

CSL Limited

Board Charter

1. Composition of the Board

1.1 Number of directors

Rule 56 of the Company's Constitution currently sets the number of directors that may sit on the Board at a maximum of 12 and a minimum of 3, however the Board aims to have between 8 and 10 members, of whom no more than one-third are executive directors.

1.2 Australian citizens

In accordance with Rule 57 of the CSL Constitution two-thirds of the directors are to be Australian citizens at all times.

1.3 Independent directors

A majority of the directors should be independent. An independent director is a director who is independent of management and free of any business or other relationship that could, or could reasonably be perceived to, materially interfere with the exercise of their unfettered and independent judgement.

The Board will assess the independence of each director annually. As part of this process the Board will take into account each of the factors relevant to assessing the independence of a director set out in the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition)*, and any other facts, information and circumstances that the Board considers relevant.

1.4 Classification of directors – significant foreign shareholders

If the Board becomes aware of a significant foreign shareholding in the Company, the Constitution requires that directors be designated as O class Directors and A class Directors. In this event, the Chair will be an O class Director, and the Managing Director and any other Executive Directors will be A class Directors. Designation of other directors will be decided, preferably by agreement, but if agreement is not reached then in accordance with the default procedure set out in the Constitution. Thereafter at any General Meeting any significant foreign shareholder will not be entitled to vote in respect to the appointment, replacement or removal of any A class Director.

1.5 Disclosure of interests

A director must disclose to the Board:

- (a) any material personal interest that he or she or any associate may have in a matter that relates to the affairs of the Company; and
- (b) any other interest or relationship that may affect the director's independence.

Notice of any such interest may be a standing notice.

2. Term of office of Directors

2.1 Minimum term

Non-executive directors should desirably be able to serve for at least 8 years before retiring from the Board.

2.2 Maximum Term

Unless the Board decides otherwise, non-executive directors should retire from the Board and not stand for re-election at the first Annual General Meeting at which the director would otherwise retire and be eligible for re-election following an assessment by the Board that the director is no longer independent.

2.3 Re-election

Unless they cease to be a director earlier in accordance with the Corporations Act or the Constitution, each non-executive director shall be entitled to remain a director until:

- (a) the director decides not to stand for re-election,
- (b) retirement as contemplated by section 2.2; or
- (c) the Board decides that the contribution of the non-executive director is not effective in which event Section 2.5 shall apply.

2.4 Executive directors

Executive directors must resign from the Board when they cease to occupy their executive position with the Company. They may be eligible for re-appointment, although the Board would need to consider whether they would fit the criteria established by the Board to be a non-executive director.

2.5 Effectiveness of contribution

If the contribution of a non-executive director appears to a majority of directors (including the Managing Director) to not be effective, they may request the Chair to inform that director accordingly and seek his or her retirement. If the director ignores this request, a circulated minute signed by a majority of the directors will authorise the Secretary to inform the shareholders that the Board will not support the re-election of the director at the general meeting where next he or she is due to offer himself or herself for re-election.

3. Chair

3.1 Independent Chair

The Chair must be:

- (a) in accordance with Rule 76(a) of the Constitution, an Australian citizen; and
- (b) a non-executive director,
and should be independent.

3.2 Alternative Chair

In the event that the Chair is unable to act as Chair for any reason, the Board will nominate an independent non-executive director (who is an Australian citizen) to act as Chair.

3.3 Responsibilities of Chair

The Chair is responsible for leadership of the Board, for ensuring that the Board functions effectively, and for communicating the views of the Board to the public. In performing this role the Chair's responsibilities include:

- (a) setting, in consultation with the Managing Director and the Company Secretary, the agenda of matters to be considered by the Board;
- (b) managing the conduct, frequency and length of Board meetings so as to take all reasonable steps to ensure that the Board maintains an in depth understanding of the Company's financial position and performance and the opportunities and challenges facing the Company;
- (c) facilitating open and constructive communications between Board members and encouraging their contribution to Board deliberations;
- (d) serving as Chair of the Nomination Committee; and
- (e) facilitating open and constructive discussions between the Managing Director and the Board.

