



CSL Limited

ABN: 99 051 588 348

ASX Full-year information 30 June 2019

Lodged with the ASX under Listing Rule 4.3A.

Contents

Results for Announcement to the Market

Additional Information

Directors' Report

Financial Report

CSL Limited

ABN: 99 051 588 348

Appendix 4E Full-year Ended 30 June 2019

(Previous corresponding period: Year ended 30 June 2018)

Results for Announcement to the Market

	2019 US\$m	2018 US\$m
Sales revenue	8,205.4	7,587.9
Total other revenues	333.2	327.4
Total revenue and other income	8,538.6	7,915.3
Profit before income tax expense	2,341.1	2,281.2
Income tax expense	(422.4)	(552.3)
Reported Net profit after tax attributable to members of the parent entity	1,918.7	1,728.9

Reported

- Sales revenue up 8.1% to US\$8.2 billion.
- Net profit after tax for the year attributable to members of the parent entity up 11.0% to US\$1.92 billion.

Underlying Net Profit after Tax at Constant Currency¹

- Underlying sales revenue at constant currency up 10.9% at US\$8.4 billion.
- Underlying net profit after tax for the year at constant currency up 16.5% to US\$2.0 billion.

¹ Excludes the impact of foreign exchange movements in the period under review. Refer to footnote 1 of the Directors' Report for further detail.

Dividends

	Amount per security	Franked amount per security
Final dividend (determined subsequent to balance date [#])	US\$1.00	Unfranked*
Interim dividend (paid on 12 April 2019)	US\$0.85	Unfranked
Final dividend (prior year, paid on 12 October 2018)	US\$0.93	Unfranked

[#] Record date for determining entitlements to the dividend: 11 September 2019

* Under Australian law non-resident withholding tax is not payable on the unfranked component of this dividend, as that portion will be declared to be wholly conduit foreign income.

Explanation of results

For further explanation of the results please refer to the accompanying press release and “Operating and Financial Review” in the Directors’ Report that is within the Full year report.

Other information required by Listing Rule 4.3A

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the attached Additional Information, Directors’ Report, Financial Report and media release.

Additional Information

NTA Backing

	30 June 2019	30 June 2018
Net tangible asset backing per ordinary security	US\$7.44	US\$5.03

Changes in controlled entities

There were no changes in controlled entities during the financial year.

Audit report

The audit report is contained in the attached Financial Report.



Fiona Mead
Company Secretary
13 August 2019

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 currency¹ 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®.

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.

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.

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	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.
Manufacturing Operations	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.

Description of Key Risk	Key Risk Mitigation
Corporate Transformation	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> CSL responsibly sources plasma from donors, complying with voluntary and regulatory standards. The comfort, health and safety of donors is closely monitored.
Cyber Security and Data Protection	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.

Description of Key Risk	Key Risk Mitigation
Intellectual Property	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 (EHS²) 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 EHS² 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 EHS² 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 EHS² 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 2019-2020 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.



**Building a better
working world**

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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.

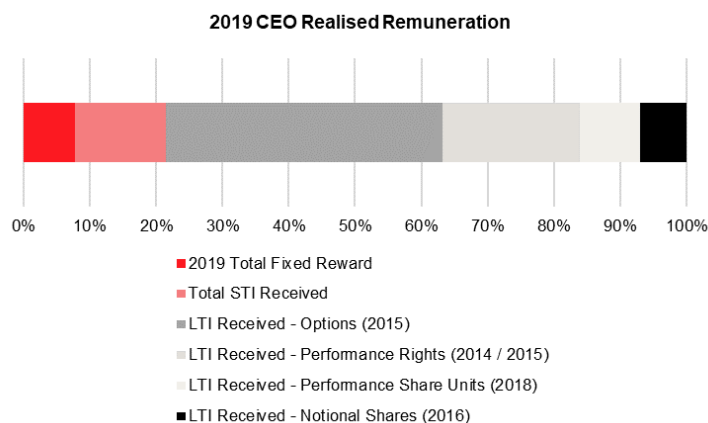
The STI outcome for Mr Perreault was 94% of target based on the two key measures of above target performance for NPAT and below target performance for Cash Flow From Operations (CFO), resulting in a cash payment of US\$1,979,386 (to be paid in September 2019). This was 34% lower than the previous year. 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.



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

- | | |
|---|--|
| 1. CSL Key Management Personnel | 6. 2019 and 2020 Executive Key Management Personnel Remuneration |
| 2. Remuneration Framework | 7. Executive Key Management Personnel Contractual Arrangements |
| 3. CSL Performance and Shareholder Returns | 8. Non-Executive Director Remuneration |
| 4. Executive Key Management Personnel Outcomes in 2019 | 9. Remuneration Governance |
| 5. Executive Key Management Personnel Statutory Remuneration Tables | |

Independent audit of the report

The Remuneration Report has been audited by Ernst & Young. Please see page 54 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 group¹, 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.

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.

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.

