



Corporate
Governance
at CSL

2017/18

Driven by
Our Promise™

CSL™

2018 Corporate Governance Statement

The CSL Limited Board of Directors is pleased to present CSL's Corporate Governance Statement for 2018. This statement outlines CSL's principal corporate governance practices in place during the financial year ended 30 June 2018. Copies of all governance documents referred to in this statement can be found in the 'Corporate Governance' section of CSL.com.

The Board and management team maintain high standards of corporate governance as part of their commitment to maximise shareholder value through effective strategic planning, risk management, transparency and corporate responsibility.

The Board and management team remain committed to continuing to review CSL's corporate governance practices in response to changes in market conditions or recognised best practices, including the careful consideration of any changes to the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations or ASX Listing Rules.

The Board believes that CSL's corporate governance practices have complied with the recommendations contained in the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations throughout the year ended 30 June 2018. The following table indicates where each principle is dealt with in this statement.

ASX Corporate Governance Principles and Recommendations	Section Reference in this Statement
Principle 1 – Lay solid foundations for management and oversight	1, 2
Principle 2 – Structure the Board to add value	1, 4
Principle 3 – Act ethically and responsibly	3
Principle 4 – Safeguard integrity in corporate reporting	4, 5
Principle 5 – Make timely and balanced disclosure	4, 6
Principle 6 – Respect the rights of security holders	6
Principle 7 – Recognise and manage risk	4, 5
Principle 8 – Remunerate fairly and responsibly	4, 7

1. The Board of Directors

Relevant governance documents:

[Board Charter](#)

[Nomination Committee Charter](#)

1.1 Role of the Board

The Board has a formal charter documenting its membership, operating procedures and the allocation of responsibilities between the Board and management.

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

The Board has delegated the day-to-day management of CSL, and the implementation of approved business plans and strategies, to the Managing Director, who in turn may further delegate to senior management. In addition, a detailed authorisations policy sets out the decision-making powers which may be exercised at various levels of management.

The Board has delegated specific authority to five Board committees, which assist the Board by examining various issues and making recommendations. A description of each committee and their responsibilities is set out in section 4 of this statement. The Board also delegates specific responsibilities to ad hoc committees sometimes.

CSL has entered into a written agreement with each director and senior executive setting out the terms of their appointment, including their respective roles and responsibilities.

The Company Secretary ensures that Board and committee procedures are complied with and advises the Board and its committees on governance matters. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. All directors have access to the Company Secretary for advice and services. The Board approves any appointment or removal of the Company Secretary.

Directors are entitled to access independent professional advice at CSL's expense to assist them in fulfilling their responsibilities. To do so, a director must first obtain the approval of the Chairman. The director should inform the Chairman of the reason for seeking the advice, the name of the person from whom the advice is to be sought and the estimated cost of the advice. Professional advice obtained in this way is made available to the whole Board.

Details of Board meetings held during the year and individual directors' attendance at these meetings can be found in our 2018 Directors' Report.

1. The Board of Directors continued

1.2 Board Composition

Throughout the year there were between nine and ten directors on the Board. Each director, their length of service and their status as an independent or non-independent director is set out in the following table.

Director	Length of Service (as at 30 June 2018)	Independent/Non-Independent
Professor John Shine AC	12 years	Independent, non-executive director
Mr Paul Perreault	5 years, 5 months	Non-independent, executive director
Mr David Anstice	9 years, 9 months	Independent, non-executive director
Mr Bruce Brook	6 years, 10 months	Independent, non-executive director
Dr Megan Clark AC	2 years, 5 months	Independent, non-executive director
Mr Abbas Hussain	4 months	Independent, non-executive director
Dr Brian McNamee AO	4 months	Independent, non-executive director
Ms Marie McDonald	4 years, 10 months	Independent, non-executive director
Ms Christine O'Reilly	7 years, 5 months	Independent, non-executive director
Mr Maurice Renshaw	13 years, 2 months	Independent, non-executive director
Dr Tadataka Yamada KBE	1 year, 9 months	Independent, non-executive director

Mr Maurice Renshaw retired as a director at the conclusion of the 2017 Annual General Meeting (AGM).

The relevant skills, expertise, qualifications and experience of each of the directors are set out in the directors' profiles in our 2018 Directors' Report available at CSL.com.

1.3 Director Independence

The Board considers an independent director to be independent of management and free of any interest, position, association or relationship that could, or could reasonably be perceived to, materially interfere with the exercise of their unfettered and objective judgement.

Information about any such interests or relationships, including any related financial or other details, is assessed by the Board to determine whether the interest, position, association or relationship could, or could reasonably be perceived to, materially interfere with the exercise of a director's unfettered and independent judgement. As part of this process, the Board takes into account each of the factors relevant to assessing the independence of a director set out in the ASX Corporate Governance Principles and Recommendations, and other facts, information and circumstances that the Board considers relevant.

In determining whether an interest or relationship is considered to interfere with a director's independence, the Board assesses the materiality of the

interest or relationship. For this purpose, the Board adopts a conservative approach to materiality consistent with Australian accounting standards.

The Board Charter sets guidelines as to the desired length of service of non-executive directors. However, fixed tenure limits for non-executive directors have not been set. Tenure remains a matter for the Board's discretion on a case-by-case basis and according to the needs of the Company.

The Board assesses the independence of new directors upon appointment, and makes an annual assessment of each non-executive director to determine whether it considers the director to be independent.

The Board has determined that all of its non-executive directors are independent and were independent for the duration of the reporting period. Accordingly, a majority of the directors on the Board are independent.

The Chairman of the Board, Professor John Shine AC, is an independent, non-executive director. The responsibilities of the Chairman are described in the Board

1. The Board of Directors continued

Charter. The roles of the Chairman and the Managing Director are exercised by separate individuals..

