CSL Limited Tax Transparency Report 2020/21

The people and science of CSL save lives. Our 25,000 employees develop and deliver innovative medicines that help people in more than 100 countries with serious and life-threatening conditions live full lives and protect the health of communities around the world. Our Values guide us in creating sustainable value for our stakeholders.

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Introduction from the Chief Financial Officer

I am pleased to present CSL's 2021 Tax Transparency Report. The report is in keeping with the Australian Voluntary Tax Transparency Code and aims to provide a greater understanding of CSL's tax profile, tax contributions, and the manner in which we govern and manage our tax obligations. The report is intended to provide more information in relation to our international tax footprint and our related party dealings, reflecting the global and integrated nature of our business.

For more than 100 years, CSL has protected and improved the health and wellbeing of millions of people in Australia and around the world. Our success as a globally integrated biotherapeutics company is built around key capabilities that span research & development of new technologies, educating patients and providers toward better diagnoses, and the specialised manufacture and distribution of life-saving and life-changing therapies.

CSL's approach to tax is underpinned by our value of Integrity. This is consistent with our commitment to complying with all tax laws in the countries in which we operate, despite the ever-evolving nature of the tax regulatory landscape from both a global OECD perspective as well as in local jurisdictions. CSL has a low appetite for tax risk and does not engage in aggressive tax planning. Operating with transparency forms a core part of CSL's tax management philosophy and as such we welcome the opportunity to explain the global nature of our business in this report.

While CSL's roots are proudly Australian, CSL is a truly global company, with more than 90% of our revenues and profits derived outside of Australia. Our specialised manufacturing operations span Australia, China, Germany, Switzerland, the United Kingdom, and the United States. With commercial enterprises in over 35 countries, we serve customers and patients in more than 100 countries.

In the year to 30 June 2021, CSL paid US$622.4 million of taxes globally, processed US$677.8 million of indirect tax credits, and collected and remitted close to US$1.2 billion in indirect and employee taxes. CSL's tax payment profile aligns with our profit generation profile – we pay taxes in the jurisdictions where we make profits.

CSL is subject to the different tax regimes that apply in each of those countries and complies with applicable taxation laws in all the jurisdictions in which we operate, including the OECD Country-by-Country reporting measures. This information provides Tax Authorities around the world with details of how we conduct our business and how CSL's international related parties transact with each other.

CSL values tax certainty in respect of our international related party dealings and we will seek to enter into bilateral Advanced Pricing Agreements (APAs) with certain tax authorities in pursuit of that goal.

CSL supports efforts to promote prevention of tax avoidance and to improve tax transparency in order to support a fairer economy and ensure there is confidence in the robustness of country tax regimes. We encourage governments to continue to work together to ensure tax requirements balance compliance administration with a globally consistent approach to implementing OECD recommendations.

We are proud that we were able to provide onshore COVID-19 vaccine manufacture in Australia and are hopeful that the remarkable efforts and progress made over the last 18 months will stand us in good stead for a global recovery in the not too distant future. The benefits of investment in science are clearer than ever, and business, industry, academia and governments should continue to capitalise on this to make breakthroughs in other areas, with the aim of advancing new medicines to support human health into the future.

Joy Linton
Chief Financial Officer

About CSL

CSL is a global biotechnology leader which develops and delivers innovative medicines that save lives, protect the health of communities around the world, and help people with serious and life-threatening conditions live full lives.

CSL was originally established by the Australian government in 1916 for the purpose of supplying Australia with vaccines and other bacteriological products. CSL listed on the Australian Securities Exchange (ASX) in 1994, and since that time, has expanded rapidly, initially via the strategic acquisition of a number of businesses. Swiss company, ZLB, was acquired in 2000; Aventis Behring, with operations predominantly in the US and Germany was acquired in 2004; the influenza vaccine business of Novartis was acquired in 2015; and more recently Vitaeris was acquired in June 2020 which expanded our transplant therapeutic area portfolio. CSL also entered the cell and gene therapy field in 2017 with the acquisition of Calimmune, and more recently in 2020/21 expanded our potential reach in this therapeutic area through the commercialization and license agreement with uniQure for EtranaDez, a potential gene therapy candidate for haemophilia, currently in Phase III clinical trials.