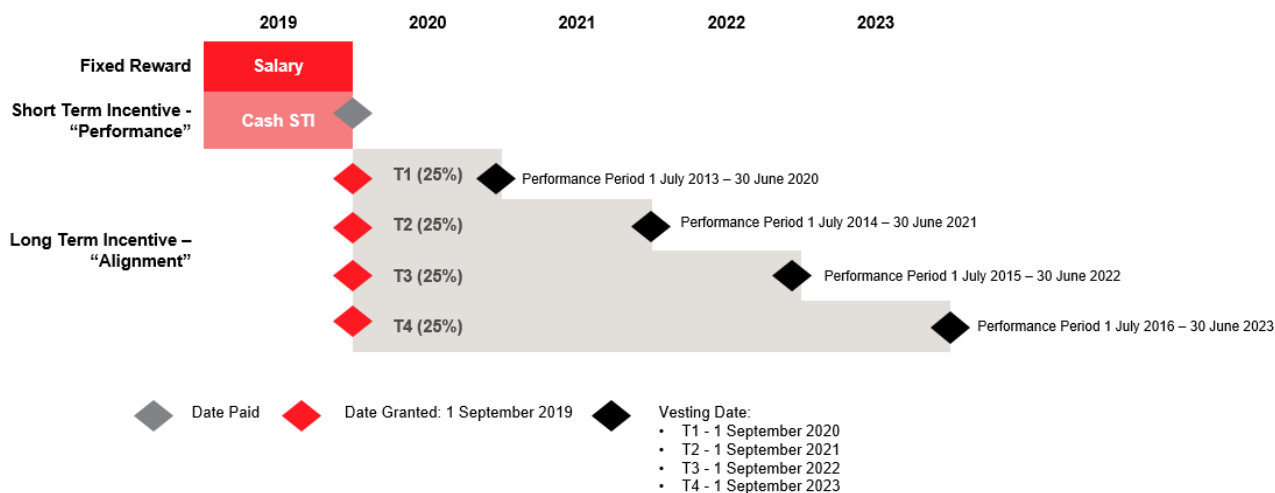
LTI outcomes – The HRRC assess performance against the hurdle measures set at grant by the Board. Following this, the HRRC undertakes a review to ensure the remuneration outcomes are aligned with overall business performance and the shareholder experience and, submits outcomes to the Board for approval.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

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.

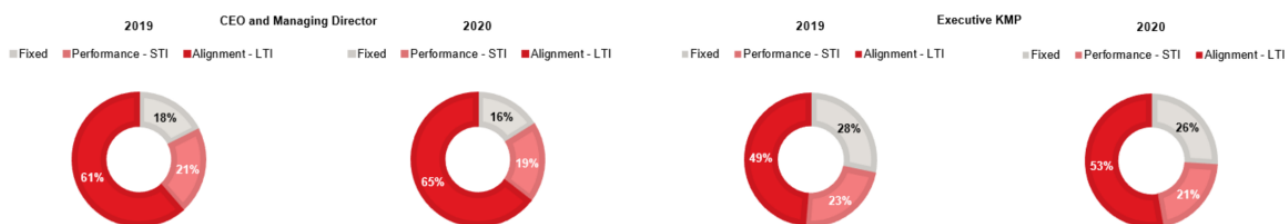
2.2.2 Remuneration Delivery

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 average². Reward changes in both 2019 and 2020 are included in section 6 of this Report.



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)

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

Cash Inflow from Operations (CFO)

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	<p>Financial - 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</p> <p>Individual - 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</p>						
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	<table border="1"> <tr> <td>Below Threshold</td> <td>0% earned</td> </tr> <tr> <td>Between Threshold and Target</td> <td>50% earned on achievement of threshold level performance, increasing on a straight-line basis to 100% earned on achievement of target level performance</td> </tr> <tr> <td>Target</td> <td>100% earned</td> </tr> </table>	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
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						

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

Feature	Description
	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

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.

Feature	Description ³	
Performance Measure	Return on Invested Capital	
Performance Target	Threshold – 24.0% Target – 27.0% (maximum opportunity)	
Vesting Schedule	Performance Level Below Threshold	Outcome as a % of target opportunity 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 Date⁴	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	

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.



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.

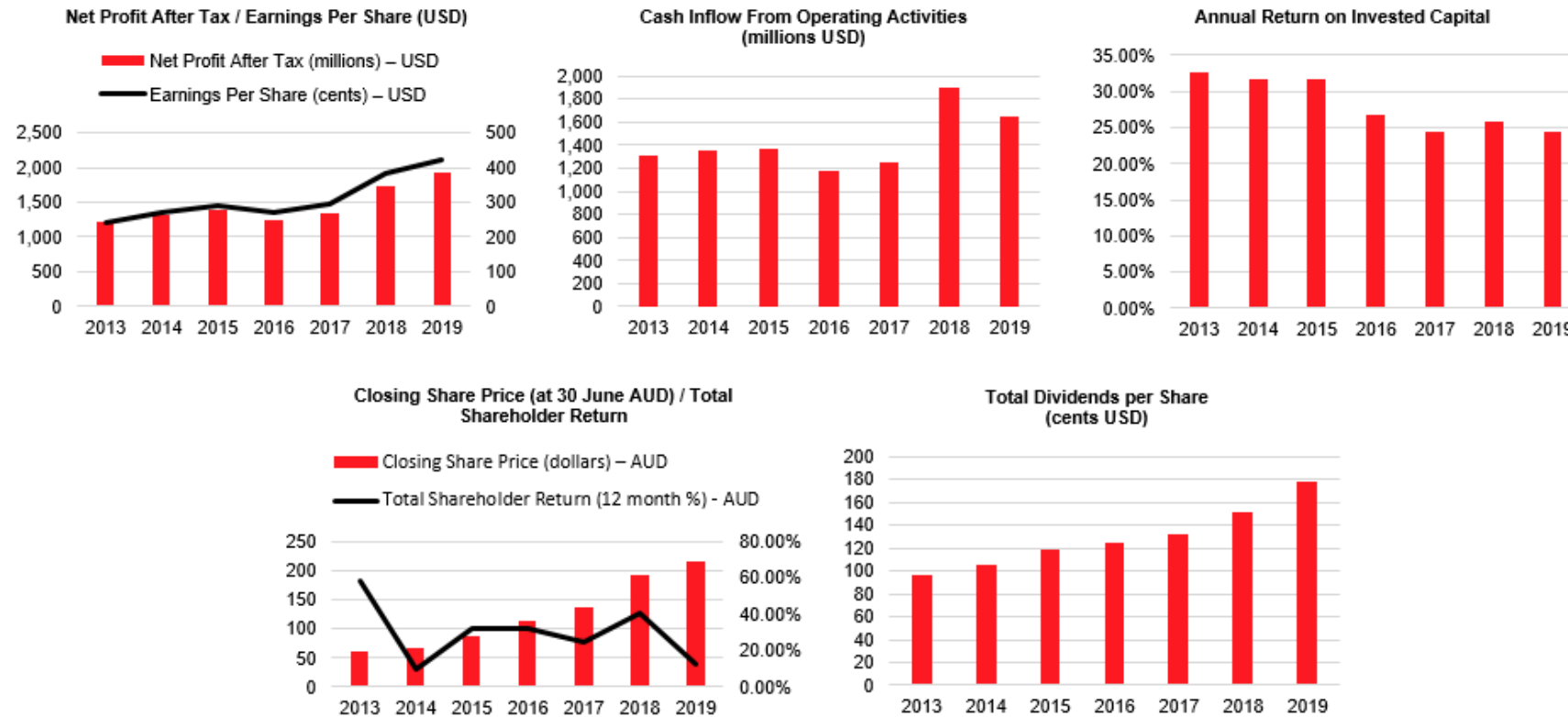
The HRRC and ARMC also review all remuneration outcomes to ensure that any material risk issues and behaviour and/or compliance issues are addressed and have been appropriately reflected in outcomes.