1.4 Nomination and Appointment of Directors

Two new directors, Mr Abbas Hussain and Dr Brian McNamee AO, were appointed to the Board during the financial year. One director, Mr Maurice Renshaw, retired from the Board during the financial year. Professor John Shine AC, Mr Bruce Brook and Ms Christine O'Reilly were re-elected as directors, at the 2017 Annual General Meeting.

On 13 December 2017, the Company announced that once elected following the close of the 2018 AGM, Dr Brian McNamee AO would assume the position of Chairman of CSL.

Prior to the expiry of a director's current term of office, the Board reviews that director's performance.

In addition, before a director is nominated for election or re-election, it is CSL's policy to ask directors to acknowledge to the Board that they have sufficient time to

meet CSL's expectations of them. The Board requires that all its members devote the time necessary to ensure that their contribution to CSL is of the highest possible quality. The Board Charter sets out procedures relating to the removal of a director whose contribution is found to not be effective.

In the case of long-serving non-executive directors who are standing for re-election at an AGM but who intend to retire from the Board within their next term, this intention to retire will be clearly disclosed in the AGM notice of meeting.

Before a person is appointed as a director or put forward to shareholders as a candidate for election as a director, CSL undertakes appropriate background checks of that person, including the person's character, experience, education, criminal record and bankruptcy history.

CSL provides its shareholders with all material information (that is in CSL's possession) relevant to a decision on whether or not to elect or re-elect a director (including any material adverse information).

1.5 Induction of New Directors and Ongoing Development

CSL provides an induction program to assist new directors to gain an understanding of:

- CSL's financial, strategic, operational and risk management position;
- the culture and values of CSL;
- the rights, duties and responsibilities of the directors;
- the roles and responsibilities of senior executives;
- the role of the Board committees;
- meeting arrangements; and
- director interactions with each other, senior executives and other stakeholders.

In addition to the briefing papers, agenda and related information regularly supplied to directors, the Board has an ongoing professional development and education program designed to give directors further insight into the operation of CSL's business, and to provide opportunities for directors to develop and maintain the skills and

knowledge needed to perform their role as a director effectively. The program includes education on key developments relating to CSL and the industry and environment within which it operates. As part of this program, directors regularly visit CSL's facilities, including all major operating sites in the United States (US), Europe and Australia, and attend meetings and information sessions with CSL's local management and employees.

1.6 Knowledge, Skills and Experience

The Board is focused on maintaining an appropriate mix of skills and diversity in its membership. This includes range of skills, experience and background in the pharmaceutical industry, international business, finance and accounting and management, as well as gender diversity.

The following Board skills matrix describes the combined capabilities of the Board across a range of general and specialist areas. The Board considers that collectively the directors have the appropriate range of skills and experience necessary to direct CSL's businesses and achieve CSL's strategic objectives.

1. The Board of Directors continued

Board Capability Matrix	Board Representation
GENERAL EXPERIENCE	
Managing and Leading Success in business at a senior level in a successful career.	10
Global Experience Senior executive or similar exposure to a range of political, cultural, regulatory and business environments.	10
Business/Commercial Senior executive or similar experience in business/commerce in a large business enterprise.	10
Strategy Track record of developing and implementing successful strategies.	10
Governance Commitment to high standards of governance, including experience with a large business enterprise which is subject to rigorous governance standards.	10
SPECIALIST EXPERIENCE	
Industry-specific Knowledge Senior executive experience in a large biopharmaceutical, pharmaceutical or medical organisation.	6
Finance/Legal/Risk Management Board audit/risk management membership or senior executive or similar experience in financial accounting and reporting, corporate finance, internal financial controls or the provision of legal services to large business enterprises.	6
Marketing Senior executive experience in marketing and a detailed understanding of the Group's corporate objective to create long-term value through the provision of innovative products.	6
Capital Projects Experience in an industry with projects involving large-scale capital outlays and long-term investment horizons.	9
Health, Safety and Environment Experience related to workplace health, safety, environment and social responsibility within a large business enterprise.	8
Remuneration Board remuneration committee membership or senior executive or similar experience relating to remuneration, including incentive programs.	9
Government Affairs Experience in liaising with government and experience with public and regulatory policy.	9
Research and Development/Product Development Experience in research and development or product development with a large biopharmaceutical, pharmaceutical or medical organisation.	7
Manufacturing/Quality Experience in manufacturing or quality operations with a large biopharmaceutical, pharmaceutical or medical organisation.	5



2 Diversity

Relevant governance documents:

Diversity Policy

Code of Responsible
Business Practice

2.1 Diversity at CSL

At CSL, diversity refers to the unique backgrounds, beliefs and experiences that our people possess. We define diversity in the broadest of terms, including gender and gender identity, nationality, ethnicity, disability, sexual orientation, generation/age, socioeconomic status, religious beliefs, professional and educational background, and global and cultural experiences.

CSL's employee brand – Promising Futures – represents our commitment to building a workplace where employees can have promising futures by fulfilling their career aspirations, realising their potential and being inspired by being part of a purpose-driven company with a values-based culture. This goal requires us to have a culture of inclusion where all employees are respected, valued and able to freely share their perspectives, experiences and ideas.

We rely on our people's unique perspectives, ideas, capabilities and experiences to deliver for our business, our patients and our shareholders.

We believe diversity and inclusion are crucial to strong business growth and performance. Specifically, diversity and inclusion help us to:

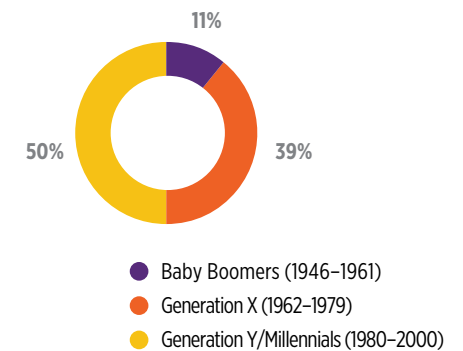
- better understand and connect with our patients;
- attract, develop, retain and engage the talent needed to sustain our long-term success;
- foster creativity and innovation; and
- improve the quality of the decisions that we make.