Each of these acquisitions resulted in CSL acquiring new products and associated advanced manufacturing facilities. These acquisitions, along with a rise in global demand for our products and investment in increased capacity has seen CSL grow rapidly.

Today, the CSL Group is a global biotechnology leader which develops and delivers innovative medicines that save lives, protects public health and helps people with life-threatening medical conditions live full lives.

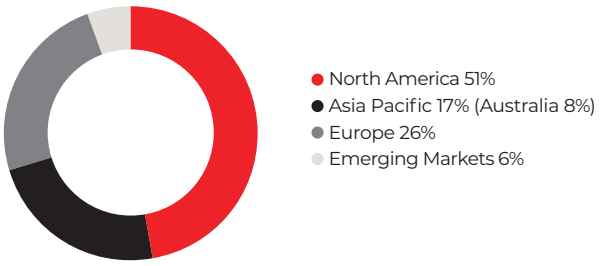
In the year to 30 June 2021, CSL generated US$10.3 billion in revenue. CSL's global footprint is reflected in our sales profile.

As at 30 June 2021, the CSL Group employed over 25,000 full time equivalents (FTE) and delivered medicines to patients in more than 100 countries.

In the year to 30 June 2021, CSL earned Profit Before Tax of US$2.963 billion, paid US$622.4 million of taxes globally, processed US$677.8 million of indirect tax credits, and collected and remitted close to US$1.2 billion in indirect and employee taxes.

CSL distributed $9.9 billion in supplier payments, employee wages and benefits, shareholder returns, government taxes and community contributions. In addition, we invested US$1.667 billion in capital expenditure to expand our capabilities across all sites to support future demand.

External Operating Revenue



Our Segments

CSL Behring

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

Our treatments offer promise for people who are living with conditions in the immunology, haematology, cardiovascular and metabolic, respiratory, and transplant therapeutic areas. CSL Behring drives more than 80% of overall company revenue with substantial markets in more than 100 countries across Asia Pacific, Europe, Latin America and North America.

CSL Plasma, a division of CSL Behring, operates one of the world's largest plasma collection networks, providing human plasma to CSL Behring for the manufacture and distribution of protein biotherapies. CSL Plasma has over 300 plasma collection centres, primarily based in the US. CSL plasma has developed the most efficient processes and systems that focus on donor and plasma safety, along with donor satisfaction.

Seqirus

Seqirus was established on 31 July 2015, following CSL's acquisition of the Novartis influenza vaccines business, and subsequent integration with bioCSL. As a leading influenza vaccine provider in the world, Seqirus is a major contributor to the prevention of influenza globally and a transcontinental partner in pandemic preparedness. In Australia and the Asia Pacific region, Seqirus is a leading provider of in-licensed vaccines and specialty pharmaceuticals. It is also the world's only supplier of a unique range of products made in the national interest for the Australian Government, including antivenoms and Q fever vaccine.