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

3. CSL Performance and Shareholder Returns

3.1 Financial Performance from 2013 to 2019

The following graphs⁵ 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.











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		CFO				
Outcome						
	<ul style="list-style-type: none"> Reported NPAT above target at US\$1,918.7m 	<ul style="list-style-type: none"> Reported CFO below target at US\$1,644.4m 				
Individual Strategy Component		Growth	Efficiency	Influenza	Innovation	People and Culture
Outcome						
	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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

4.4 Key Characteristics of Prior Financial Year Performance Right and Option Grants⁹

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

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.

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

Feature	2014	2015-2017
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

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		EDIP Vested (cash settled)		Performance Share Units Vested		Restricted Share Units Vested		Total Units Vested	
	Number	Value ¹¹	Number	Value ¹²	Number	Value ¹³	Number	Value ¹⁴	Number	Value ¹⁵	Number	Value ¹⁶	Number	Value
P Perreault	30,785	4,788,601	12,270	1,908,596	94,828	9,717,465	11,161	1,611,415	13,013	2,143,376	-	-	149,787	18,260,857
G Boss	7,095	1,103,626	2,849	443,161	21,137	2,166,006	2,332	336,692	2,082	342,927	-	-	32,646	3,949,251
W Campbell	4,158	646,776	1,626	252,924	-	-	2,359	340,590	2,632	433,518	-	-	9,149	1,420,884
A Cuthbertson	9,787	1,522,366	3,951	614,577	-	-	1,988	287,026	2,111	347,704	-	-	13,886	2,157,096
K Etchberger	6,239	970,475	2,505	389,652	18,593	1,905,311	2,131	307,672	1,902	313,279	-	-	28,865	3,496,737
D Lamont	10,980	1,707,937	4,298	668,553	-	-	2,010	290,202	2,039	335,844	-	-	15,029	2,333,983
W Mezzanotte¹⁷	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G Naylor	12,054	1,874,997	4,870	757,528	-	-	1,611	232,595	2,732	449,989	-	-	16,397	2,557,581
V Romberg	4,425	688,308	1,780	276,879	19,709	2,019,673	3,464	500,129	2,298	378,504	-	-	29,896	3,586,614
E Walker	-	-	-	-	-	-	1,228	177,298	754	124,192	151	24,871	2,133	326,361
TOTAL	85,523	13,303,086	34,149	5,311,870	154,267	15,808,455	28,284	4,083,619	29,563	4,869,333	151	24,871	297,788	38,089,364

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.

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

Executive	Performance Share Units			
	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

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.

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.

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

Executive	Year ²⁴	Short Term Benefits			Post-Employment	Other Long Term			Share Based Payments ²⁵				Total	% of Remuneration Performance Related
		Cash Salary and Fees ²⁶	Cash Bonus ²⁷	Non-Monetary ²⁸	Super	LSL	Deferred STI ²⁹	Performance Rights	Options	Performance Share Units	Restricted Share Units	EDIP ³⁰		
P Perreault – CEO and Managing Director	2019	1,676,922	1,979,386	48,880	19,600	-	-	1,356,333	887,634	4,120,925	-	1,628,562	11,718,242	85%
	2018	1,744,266	3,008,183	53,029	19,250	-	578,482	1,114,346	1,199,370	2,149,557	-	1,399,962	11,266,445	84%
G Boss - EVP Legal & Group General Counsel	2019	620,991	412,369	42,211	19,600	-	-	209,065	148,002	704,205	-	340,275	2,496,718	73%
	2018	621,488	596,542	40,939	19,250	-	-	115,278	213,507	343,897	-	295,739	2,246,640	70%
W Campbell - EVP & Chief Commercial Officer	2019	602,309	542,463	48,721	19,527	-	-	163,389	-	832,508	-	344,215	2,553,132	74%
	2018 ³¹	524,215	630,135	51,694	19,750	-	-	184,341	-	434,786	-	81,209	1,926,130	69%
A Cuthbertson - Chief Scientific Officer	2019	734,862	563,225	29,944	17,948	28,810	-	262,534	-	864,952	-	290,080	2,792,355	71%
	2018	723,288	892,908	29,944	19,380	22,401	191,369	107,067	-	348,670	-	266,960	2,601,987	69%
K Etchberger - EVP Quality & Business Services	2019	571,637	390,147	50,726	18,121	-	-	191,722	135,246	643,523	-	310,946	2,312,068	72%
	2018	572,245	540,990	44,493	16,532	-	-	112,798	193,272	314,201	-	269,954	2,064,485	69%
D Lamont - Chief Financial Officer	2019	899,222	722,033	14,747	17,948	24,062	-	390,393	-	727,202	-	293,290	3,088,897	69%
	2018	990,076	1,072,749	14,747	19,380	23,760	-	510,879	-	336,795	-	369,049	3,337,435	69%
W Mezzanotte ³² – EVP Research & Development	2019	729,267	443,564	19,795	20,261	-	-	77,238	-	435,084	104,046	334,730	2,163,985	64%
	2018	-	-	-	-	-	-	-	-	-	-	-	-	-

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.