In addition, our continued success depends on authentically living the CSL values – patient focus, superior performance, innovation, integrity and collaboration.

CSL has a global diversity policy, which is integral to our overall talent and culture strategies and guides our investment in this area. We support an inclusive work environment where people have equitable access to career opportunities, training and benefits.

2.2 CSL's Diversity Profile

CSL is a multigenerational company with employees ranging in age from 17 to 74. Currently, millennials make up half of CSL's total workforce and are also the largest and fastest-growing segment in the global workforce overall. We believe this generational diversity helps ensure we are considering and leveraging a wide range of perspective and experiences when addressing patients' needs now and in the future.



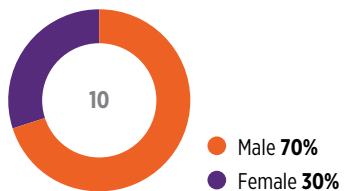
Data as of 30 June 2018 and includes all employees globally where birthdate is recorded (97% of workforce).

2. Diversity continued

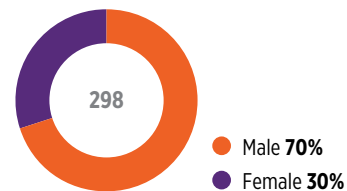
CSL continues its strong commitment to advancing women in the workplace. Female employees represent 56% of our global workforce. The Board and executive team monitor the percentage of females in the workforce with a focus on senior executive positions. We are pleased to report that we have once again achieved our target percentage of 30% for female representation across

our senior executive positions and we are at less than 1% below our target of 40% female representation for all people management positions. In line with ASX guidelines, the following graphs highlight the proportion of women and men on the Board, in senior executive positions (Senior Director and above), other management roles and across the whole organisation as of 30 June 2018.

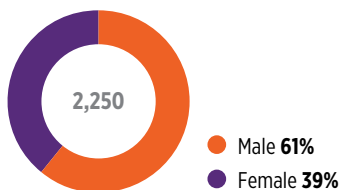
BOARD MEMBERS



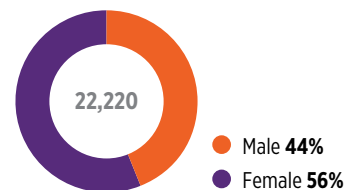
SENIOR EXECUTIVES



PEOPLE MANAGER



ALL EMPLOYEES



2. Diversity continued

2.3 Report on Measurable Objectives for 2017/18

CSL's management sets and reports on measurable diversity objectives on an annual basis in accordance with ASX guidelines and CSL's Diversity Policy.

In CSL's 2017 Annual Report, CSL announced three measurable objectives for achieving diversity to be undertaken in the 2017/18 financial year. We are pleased to share our year-end progress against these important objectives. Given the long-term or complex nature of some of these objectives, we will continue to invest in them in the new financial year as part of our 2018/19 objectives.

Objective

Advancing women's education and opportunities in STEM careers.

As CSL's talent demands continue to increase, we recognise the challenges associated with hiring female STEM (science, technology, engineering, and math) talent given the competitive hiring environment. The demand for talent in this area exceeds the supply of talent in our major geographies, leading to a dearth of talent available to CSL and other organisations. To bolster our early career talent supply, advance our diversity objectives and support corporate social responsibility outcomes, we are committed to identifying talent pools in secondary schools*, colleges and universities in all of CSL's major markets (Australia, Switzerland, Germany, the US and the United Kingdom [UK]) and continuing (or developing) relationships with these schools and/or colleges/universities to align educational curriculum to industry needs and build a pipeline of early career female talent potentially available to be recruited to CSL.

**Secondary education refers to structured education that concludes at age 18–19 after 12 or 13 years of formal education.*

Results Achieved

A key element of CSL's global talent strategies is our relationships with schools at both the secondary and university levels as well as professional diversity organisations. We met our goal of forming and/or deepening our strategic relationships in all major markets. A number of noteworthy accomplishments in fostering women's education and opportunities in STEM careers were achieved.

- In Australia, we continued to make progress with CSL's Australian Graduate Program, which gives students the chance to explore a wide range of positions at CSL. We had 40% female participation in the program and every female student who was subsequently hired also received a leadership mentor.
- In the US, CSL formed a partnership with Penn State to invest in creating the multidisciplinary Center of Excellence in Biotechnology, and to revitalise the Shared Fermentation Facility, an engine for collaboration and innovation in biological training and research on the University Park campus. By closely matching what is available in today's premier manufacturing settings, this investment will help elevate the University's educational and research capabilities and ability to attract top STEM students and create a pipeline of potential experts to help address health challenges worldwide.
- At our Marburg, Germany site an Engineering Training program was implemented and led to one of two graduate positions being filled by a female. In addition, 31 internships were focused on young women in STEM areas. The site is also partnering with the largest university network in Europe to strengthen leadership skills for women with eight female CSL leaders being matched with STEM students to collaborate over a one-year period.
- At our Bern, Switzerland site we continued visiting local schools to foster interest in STEM professions, especially among young women. The site also participated in seven university events and fairs with increased representation from the site's female CSL ambassadors.

2. Diversity continued

Objective

Increasing diversity in senior leadership (Senior Director and above) through talent acquisition and development strategies.

Diversity in our leader population results in several benefits for CSL. It is a key factor in strengthening our inclusive culture and mentoring the next generation of diverse talent. We continue our strong commitment to having a diverse leadership team and building a strong culture by updating our CSL Diversity Policy, expanding partnerships with organisations across the globe to reach a broader array of potential candidates, training hiring managers to be unbiased in talent selection, and developing our diverse leadership talent.

