	BNP PARIBAS NOMINEES PTY LTD		8,522,253	1.88
6	CITICORP NOMINEES PTY LIMITED		5,002,386	1.10
7	BNP PARIBAS NOMS PTY LTD		4,386,419	0.97
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		2,618,917	0.58
9	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED		1,915,812	0.42
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		1,453,180	0.32
11	CUSTODIAL SERVICES LIMITED		1,361,845	0.30
12	AMP LIFE LIMITED		1,302,590	0.29
13	ARGO INVESTMENTS LIMITED		1,113,370	0.25
14	NETWEALTH INVESTMENTS LIMITED		1,057,223	0.23
15	D W S NOMINEES PTY LTD		793,090	0.18
16	MUTUAL TRUST PTY LTD		704,852	0.16
17	NAVIGATOR AUSTRALIA LTD		645,623	0.14
18	MILTON CORPORATION LIMITED		601,198	0.13
19	DIVERSIFIED UNITED INVESTMENT LTD		565,000	0.12
20	BNP PARIBAS NOMS (NZ) LTD		531,479	0.12
Top 20 holders of ordinary fully paid shares			**308,610,414**	**68.11**
Remaining holders balance			**144,528,218**	**31.89**
Total shares on issue			**453,138,632**	**100.00**

In addition, as at 30 June 2019, a substantial shareholder notice has been received from:

BlackRock Inc and its subsidiaries and The Vanguard Group Inc and its subsidiaries.

Share Registry

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Postal Address:
GPO Box 2975 Melbourne VIC 3001

Enquiries within Australia: 1800 646 882
Enquiries outside Australia: +61 3 9415 4178

Investor enquiries online: investorcentre.com/contact
Website: investorcentre.com

13 Medical Glossary

Adjuvant is a substance which enhances the body's immune response to an antigen.

Albumin is any protein that is soluble in water and moderately concentrated salt solutions and is coagulable by heat. It is found in egg whites, blood, lymph, and other tissues and fluids. In the human body, serum albumin is the major plasma protein (approximately 60% of the total).

Alpha 1 antitrypsin deficiency is an inherited disorder that may cause lung disease and liver disease.

Amyotrophic lateral sclerosis is a degenerative disorder of specific nerve cells of the spinal cord, brain stem and brain.

Antivenom (or antivenin, or antivenene) is a biological product used in the treatment of venomous bites or stings.

Autoimmune disease is when the body's immune system attacks healthy cells.

Biopharmaceuticals are proteins (including antibodies), nucleic acids (DNA, RNA or antisense oligonucleotides) used for prophylactic or therapeutic purposes.

C1 esterase inhibitor is a protein found in the fluid part of blood that controls C1, the first component of the complement system. The complement system is a group of proteins that move freely through the blood stream. These proteins work with the immune system and play a role in the development of inflammation.

Cell-based (technology) for the manufacture of influenza vaccines, is a process of growing viruses in animal cells.

Chronic inflammatory demyelinating polyneuropathy (CIDP) is a neurological disorder which causes gradual weakness and a loss in sensation mainly in the arms and legs.

Coagulation is the process of clot formation.

Emphysema is a type of lung disease that causes breathlessness.

Fibrinogen is a coagulation factor found in human plasma that is crucial for blood clot formation.

Fractionation is the process of separating plasma into its component parts, such as clotting factors, albumin and immunoglobulin, and purifying them.

Haemophilia is a haemorrhagic cluster of diseases occurring in two main forms:

1. Haemophilia A (classic haemophilia, factor VIII deficiency), an X linked disorder due to deficiency of coagulation factor VIII.
2. Haemophilia B (factor IX deficiency, Christmas disease), also X linked, due to deficiency of coagulation factor IX.

Herd immunity is the resistance to the spread of a contagious disease within a population that results if a sufficiently high proportion of individuals are immune to the disease, especially through vaccination.

Hereditary angioedema (HAE) is a rare but serious genetic disorder caused by low levels or improper function of a protein called C1-esterase inhibitor. It causes swelling, particularly of the face and airways, and abdominal cramping.

Hereditary emphysema is a physiological condition that results in excessive amounts of white blood cells (neutrophils) entering the lungs, causing inflammation and chronic lung disease.

Immunoglobulins (IgG), also known as antibodies, are proteins produced by plasma cells. They are designed to control the body's immune response by binding to substances in the body that are recognised as foreign antigens (often proteins on the surface of bacteria or viruses).

Influenza, commonly known as flu, is an infectious disease of birds and mammals caused by a RNA virus of the family Orthomyxoviridae (the influenza viruses).

Intravenous is the administration of drugs or fluids directly into a vein.

Monoclonal antibody (mAb) is an antibody produced by a single clone of cells. Monoclonal antibodies are a cornerstone of immunology and are increasingly coming into use as therapeutic agents.

Neurology is the science of nerves and the nervous system.

Pandemic is the worldwide spread of a disease.

Perioperative bleeding is bleeding during an operation.

Pharmacovigilance is the practice of monitoring the effects of medical drugs after they have been licensed for use, especially in order to identify and evaluate previously unreported adverse reactions.

Plasma is the yellow-coloured liquid component of blood in which blood cells are suspended.

Primary immunodeficiency (PI) is an inherited condition where there is an impaired immune response. It may be in one or more aspects of the immune system.

Prophylaxis is the action of a vaccine or drug that acts to defend against or prevent a disease.

Quadrivalent influenza vaccine is a vaccine that offers protection against four different influenza virus strains.

Recombinants are proteins prepared by recombinant technology. Procedures are used to join together segments in a cell-free system (an environment outside a cell organism).

Subcutaneous is the administration of drugs or fluids into the subcutaneous tissue, which is located just below the skin.

Thrombosis is the formation of a blood clot inside a blood vessel, obstructing the flow of blood through the circulatory system.

Trivalent influenza vaccine is a vaccine that offers protection against three different influenza virus strains.

von Willebrand disease (vWD) is a hereditary disorder caused by defective or deficient von Willebrand factor, a protein involved in normal blood clotting.

Corporate Directory

Share Registry

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452 Johnston Street Abbotsford VIC 3067
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Further Information

For further information about CSL and its operations, refer to Company announcements to the Australian Securities Exchange and our website: CSL.com

Find out more
CSL.com

CSL Limited ABN 99 051 588 348