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.

Executive	Year ²⁴	Short Term Benefits			Post-Employment	Other Long Term		Share Based Payments ²⁵					Total	% of Remuneration Performance Related
		Cash Salary and Fees ²⁶	Cash Bonus ²⁷	Non-Monetary ²⁸	Super	LSL	Deferred STI ²⁹	Performance Rights	Options	Performance Share Units	Restricted Share Units	EDIP ³⁰		
G Naylor - President, Seqirus	2019	1,005,103	956,298	56,312	81,438	33,508	-	327,065	199,825	808,866	-	235,070	3,703,485	68%
	2018	1,152,085	986,749	70,870	56,928	20,693	235,055	133,956	215,776	451,286	-	192,877	3,516,275	63%
V Romberg - EVP Manufacturing Operations & Planning	2019	740,540	434,527	113,374	21,413	-	-	229,882	132,465	711,701	-	505,451	2,889,353	70%
	2018	678,060	775,203	143,216	17,528	-	75,992	175,353	193,104	379,559	-	437,641	2,875,656	71%
E Walker - EVP & Chief Human Resources Officer	2019	453,805	312,510	30,339	-	-	-	-	-	451,076	18,094	179,184	1,445,008	66%
	2018 ³³	240,843	199,293	19,144	-	-	-	-	-	101,017	19,370	117,754	697,421	63%
Former Executive Key Management Personnel														
L Reed ³⁴ – SVP Human Resources	2019	-	-	-	-	-	-	-	-	-	-	-	-	-
	2018	188,833	272,768	10,431	2,688	-	-	102,018	101,038	-	-	169,552	847,328	76%
R Repella ³⁵ – EVP Commercial Operations	2019	-	-	-	-	-	-	-	-	-	-	-	-	-
	2018	114,237	-	3,961	-	-	28,920	(30,063)	40,904	-	-	161,321	319,280	63%
TOTAL	2019	8,034,658	6,756,522	455,049	235,856	86,380	-	3,207,621	1,503,172	10,300,042	122,140	4,461,803	35,163,243	75%
	2018	7,549,636	8,975,520	482,468	190,686	66,854	1,109,818	2,525,973	2,156,971	4,859,768	19,370	3,762,018	31,699,082	74%

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 Etchberger³⁷	14,195	26,734	2,962,822	(22,305)	18,624
D Lamont	1,355	13,019	2,151,064	80	14,454
W Mezzanotte³⁸	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 Mezzanotte⁴⁰	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.

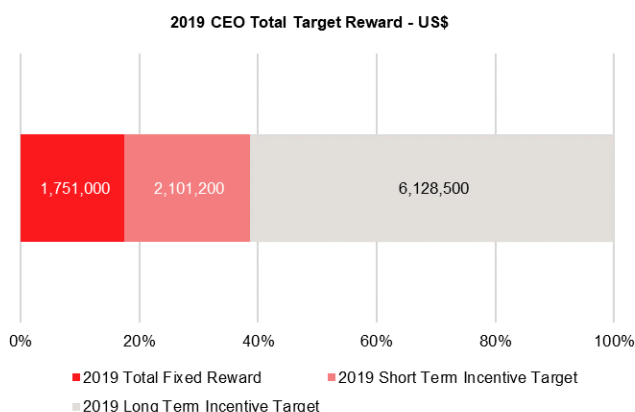
⁴² Restricted Share Units granted to E Walker in prior role of Chief Talent Officer.

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.

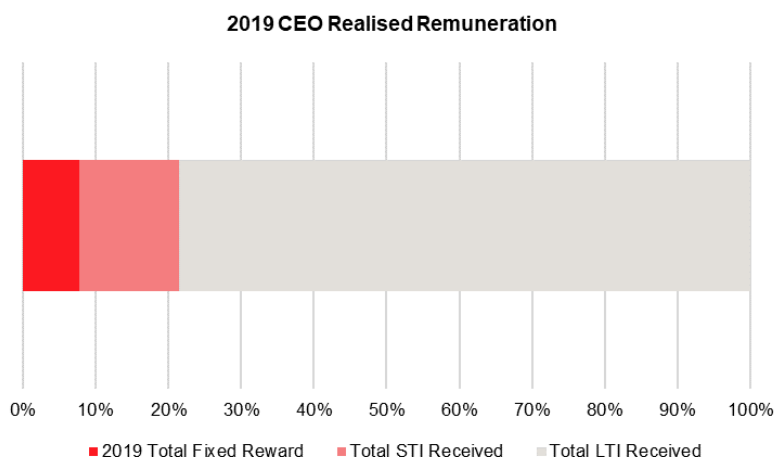
Mr Perreault's target reward for 2019 is displayed below.



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.



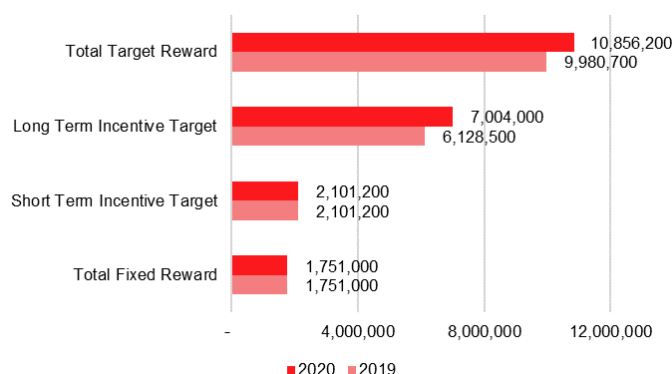
Mr Perreault's total 'realised' remuneration for 2019 was US\$23,261,473 and this is a 215% increase from the prior year. Driving this increase was the vesting of LTI awards made under our legacy plans – the 2015 Option and Performance Right and 2016 Executive Deferred Incentive Plan awards (granted 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\$

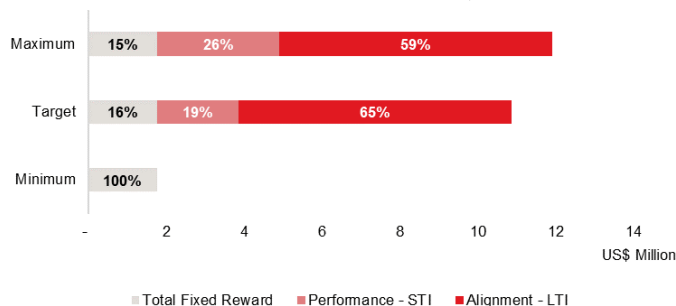


In addition to the two CSL Group financial measures under the STI plan, in 2020, the CEO will have further KPIs set to measure performance and determine STI reward outcomes. Measures will include People and Culture, Strategy and Innovation and weighting will be 70% financial and 30% non-financial.