Results Achieved

As a global organisation, CSL embraces diversity and inclusion. It is the foundation of who we are. We believe that by harnessing and honouring the unique capabilities, experiences, and perspectives of our people, we are better able to serve our patients. To do this, we must continually be hiring from a qualified and diverse candidate pool and building our leaders' capabilities around forming and effectively managing diverse teams. In 2017/18, we measured our successful achievement of this objective in a number of ways.

- We ensured a diverse talent representation in the interview process, resulting in 30% of our Senior Director and above hires being female.
- We updated our CSL Diversity Policy to incorporate the importance of authentically living our CSL values and expectations for all business. This included a range of topics from equitable access to learning and development opportunities to helping employees balance their work and personal commitments at different career and life stages.
- Relationships with women's professional associations were nurtured, including opportunities for CSL female employees to attend workshops and forums through the National Association of Women in Operations (NAWO) and the Diversity Council of Australia.
- A corporate partnership was formed in the US and Europe with the Healthcare Businesswoman's Association (HBA), which focuses on the further advancement and impact of women in the business of healthcare.
- We continued the rollout of our 'Hiring Top Talent' program to educate hiring managers around topics such as creating diverse candidate slates, valuing differences, benefits of diverse teams and selecting for diverse talent.
- We introduced online Career Profiles that allow employees to capture career and developing planning information in a central place (e.g., education, career aspirations, willingness to relocate) so that their experience and personal interest are understood by the organisation. Completion of the Career Profile is required for all CSL key talent (e.g., high performers, high potentials).
- We launched new global Leadership Capabilities, which set expectations that all CSL leaders should be focused on forming teams with diverse perspectives and helping employees understand the value of diversity. These diversity capabilities and expectations are also included in our new development program for leaders.



2. Diversity continued

Objective

Building an attractive, inclusive culture where employees with diverse backgrounds are engaged and retained.

An inclusive culture enables CSL to harness the power of difference to drive desired business results. CSL's culture has supported our performance; however, we recognise that competitors are evolving, and we must compete more aggressively for key talent in a tight, global labour market. We attract and retain diverse talent by fostering an inclusive culture where employees' contributions and ideas matter.

Results Achieved

We believe people want to be part of and contribute to a purpose-driven company with a values-based culture. By fostering an inclusive environment, we help ensure employees feel valued and able to freely share their perspectives and ideas. We worked on a number of areas to achieve this objective.

- We administered CSL's employee feedback survey in April/May 2018. The survey provides actionable insights regarding how we are doing against our strategy to create a culture that attracts, retains and develops the best talent, employees understanding and receptivity to company-wide culture priorities, and engagement relative to global benchmarks. The survey results revealed CSL's employee engagement index is three points above global IBM norms.
- The company was re-energised around CSL values to drive desired behaviours and respect in the workplace. This included a language change from customer-focused to patient-focused. Values were translated into numerous languages and all existing values collateral (e.g., printed materials, signage) was updated.
- We piloted a new 360-degree feedback tool for leaders, providing leaders with personalised feedback, including on the behaviours they demonstrate that positively contribute to building a values-based, diverse and inclusive culture.
- A cross-geography/cross-functional team was formed to evaluate and recommend a global recognition program and platform tied to our culture strategy that reinforces the importance of recognition and appreciation at all levels.



2. Diversity continued

2.4 Measurable Objectives Supporting Gender Diversity for 2018/19

To comply with ASX diversity guidelines, the Board, or a relevant committee of the Board, is required to set measurable objectives for achieving gender diversity and to assess annually both the objectives and CSL's progress in achieving them. The Board, with senior management's support, has set the following objectives for the financial year commencing 1 July 2018. These objectives are designed to contribute to CSL's growth by fostering an environment that enables innovation, collaboration and talent development.

Objective	Description and Measures
<p>Advance women's education and opportunities in STEM careers.</p> <p><i>(A continuation of the prior year objective as it is a key long-term investment that supports talent, diversity and corporate social responsibility outcomes.)</i></p>	<p>To strengthen our early career supply of STEM talent, roles that are difficult to fill, we are committed to:</p> <ul style="list-style-type: none"> • identifying talent pools in secondary schools*, colleges and universities, and at least two strategic relationships in many of our major markets (Australia, Switzerland, Germany, US and UK); • continuing and developing relationships with these schools to align educational curriculum to industry needs and build a pipeline of early career talent to join CSL; • hosting programs and career fairs to market CSL and source this talent pool; • measuring our results through the hiring of STEM future leaders with 50% or better female representation, achieving an 80% favourable rating or better on satisfaction surveys that assess our effectiveness in attracting students, and receiving external recognition in at least two major markets for CSL's women's education investments; and • ensuring measurement results are reported to the Board as part of the year-end diversity report.
<p>Maintain diversity in senior executive and senior leader positions; increase diversity in CSL's people manager population.</p>	<p>We will build a competitive talent culture and achieve this objective through a combination of efforts in talent acquisition, talent development and talent analytics by:</p> <ul style="list-style-type: none"> • learning and implementing new processes in response to emerging legislation regarding inequality for women in compensation and biased hiring practices; • continuing manager training focused on how to select qualified candidates from diverse talent pools; • developing diverse talent through leadership and manager development programs, key talent development plans and mentoring; and • measuring our performance through: <ul style="list-style-type: none"> – diverse interview slates and diverse hires; – manager quality, percentage of female hires, promotions, turnover; – adherence to compliance responsibilities (e.g., Workplace Gender Equality Agency – WGEA, Equal Employment Opportunity Commission – EEOC); – investments in at least two strategic relationships with global groups that support women in leadership; and – movement/promotion of female leaders and managers who attend leadership and manager development programs.