4. Functions and Responsibilities of the Board

The Board is responsible for the oversight of the management of the Company and for directing its strategic goals, with the aim of increasing shareholder value through maximising performance.¹ In performing its role, the Board's specific responsibilities include:

- (a) providing strategic direction for, and approving, the Company's business strategies and objectives;
- (b) approving the Company's budgets, business plans and significant acquisitions and divestments and monitoring the progress thereof as well as approving major capital expenditure and capital management projects;
- (c) monitoring the operational and financial position and performance of the Company;
- (d) ensuring that the Company's financial results are appropriately and accurately reported on a timely basis;

¹ Rule 73 of the Company Constitution.

- (e) ensuring that shareholders and the financial market as a whole are properly informed of all material developments affecting the Company;
- (f) approving any dividend policy and declaring or determining dividends;
- (g) reviewing the principal operational and other risks faced by the Company that have the potential to have a material impact on the Company's business and taking all reasonable steps to ensure that appropriate internal control and monitoring systems are put in place by Management to manage and, to the extent possible, reduce the impact of these risks;
- (h) reviewing and approving the Company's internal compliance and control systems and codes of conduct and taking all reasonable steps to ensure that the business is conducted openly and ethically;
- (i) taking all reasonable steps to ensure that the Company's financial and other internal reporting mechanisms result in adequate, accurate and timely information being provided to the Board;
- (j) taking all reasonable steps to ensure compliance by the Company with all laws, governmental regulations and accounting standards;
- (k) approving the appointment and removal of the Company's external auditor;
- (l) approving any framework or policy for setting the remuneration of the Managing Director and the Company's executives;
- (m) appointing and, where appropriate, removing the Managing Director, approving other Global Leadership Group appointments, and planning for executive succession;
- (n) overseeing and evaluating the performance of the Managing Director and other members of the Global Leadership Group in the context of the Company's strategies and objectives and approving any awards to be made to the Managing Director and other members of the Global Leadership Group under the Company's short-term and long-term incentive plans;
- (o) reviewing and approving the remuneration of the Managing Director, on appointment and at least annually thereafter, and reviewing and approving the remuneration of other members of the Global Leadership Group, on appointment and at least annually thereafter,, inclusive of fixed pay and short and long term incentive components (subject to any approval of shareholders in General Meeting for executive directors to acquire securities under an employee incentive scheme);
- (p) approving the establishment of or any amendment to employee share, performance option, performance rights and deferred cash incentive plans;
- (q) reviewing and approving remuneration and other benefits to be paid to non-executive directors (subject to any maximum sum for

remuneration of non-executive directors approved by shareholders in General Meeting);

- (r) on an annual basis approving measurable objectives for achieving gender diversity and assessing progress towards achieving them; and
- (s) Board succession planning to take all reasonable steps to ensure an appropriate mix of skills experience, expertise and diversity (subject to the power of shareholders in General Meeting to elect or re-elect directors).

5. Authority Delegated to Senior Management

The Board has delegated authority over the day to day management of the Company and its operations to the Managing Director who in turn may delegate to senior management. This delegation of authority includes responsibility for:

- (a) developing the Company's business plans, budgets and strategies for consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies;
- (b) operating the Company's business within the parameters set out in the Company's Authorisations Policy and such other parameters set by the Board from time to time, and keeping the Board properly informed of material developments in the business;
- (c) where proposed transactions, commitments or arrangements exceed the limits authorised by the Board, referring the matter to the Board for its consideration and approval;
- (d) identifying and managing operational and other risks and, where those risks could have a material impact on the Company's businesses, formulating strategies for managing these risks for consideration by the Board;
- (e) managing the Company's current financial and other reporting mechanisms and control and monitoring systems to ensure that these mechanisms and systems capture all relevant material information on a timely basis and are functioning effectively;
- (f) ensuring that the Board is provided with sufficient information on a timely basis in regard to the Company's business, and in particular with respect to the Company's performance, financial condition, operating results and prospects, to position the Board to fulfil its governance responsibilities;
- (g) implementing the policies, processes and codes of conduct approved by the Board; and
- (h) managing external relations including relationships with shareholders and other external stakeholders, including national and regional governments.