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.

Remuneration Mix for the CEO - US\$



- 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%).

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 Mezzanotte⁴³	-	-	-	-	-
G Naylor	3%	0%	4%	3%	95,304
V Romberg	6%	0%	24%	14%	270,175
E Walker	4%	0%	26%	14%	191,250

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.

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

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	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
Period Earned	2019	2019	2016 – 2019	2016 – 2019	2015 – 2019	2014 – 2019	2014 – 2019	2014 – 2019	2014 – 2019	2014 – 2019
P Perreault	1,819,480	1,979,386	1,201,750	3,181,136	1,611,415	16,649,442	18,260,857	23,261,473	3,608,266	14,652,591
G Boss	679,917	412,369	-	412,369	336,692	3,612,559	3,949,251	5,041,537	725,236	3,224,015
W Campbell	683,248	542,463	-	542,463	340,590	1,080,294	1,420,884	2,646,595	626,993	793,891
A Cuthbertson	750,445	563,225	386,214	949,439	287,026	1,870,070	2,157,096	3,856,980	839,522	1,317,573
K Etchberger	633,674	390,147	-	390,147	307,672	3,189,065	3,496,737	4,520,558	649,787	2,846,950
D Lamont	924,286	722,033	-	722,033	290,202	2,043,781	2,333,983	3,980,302	1,178,179	1,155,804
W Mezzanotte⁵¹	753,141	443,564	-	443,564	-	-	-	1,196,705	-	-
G Naylor	1,237,403	956,298	474,391	1,430,689	232,595	2,324,986	2,557,581	5,225,673	992,419	1,565,161
V Romberg	890,809	434,527	153,364	587,891	500,129	3,086,485	3,586,614	5,065,314	679,215	2,907,399
E Walker	469,505	312,510	-	312,510	177,298	149,063	326,361	1,108,376	186,465	139,896

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.

6.7 2020 Executive KMP Remuneration Targets

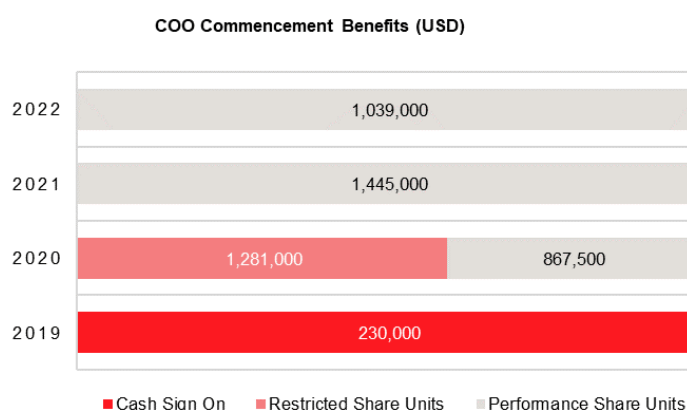
CSL has a global workforce with the majority of our Executive KMP based outside of Australia. We need to attract and retain high calibre global executives in a highly competitive industry. The unique skill set with specialised pharmaceutical and biotechnology expertise and experience that we require 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.



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 %	
	Committee Chair	Committee Member	Committee Chair	Committee Member	Committee Chair	Committee Member
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

Non-Executive Director	Year	Short Term Benefits	Post Employment	Share Based Payments	Total	
		Cash Salary and Fees ^{52,53}	Superannuation	Retirement Benefits		Rights ⁵⁴
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 Anstice⁶⁰	13,530	-	-	30	13,560
J Shine⁶¹	9,644	-	-	79	9,723

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

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.

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 Anstice⁶⁷	Right	-	1,051	164,562	161,929	-	-	-	1,051	-	-	1,051
J Shine⁶⁸	Right	-	723	113,205	111,394	-	-	-	723	-	-	723

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.

The Directors' Report is approved in accordance with a resolution of the Board.



Dr Brian McNamee AO
Chairman

13 August 2019
Melbourne



Paul Perreault
Managing Director



CSL Limited

ABN: 99 051 588 348

Financial Statements 30 June 2019

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	7
Notes to the financial statements:	7
Our Current Performance	10
Note 1: Segment Information and Business Combinations	10
Note 1b: Business Combination	12
Note 2: Revenue and Expenses	13
Note 3: Tax	15
Note 4: Inventories	17
Note 5: People Costs	18
Our Future	21
Note 6: Research & Development	21
Note 7: Intangible Assets	22
Note 8: Property, Plant and Equipment	25
Note 9: Deferred Government Grants	26
Returns, Risk & Capital Management	27
Note 10: Shareholder Returns	27
Note 11: Financial Risk Management	28
Note 12: Equity and Reserves	36
Note 13: Commitments and Contingencies	37
Efficiency of Operation	38
Note 14: Cash and Cash Equivalents, Cash Flows	38
Note 15: Trade Receivables and Payables	39
Note 16: Provisions	41
Other Notes	41
Note 17: Related Party Transactions	41
Note 18: Detailed Information – People Costs	42
Note 19: Detailed Information – Shareholder Returns	48
Note 20: Auditor Remuneration	48
Note 21: Deed of Cross Guarantee	49
Note 22: Parent Entity Information	51
Note 23: Subsequent Events	51
Note 24: New and Revised Accounting Standards	51
Applicable to the Group for the year ended 30 June 2020:	52

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:

Note 2: Revenue and Expenses	Page 13
Note 3: Tax	Page 15
Note 4: Inventories	Page 17
Note 5: People Costs	Page 18
Note 7: Intangible Assets	Page 22

Note 15: Trade Receivables & Payables	Page 39
Note 16: Provisions	Page 41

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	Amount without adoption of AASB 15	Effect of Change
	US\$m	US\$m	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)	7063.1	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.