2. Diversity continued

Objective	Description and Measures
Sustain a culture differentiated by CSL's values that attracts and retains a diverse workforce and rivals biotech competitors.	<p>We must compete for key talent in a tight, global labour market and access broader, diverse sources of talent to meet the growth needs of the business. To bring diversity of thought, person and experience to the company, actively tending to our culture is of primary importance. Key actions and measures include:</p> <ul style="list-style-type: none">• conducting leadership 360 assessments for senior and executive leaders to ensure employees are experiencing an inclusive culture where their contributions are welcome, and innovation is encouraged;• incorporating leadership assessments into the hiring process for new senior and executive leaders whose behaviours and values greatly impact culture;• piloting a global recognition program and associated usage metrics;• achieving employee feedback survey results that are above global benchmarks for employee engagement index items (we currently are above the global benchmark); and• continuing partnerships with global organisations to access a broader array of potential candidates (e.g., different ethnicities, genders, people with disabilities, veterans, refugees, LGBTQ – Lesbian, Gay, Bisexual, Transgender and Queer, etc.).



3 Corporate Responsibility

Relevant governance documents:

Code of Responsible Business Practice

Anti-Bribery and Anti-Corruption Policy

Statement on the Prevention of Human Trafficking, Slavery and Forced Labour

CSL's approach to Corporate Responsibility is guided by the CSL Group values, the Code of Responsible Business Practice (the Code) and related policies.

3.1 Group Values

CSL has developed a set of values (Group Values) common to the diverse business units that form the CSL Group. The Group Values, endorsed by the Board, serve as the foundation for everyday decision-making. These values are superior performance, innovation, integrity, collaboration and patient focus.

3.2 Code of Responsible Business Practice

CSL first established a Code in December 2008, and the Code has been regularly reviewed and updated. Based upon the Group Values and other guiding principles, the Code outlines CSL's commitment to responsible business practices and ethical standards. The Code sets out the rights and obligations that all directors, senior executives and employees have when conducting CSL's business, including in relation to business integrity, safety and

quality of products and maintaining a safe and fair workplace. CSL also expects that its contractors and suppliers will observe the principles set out in the Code.

The Code has been distributed to all directors, senior executives and employees and a training program has been implemented across the CSL Group.

3.3 Modern Slavery

Each year, the Board approves CSL's Statement on the Prevention of Human Trafficking, Slavery and Forced Labour. The Statement details the steps the CSL Group is currently undertaking to address and prevent modern slavery.

3.4 Serious Complaints Policy

In accordance with the Code, CSL is committed to ensuring that employees, contractors, suppliers and partners are able to raise concerns regarding any illegal conduct or malpractice and to have such concerns properly investigated. This commitment is implemented through CSL's internal Global Serious Complaints (or

whistleblower) Policy, which sets out the mechanism (including a global telephone and internet hotline service) by which employees, contractors, suppliers and partners can confidently, and anonymously if they wish, voice such concerns in a responsible manner without being subject to victimisation, harassment or discriminatory treatment.

3.5 Anti-Bribery and Anti-Corruption

The Code provides a high-level policy statement on preventing bribery and inducements. In addition, the Board has adopted an Anti-Bribery and Anti-Corruption Policy. This policy builds on the policy statement in the Code and supports the considerable amount of work being undertaken in many areas of CSL's operations to ensure that CSL is acting with integrity (one of CSL's core values) at all times.

CSL has established training programs for relevant employees across the CSL Group to raise awareness of CSL's 'zero tolerance' approach to bribery and corrupt business practices at any level within CSL's global operations.



4 Operation of the Board

Relevant governance documents:

Board Charter

Corporate Governance and Nomination Committee Charter

Audit and Risk Management Committee Charter

Human Resources and Remuneration Committee Charter

Innovation and Development Committee Charter

Securities and Market Disclosure Committee Charter

4.1 Board Committees

As described previously, CSL has established five Board committees:

- Corporate Governance and Nomination Committee (previously the Nomination Committee);
- Audit and Risk Management Committee;
- Human Resources and Remuneration Committee;
- Innovation and Development Committee; and
- Securities and Market Disclosure Committee.

Each committee is governed by a formal charter setting out its composition, functions and responsibilities. Each committee's charter is approved by the Board.

Details of each committee meeting held during the year and individual directors' attendance at these meetings can be found in the Directors' Report.

A high-level description of each committee and its responsibilities is set out in the following table.

4 Operation of the Board continued

Committee	Members	Composition	Key Responsibilities
Corporate Governance and Nomination Committee (previously Nomination Committee) <i>(commencing from 1 August 2018)</i>	Ms Christine O'Reilly (Chair) Dr Brian McNamee Mr David Anstice Mr Bruce Brook Dr Megan Clark	<ul style="list-style-type: none"> At least three directors, all of whom are non-executive directors. In the absence of the Board Chairman, chaired by another independent, non-executive director elected by the members present. 	<ul style="list-style-type: none"> Making recommendations to the Board on Board membership and ensuring appropriate mix of skills, experience, expertise and diversity to enable the Board to oversee the delivery of CSL's objectives and strategy. Reviewing the membership of Board committees. Overseeing annual performance reviews of the Board, individual directors and Board committees. Settling and following the procedure for the selection of new directors for nomination. Overseeing CSL's approach to corporate governance and reporting upon this. Reviewing CSL's compliance with the CSL Act.
Audit and Risk Management Committee	Mr Bruce Brook (Chair) Ms Marie McDonald Ms Christine O'Reilly	<ul style="list-style-type: none"> Between three to five directors, all of whom are non-executive directors, and one of whom should have financial expertise. Majority of members will be independent directors. An independent Chair who is not Chair of the Board. In the absence of the committee Chair, chaired by another independent, non-executive director elected by the members present. 	<ul style="list-style-type: none"> Overseeing and reviewing CSL's financial and risk management systems, compliance systems and internal control framework (as set out in CSL's Risk Framework). Overseeing CSL's system of financial reporting with a view to safeguarding its integrity. Monitoring the activities and effectiveness of both internal and external audit functions. Reviewing CSL's global health, safety and environmental performance.
Human Resources and Remuneration Committee	Dr Megan Clark (Chair) Ms Christine O'Reilly Ms Marie McDonald Mr Abbas Hussain	<ul style="list-style-type: none"> At least three non-executive directors. Members will be independent directors. Chaired by an independent director. In the absence of the committee Chair, chaired by another independent, non-executive director elected by the members present. 	<ul style="list-style-type: none"> Assisting the Board in fulfilling its responsibilities with respect to human resources and remuneration matters. Overseeing the establishment of and regular review of CSL's diversity policy. Reviewing and recommending to the board the design of any share, performance option, performance rights, retention and deferred cash incentive plans including performance measures and any amendments to such schemes or plans.