6. Company Secretary

- (a) The Board must appoint at least one secretary in accordance with the Constitution.
- (b) Appointment and removal of the Company Secretary is subject to Board approval.
- (c) The Company Secretary is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.
- (d) Each director has a right of access to the Company Secretary at all times.
- (e) In performing their role, the Company Secretary's responsibilities include:
 - (i) assisting the Board and Board committees on governance matters;
 - (ii) monitoring Board and Board committee policy and procedures;
 - (iii) co-ordinating the timely completion and dispatch of Board and Board committee papers;
 - (iv) ensuring that the business at Board and Board committee meetings is accurately captured in the minutes; and
 - (v) helping to organise and facilitate the induction and professional development of directors.

7. Board Committees

7.1 Establishment of Board committees

The Board has established five committees to assist it in discharging its responsibilities. They are:

- (a) the Audit and Risk Management Committee;
- (b) the Human Resources and Remuneration Committee;
- (c) the Securities and Market Disclosure Committee;
- (d) the Nomination Committee; and
- (e) the Innovation and Development Committee.

It is expected that non-executive directors will be a member of at least one Board Committee (in addition to the Nomination Committee).

7.2 Ad hoc committees

The Board may also delegate specific responsibilities to ad hoc committees from time to time.

7.3 Committee charters

The Board has approved a Charter for each committee referred to in paragraph 7.1 setting out the composition of, and powers delegated to, the committee by the Board.

8. Directors' Right to Seek Professional Advice

8.1 Chair's permission

If a director wishes to seek external advice at the Company's expense, he or she must obtain the permission of the Chair. When doing so the director should provide the Chair with:

- (a) the reason for seeking the advice;
- (b) the name of the person from whom advice will be sought; and
- (c) a cost estimate from that person for the provision of the advice contemplated.

8.2 Grant of permission

The Chair:

- (a) must not unreasonably withhold permission to obtain the advice; and
- (b) must inform the Board of the request as soon as possible.

8.3 Use of advice

Advice obtained at the Company's expense under these provisions must be made available to all directors and the Company, unless a conflict of interest would make it inappropriate to do so.

9. Company Indemnity of Directors and Insurance

Unless the Board otherwise determines, it is intended that each director will enter into a deed with the Company under which:

- (a) to the extent permitted by law, the Company agrees to indemnify the director against liability arising out of the discharge of the director's duties;
- (b) the Company agrees to maintain an insurance policy for the director against liability incurred in his or her capacity as a director for the term of the director's appointment and for seven years following cessation of office; and
- (c) the Company agrees to maintain all Board papers relating to the director's period of appointment and to make those papers available to the director for a period of seven years following the director's cessation of office.

10. Board Evaluation

The Board will conduct performance evaluations of the Board as a whole, its committees, the Chair, individual directors, and the governance processes which support Board work.



All evaluations will have regard to the collective nature of Board work, the balance of skills, experience, independence and knowledge of the Company on the Board, its diversity (including gender) and the operational processes established under this Charter. They will be conducted as the Board considers appropriate.

11. Shareholding Expectation

The Board expects that non-executive directors will purchase CSL shares (or American Depositary Receipts), at times when they are permitted to trade, including by way of their participation in the Non-Executive Director Share Plan, to achieve a shareholding equivalent in value to one year's base fee remuneration within 5 years of joining the Board and thereafter to maintain at least that level of shareholding throughout their tenure.

Non-executive directors are encouraged to be long term holders of shares in the Company.

12. Review of Board and Committee Charters

12.1 Changes to Charter

No changes to this Charter should be made without the approval of a majority of the Board.

12.2 Transition period

If changes to this Charter are duly approved then, if appropriate, a transition period should be agreed covering the position of the current Board members.

12.3 Regular review

This Charter and the charter for each Committee established by the Board is to be reviewed by the Board at three year intervals or at such shorter intervals as the Board determines.

This document represents the Charter of the Board as adopted by the Board on 12 December 2017.