Note 3: Tax continued

	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.

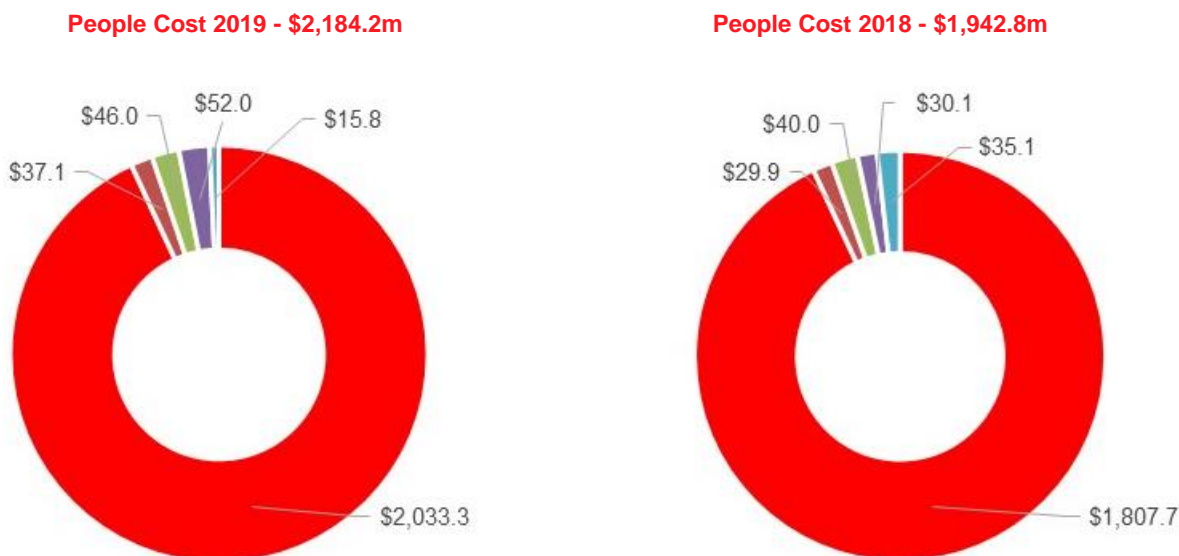
Key Judgements and Estimates – Inventory

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.



- Salaries and wages
- Defined benefit plan expense
- Defined contribution plan expense
- Equity settled share-based payments expense (LTI)
- Cash settled share-based payments expense (EDIP)

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		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	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	306,620	A\$0.00	206,793	A\$0.00	-	A\$0.00	99,459	A\$137.21	2,120,401
Granted during the year	-	A\$0.00	-	A\$0.00	303,976	A\$0.00	165,664	A\$0.00	4,978	A\$0.00	204,681	A\$142.86	679,299
Exercised during the year	206,748	A\$72.09	201,460	A\$0.00	82,222	A\$0.00	51,628	A\$0.00	1,485	A\$0.00	195,790	A\$149.35	739,333
Cash settled during the year	-	A\$0.00	6,836	A\$0.00	-	A\$0.00	408	A\$0.00	-	A\$0.00	-	A\$0.00	7,244
Forfeited during the year	-	A\$0.00	54,197	A\$0.00	27,618	A\$0.00	4,583	A\$0.00	1,262*	A\$0.00	-	A\$0.00	87,660
GESP True-up ¹	-	A\$0.00	-	A\$0.00	-	A\$0.00	-	A\$0.00	-	A\$0.00	(1,570)	A\$137.21	(1,570)
Closing balance at the end of the year	615,840	A\$97.83	422,448	A\$0.00	500,756	A\$0.00	315,838	A\$0.00	2,231	A\$0.00	106,780	A\$166.31	1,963,893
Exercisable at the end of the year	-	-	6,678	A\$0.00	-	A\$0.00	-	A\$0.00	-	A\$0.00	-	-	6,678

*Forfeitures as a result of Director retirement

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.

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.

(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

Year	Goodwill US\$m		Intellectual Property US\$m		Software US\$m		Intangible capital work in progress US\$m		Total US\$m	
	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

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.

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.

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		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	2019	2018	2019	2018	2019	2018
Cost	38.8	39.8	687.5	665.2	381.6	326.6	3,040.0	2,909.3	34.3	35.0	2,221.0	1,340.5	6,403.2	5,316.4
Accumulated depreciation / amortisation	-	-	(197.5)	(175.3)	(115.7)	(95.7)	(1,584.5)	(1,472.5)	(21.2)	(21.5)	-	-	(1,918.9)	(1,765.0)
Net carrying amount	38.8	39.8	490.0	489.9	265.9	230.9	1,455.5	1,436.8	13.1	13.5	2,221.0	1,340.5	4,484.3	3,551.4
Movement														
Net carrying amount at the start of the year	39.8	37.2	489.9	379.3	230.9	200.4	1,436.8	1,230.1	13.5	15.7	1,340.5	1,080.0	3,551.4	2,942.7
Transferred from capital work in progress	-	-	32.7	116.5	58.8	42.9	246.2	371.9	-	-	(337.7)	(531.3)	-	-
Business Acquisition	-	-	-	22.8	-	-	-	26.1	-	-	-	-	-	48.9
Other Additions ⁴	0.1	3.4	0.6	0.3	1.7	11.3	12.3	18.1	3.4	1.6	1,232.3	807.0	1,250.4	841.7
Disposals	-	-	(0.1)	(0.1)	(4.7)	(2.1)	(89.9)	(43.0)	(4.3)	(2.6)	1.8	(0.6)	(97.2)	(48.4)
Transferred to/from intangibles	-	-	-	-	-	-	-	-	-	-	(1.0)	(0.6)	(1.0)	(0.6)
Depreciation / amortisation for the year	-	-	(25.7)	(21.8)	(24.0)	(22.0)	(220.6)	(192.2)	(2.9)	(3.0)	-	-	(273.2)	(239.0)
Accumulated depreciation / amortisation on disposals	-	-	0.4	0.0	4.0	1.4	88.7	38.8	3.4	1.9	-	-	96.5	42.1
Currency translation differences	(1.1)	(0.8)	(7.8)	(7.1)	(0.9)	(1.0)	(18.0)	(13.0)	-	(0.1)	(14.9)	(14.0)	(42.6)	(36.0)
Net carrying amount at the end of the year	38.8	39.8	490.0	489.9	265.9	230.9	1,455.5	1,436.8	13.1	13.5	2,221.0	1,340.5	4,484.3	3,551.4