Continued next page

4 Operation of the Board continued

Committee	Members	Composition	Key Responsibilities
Innovation and Development Committee	Mr David Anstice (Chair) Professor John Shine Mr Paul Perreault Dr Megan Clark Dr Tadataka Yamada Dr Brian McNamee Mr Abbas Hussain	<ul style="list-style-type: none"> At least three directors, being at least two non-executive directors and the Managing Director. Chaired by an independent, non-executive director. In the absence of the committee Chair, chaired by another independent, non-executive director elected by the members present. CSL's Chief Scientific Officer is a required attendee of committee meetings. 	<ul style="list-style-type: none"> Overseeing CSL's technology, research and product development opportunities. Ensuring relevant investments are undertaken in ways that are most likely to create long-term value for shareholders. Monitoring the strategic direction of CSL's technology, research and product development programs. Providing guidance on issues and priorities, additions to the research and development pipeline and significant development milestones. Overseeing the management of risk associated with the research and development projects.
Securities and Market Disclosure Committee	Professor John Shine (Chair) Mr Paul Perreault	<ul style="list-style-type: none"> A minimum of any two directors, one of whom must be an independent director. Chaired by the Board Chairman. In the absence of the Board Chairman, chaired by another non-executive director elected by the non-executive directors present. 	<ul style="list-style-type: none"> Assists CSL in complying with reporting and disclosure obligations under the Corporations Act and ASX Listing Rules, including continuous disclosure obligations and trading halts. Approving the allotment and issue, and registration of transfers, of CSL shares. Overseeing compliance with other formalities which may be urgently required in relation to matters affecting CSL's share capital.

In addition, the Board may establish ad-hoc committees or empower existing committees to oversee specific activities.

4 Operation of the Board continued

4.2 Remuneration of Directors and Senior Executives

CSL is committed to ensuring that it has competitive remuneration and human resources policies and practices that offer appropriate and fair rewards and incentives to directors and employees in the countries in which they are employed. CSL also seeks to align the interests of senior management and shareholders.

Details regarding the Human Resources and Remuneration Committee charter, and CSL's remuneration policies and practices are set out in the Remuneration Report in the 2018 Directors' Report.

The Remuneration Report includes details of the remuneration of directors (executive and non-executive) and other key management personnel of the CSL Group, details of CSL's short-term incentive plans, and details of CSL's long-term incentive plans.

4.3 Performance Evaluation

The Board resolved that from 1 August 2018 the Nomination Committee will adopt a new charter and be renamed the Corporate Governance and Nomination Committee.

The Corporate Governance and Nomination Committee meets annually to review the performance of the Board, individual directors and the Board committees.

The effectiveness of the Board and its committees is assessed against the roles and responsibilities set out in the Board Charter and each committee charter.

Matters considered in the evaluation include:

- the conduct of Board and committee meetings, including the effectiveness of discussion and debate at those meetings;
- the effectiveness of the Board's and committees' processes and relationship with management;
- the timeliness and quality of meeting agendas, Board and committee papers and secretariat support; and
- the composition of the Board and each committee, focusing on the skills, experience, expertise and diversity of the Board necessary to enable it to oversee the delivery of CSL's objectives and strategy.

The Chairman also holds discussions with individual directors to facilitate peer review.

This financial year, the Board appointed an external consultant to assist with the annual evaluation. The Corporate Governance and Nomination Committee suggested a number of actions for improvement as a result of this review. Actions agreed by the Board in response were documented and continue to be actioned by the Board. An internal assessment of the Board's progress with these actions has been carried out.

The Corporate Governance and Nomination Committee is responsible for periodically evaluating the performance of the Managing Director, who in turn evaluates the performance of all other senior executives and makes recommendations in respect of their remuneration. These evaluations are based on specific criteria, including CSL's business performance, whether the long term strategic objectives are being achieved and the achievement of individual performance objectives.

These performance evaluations took place in accordance with the previously described processes during the last financial year.

5 Risk Management and Financial Reporting

Relevant governance documents:

[Audit and Risk Management Committee Charter](#)

[Corporate Responsibility Report](#)

[Code of Responsible Business Practice](#)

5.1 Role of the Audit and Risk Management Committee

The Audit and Risk Management Committee assists the Board in overseeing the integrity of financial reporting, the effectiveness of risk management and compliance systems and internal control framework, and the external and internal audit functions.

The Audit and Risk Management Committee has (in conjunction with management) reported to the Board as to CSL's effective management of its material business risks in respect of the financial year ending 30 June 2018.

Senior executives and internal and external auditors frequently attend meetings on invitation by the Audit and Risk Management Committee. The Audit and Risk Management Committee holds regular meetings with both the internal and external auditors without management or executive directors present. Any director who is not a member of the Audit and Risk Management Committee may attend any meeting of the committee in an ex-officio capacity.

5.2 Risk Framework

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

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

- established corporate and business strategies are implemented, and objectives are achieved;
- any material exposure to risk is identified and adequately monitored and managed;

- significant financial, managerial and operating information is accurate, relevant, timely and reliable; and
- there is an adequate level of compliance with policies, standards, procedures and applicable laws and regulations.

CSL has adopted an internal 'Risk Appetite Statement' which is implemented throughout the CSL Group. CSL's risk appetite is integral to the Company's overall risk management processes and the Risk Appetite Statement sets forth the types and extent of risk that CSL is willing to accept in pursuit of its global strategic objectives, while adhering to CSL's core values and reinforcing its commitment to corporate responsibility.

As part of the Risk Framework, an Operational Risk Management Team of responsible executives reports to a Global Risk Leadership Team, which in turn reports to the Audit and Risk Management Committee, including an assessment of the effectiveness of CSL's management of material risks. These teams are responsible for implementing,

5 Risk Management and Financial Reporting continued

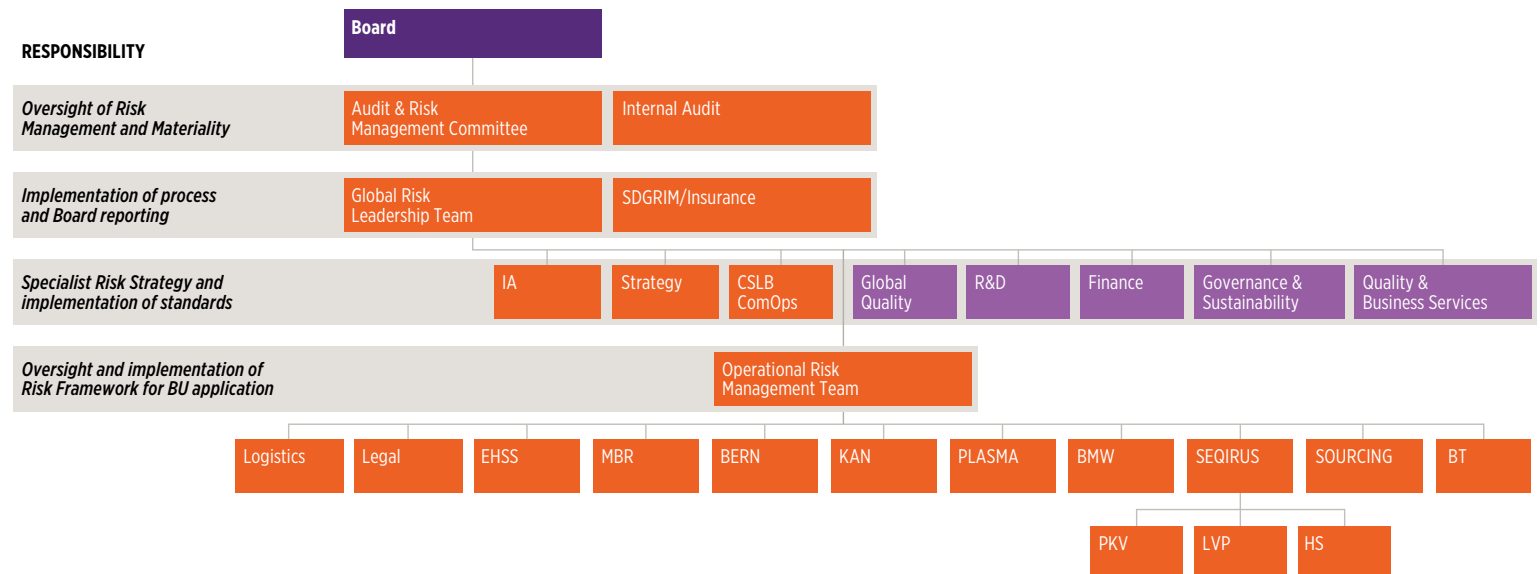
coordinating and facilitating the risk management process across the CSL Group. This includes quantifying and monitoring certain business risks identified and evaluated as part of the risk management process, including those relating to operating systems, the environment, health and safety, product quality, physical assets, security, disaster recovery, insurance and compliance. Each manufacturing site and each major function in the Group has its own Risk

Management Committee which reports to the Operational Risk Management Team on a semi-annual basis. The CSL Group also has a Global Risk and Insurance Manager who is responsible for monitoring and coordinating the implementation of the Risk Framework throughout the CSL Group. The governance and oversight of risk management as described is illustrated following.

The oversight of risk management associated with research and development projects is one of the responsibilities of the Innovation and Development Committee. The research and development operations have a number of management committees that report into the Innovation and Development Committee.

The oversight of the management of risks that are not the subject of the Risk Framework or associated with research and development projects, such as strategic and reputational risk, is a responsibility of the Board.

Risk assessment and management policies are reviewed periodically, including by the CSL Group's internal audit function.



5 Risk Management and Financial Reporting

continued

5.3 Sustainability Risks

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. Key business/industry risks and key financial risks are set out in the 2018 Annual Report available at CSL.com.

In addition, further detail regarding CSL's ongoing efforts to operate ethically and responsibly in respect of sustainability are set out in CSL's annual Corporate Responsibility Report.

5.4 External Auditor

One of the chief functions of the Audit and Risk Management Committee is to review and monitor the performance and independence of the external auditor. CSL's external auditor for the financial year was Ernst & Young, who was appointed by shareholders at the 2002 Annual General Meeting.

The Audit and Risk Management Committee has established a policy in relation to the engagement of the

external auditor for non-audit services to ensure the independence of the external auditor. The Audit and Risk Committee has considered the nature of the non-audit services provided by the external auditor during the financial year and is satisfied that the services provided, and the amount paid for those services, did not compromise the independence of the external auditor. Details of fees paid (or payable) to Ernst & Young for non-audit services provided to the CSL Group in the year ended 30 June 2017 are set out in the 2018 Directors' Report, available at CSL.com.