⁴ The capital work in progress additions are the result of major capacity projects.

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.

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\$763.7m (2018: A\$1,312.9m). The parent entity's retained earnings as at 30 June 2019 were US\$8,479.5m (2018: A\$10,720.4m). 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:	453.1	420.7
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)		

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.	<p>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.</p> <p>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.</p>
d. Funding and Liquidity Risk	
<p>The Group is exposed to funding and liquidity risk from operations and from external borrowing.</p> <p>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.</p> <p>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.</p> <p>Liquidity and re-financing risks are not significant for the Group, as CSL has a prudent gearing level and strong cash flows.</p>	<p>The Group mitigates funding and liquidity risks by ensuring that:</p> <ul style="list-style-type: none"> • 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.	<p>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.</p> <p>Each year the Directors determine the dividend taking into account factors such as profitability and liquidity.</p> <p>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.</p>

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

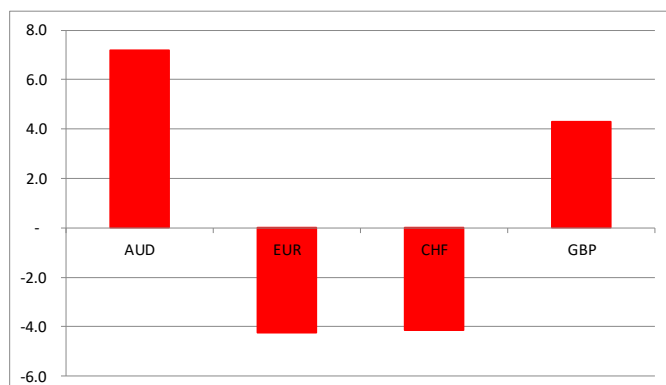
Profit after tax – sensitivity to general movement of 1%

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.

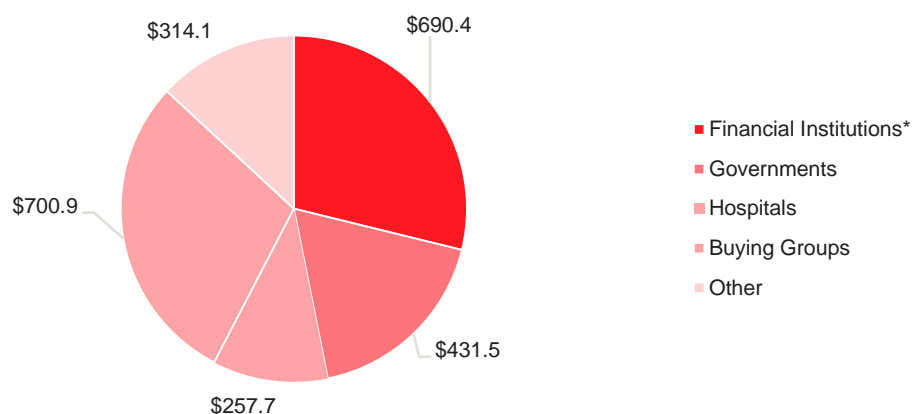
c. Credit Risk

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		

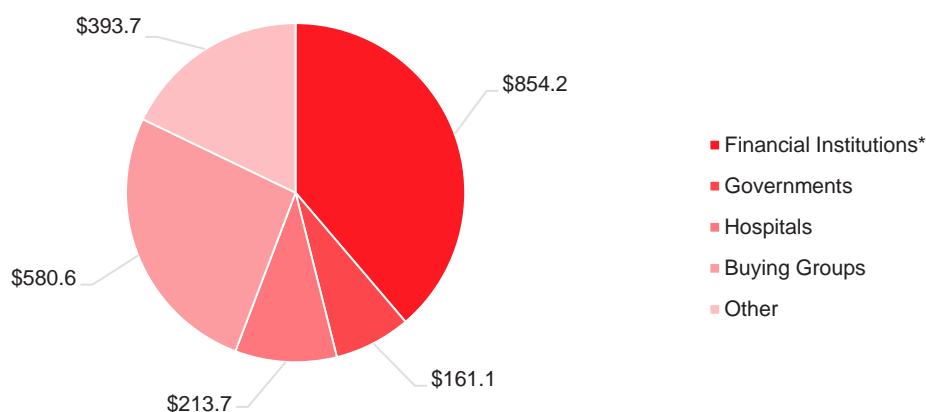
⁶ Floating interest rates represent the most recently determined rate applicable to the instrument at balance sheet date. All interest rates on floating rate financial assets and liabilities are subject to reset within the next six months.

Credit quality of financial assets (30 June 2019 in \$m)



* 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)



* 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.