The signing partner for the external auditor is usually rotated at least every five years, and the auditor is required to make an independence declaration annually. Mr Rodney Piltz acted as the signing partner for Ernst & Young for the 2016/17 financial year, which was the first year he acted in this role for CSL. Ernst & Young has provided an independence declaration to the Board for the reporting period. The declaration forms part of the 2018 Directors' Report. 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.

The external auditor attends each Annual General Meeting and is available to answer questions from shareholders relevant to the audit and the preparation and content of the auditor's report.

5.5 Internal Auditor

Another important function of the Audit and Risk Management Committee is to review and monitor the performance of CSL's internal audit operation. CSL's internal auditor for the financial year was PricewaterhouseCoopers.

The role of CSL's internal audit function is to provide independent and objective assurance to the Audit and Risk Management Committee and executive management regarding the effectiveness of CSL's risk management processes (including the state of any material risks) and internal compliance and control systems.

As noted in section 5.2, the internal compliance and control systems are made up of various CSL policies, processes, practices and procedures.

An internal audit plan is prepared by the internal auditor and reviewed and approved by the Audit and Risk Management Committee on an annual basis (for the upcoming financial year). The internal audit plan seeks to cover, over a rolling basis, all significant activities of CSL, including its controlled entities and their operations.

In addition, CSL's internal auditor may be requested to perform investigative reviews on suspected fraudulent activities or serious (or whistleblower) complaints. In line with CSL's Global Serious Complaints Policy, any complaint made against the Managing Director, any member of CSL's Global Leadership Group or any regional serious complaints reports co-ordinator, must be investigated by CSL's internal auditor, and the internal auditor's written report in respect of that investigation must be provided directly to the Audit and Risk Management Committee.

5 Risk Management and Financial Reporting continued

5.6 Integrity in Financial Reporting and Regulatory Compliance

The Board is committed to ensuring the integrity and quality of its financial reporting, risk management and compliance and control systems.

Prior to giving their directors' declaration in respect of the annual and half-year financial statements, the Board requires the Managing Director and the Chief Financial Officer to each sign a written declaration to the Board that, in their opinion:

- the financial statements and associated notes comply with the International Financial Reporting Standards (IFRS) Accounting Standards as required by the Corporations Act, the Corporations Regulations and the CSL Group Accounting Policies;
- the financial statements and associated notes give a true and fair view of the financial position as at the relevant balance date and performance of CSL for the relevant period then ended as required by the Corporations Act;

- CSL's financial records for the relevant period have been properly maintained in accordance with the Corporations Act; and
- they have established and maintained an adequate risk management and internal compliance and control system to facilitate the preparation of a reliable financial report and the maintenance of the financial records, which, in all material respects, implements the policies adopted by the Board, and the statements made above are based on that system, which is operating effectively.

This written declaration was received by the Board prior to its approval of the financial statements for the financial year ended 30 June 2018.



6 Market Disclosure

Relevant governance documents:

Communications and External Disclosure Policy

6.1 Communications and External Disclosure

CSL has a Communications and External Disclosure Policy. This policy operates in conjunction with CSL's more detailed internal continuous disclosure policy. Together, these policies are designed to facilitate CSL's compliance with its obligations under the ASX Listing Rules and the Corporations Act by:

- providing guidance as to the types of information that may require disclosure, including examples of practical application of the rules;
- providing practical guidance for dealing with market analysts and the media;
- identifying the correct channels for passing on potentially market-sensitive information as soon as it comes to hand;
- establishing regular occasions at which senior executives and directors are actively prompted to consider whether there is any potentially market-sensitive information which may require disclosure; and

- allocating responsibility for approving the substance and form of any public disclosure and communications with investors.

6.2 Shareholder Communication

In addition to its formal disclosure obligations under the ASX Listing Rules and the Corporations Act, the Board uses several additional means of communicating with shareholders and investors. These include:

- the half-year and annual report and Shareholder Review;
- posting media releases, public announcements, notices of general meetings and voting results, and other investor related information on CSL.com; and
- annual general meetings, including webcasting which permits shareholders worldwide to view proceedings.

CSL has a dedicated Governance page on CSL.com, which supplements the communication to shareholders in the annual report regarding CSL's corporate governance policies and practices. The Communications and External Disclosure

Policy outlines the ways in which CSL seeks to communicate and interact with shareholders, facilitate and encourage participation at shareholder meetings and how shareholders may elect to receive electronic communications from, and communicate electronically to, CSL.

To ensure that shareholders and other stakeholders have a full understanding of CSL's performance and strategies, CSL undertakes to convene a number of analyst briefings and investor presentations and roadshows each year. CSL also convenes two shareholder briefings each year, at different locations in Australia and New Zealand. These updates provide an opportunity for analysts, investors and shareholders to speak directly with senior management and ask questions.

The Board is committed to monitoring ongoing developments that may enhance communication with shareholders, including technological developments, regulatory changes and the continuing development of 'best practice' in the market, and to implementing changes to CSL's communications strategies whenever reasonably practicable to reflect any such developments.

7 Securities Dealing

Relevant governance documents:

Securities Dealing Policy

By promoting director and employee ownership of shares, the Board hopes to encourage directors and employees to become long-term holders of CSL securities, aligning their interests with those of CSL. CSL, and its equity-based remuneration scheme, do not condone short-term or speculative trading in CSL securities by directors and employees, nor do they permit directors or employees to enter into any price protection arrangements with third parties to hedge such securities or margin loan arrangements in relation to CSL securities.

CSL has a comprehensive Securities Dealing Policy which applies to all directors and employees. The policy aims to inform directors and employees of the law relating to insider trading and provide them with practical guidance for avoiding unlawful transactions in CSL securities.

A copy of CSL's Securities Dealing Policy has been lodged with the ASX in accordance with Listing Rule 12.9.



John Shine AC
Chairman

14 August 2018



Corporate Directory

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FURTHER INFORMATION

For further information about CSL
and its operations, refer to Company
announcements to the Australian
Securities Exchange and our website:

CSL.com