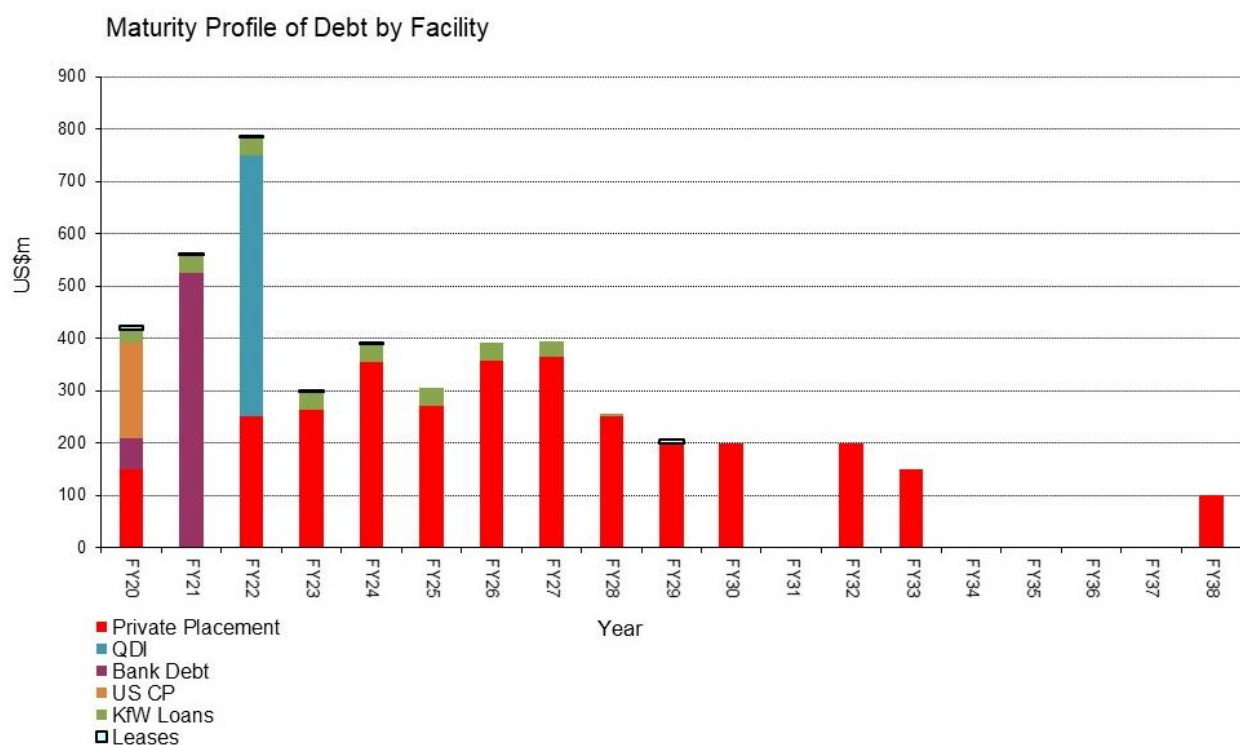
The Group has not renegotiated any material collection/repayment terms of any financial assets in the current financial year.

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

d. Funding and liquidity risk

The maturity profile of the Group's debt is shown in the following chart.



The following table analyses the Group's financial liabilities.

Interest-bearing liabilities and borrowings	2019 US\$m	2018 US\$m
<i>Current</i>		
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
<i>Non-current</i>		
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						Total US\$m	Average interest Rate %		
	1 year or less US\$m		Between 1 year and 5 years US\$m		Over 5 years US\$m			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 Contingencies⁶**(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

⁶ Commitments and contingencies are disclosed net of the amount of GST (or equivalent) recoverable from, or payable to, a taxation authority

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.

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
<i>Current</i>		
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 assets⁷	1,821.7	1,478.0
<i>Non-current</i>		
Long term deposits/other receivables	21.6	15.3
Carrying amount of non-current other receivables⁷	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

⁷ 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.

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.

(b) Trade and other payables

	2019 US\$m	2018 US\$m
<i>Current</i>		
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
<i>Non-current</i>		
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	Legal	Other	Total
	US\$m	US\$m	US\$m	US\$m
<i>Current</i>				
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
<i>Non-current</i>				
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.

Company	Country of Incorporation	Percentage owned	
		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:

Pension Plan	June 2019 \$m			June 2018 \$m		
	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 ⁸	Share Price	Exercise Price	Expected volatility ⁹	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)¹⁰							
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%

⁸ PSUs are subject to a ROIC based performance measure.

⁹ 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.

¹⁰ 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.

Grant date	2019		2018	
	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.

Income Statement	Consolidated Closed Group	
	2019 US\$m	2018 US\$m
<i>Continuing operations</i>		
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
13 August 2019



**Building a better
working world**

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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
<p>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.</p> <p>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.</p> <p>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.</p> <p>The Group's disclosures with respect to inventories is included in Note 4 of the financial report.</p>	<p>We have assessed the carrying value of inventories, including costing and provisions for obsolescence and net realisable value at 30 June 2019.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>We assessed the Group's financial report consolidation process, the elimination of any unrealised profits on transactions between group entities and resultant tax consequences.</p> <p>We have assessed the Group's disclosures with respect to inventories in Note 4 of the financial report.</p>

2. Tax complexities

Why significant	How our audit addressed the key audit matter
<p><u>Recoverability of deferred tax assets</u></p> <p>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).</p> <p>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.</p> <p><u>Uncertain tax positions</u></p> <p>The Group operates in a number of different tax jurisdictions, all of which have specific risks and regulations that need to be considered.</p> <p>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.</p> <p>The Group's disclosures with respect to taxation are included in Note 3 of the financial report.</p>	<p><u>Recoverability of deferred tax assets</u></p> <p>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.</p> <p>Additionally, we assessed whether the Group's disclosures relating to the application of judgement in estimating recognised and unrecognised deferred tax asset balances.</p> <p><u>Uncertain tax positions</u></p> <p>We assessed the Group's various tax exposures to assess whether adequate provisions have been recorded for exposures with higher risk and uncertainty.</p> <p>Involving our taxation specialists in relevant countries, our audit procedures included:</p> <ul style="list-style-type: none"> ▶ 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.

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.



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

Rodney Piltz
Partner
13 August 2019

Kylie Bodenham
Partner
13 August 2019