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

CSL at a glance

35+
Countries of operations around the world

US$10.3
billion in annual revenue

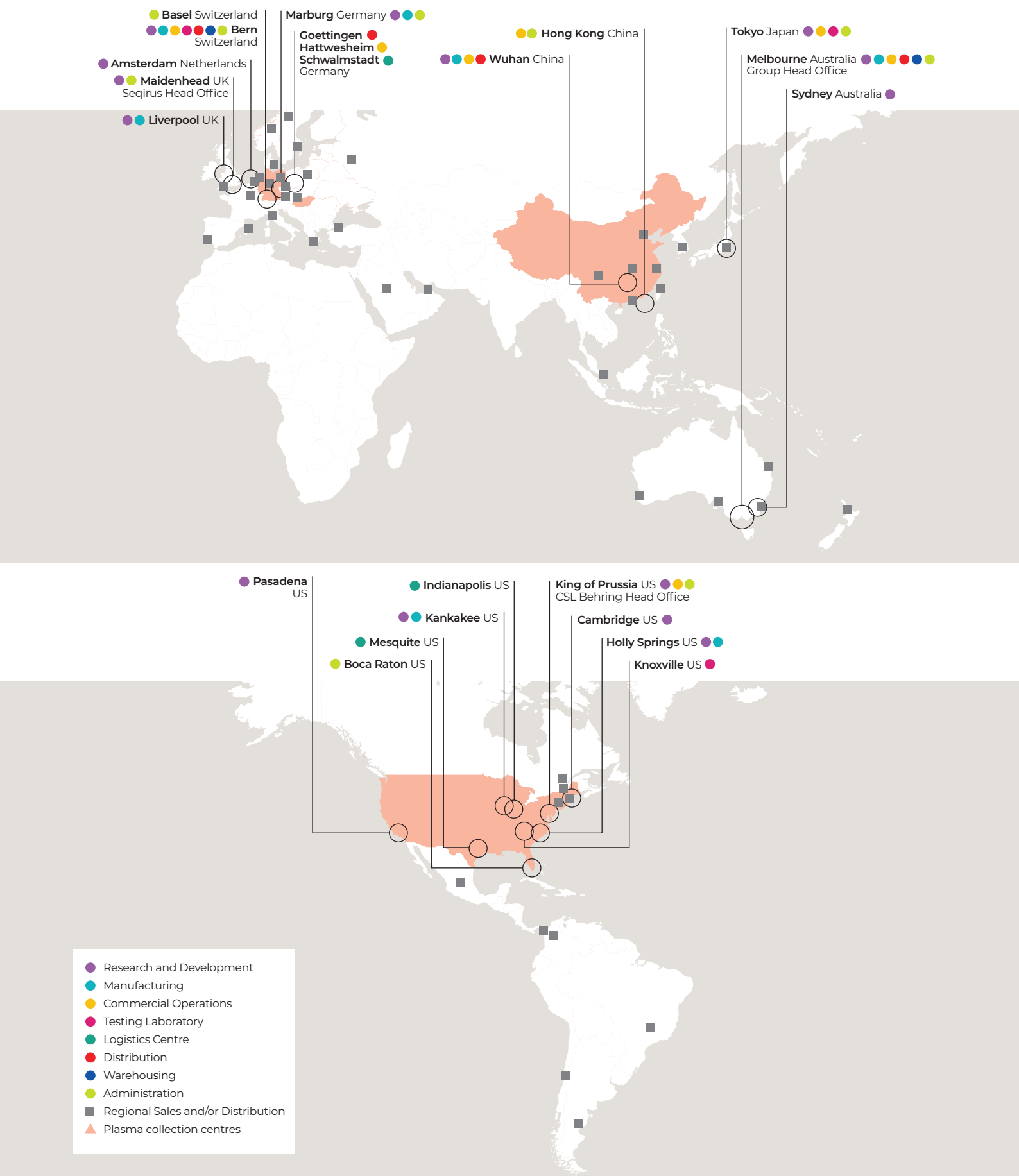
US$4.1
billion in R&D investments in the last 5 years to advance product pipeline

25,000+
employees around the world

1,700
R&D employees

300+
Plasma collection centres across China, Europe and North America

Our Locations



CSL 2030 Strategy

We are continually investigating new ways to bring lifesaving therapies to patients across the globe. We are also expanding production to meet future expected demand. The current decade will bring advancements in medicine and technology as part of a continued evolution of biotechnology. It's an evolution we are excited to be a part of and our 2030 strategy is developed with this evolution at its heart.

Our 2030 strategy was developed to build on our success and further serve our patients and enhance public health, which are both at the core of what we do every day. With our global workforce and strong culture, we look to execute our 2030 strategy through the following areas: focus; innovation; efficiency and reliable supply; digital transformation; and further advance our sustainable growth.

Innovation is in our DNA and we are committed to delivering novel therapies to patients in our core Therapeutic Areas (TA). In our industry, bringing new products to market is lengthy and complex, given the need for extensive testing in the clinic to ensure the safety and efficacy of our product candidates.

In 2021, excellent data was reported from a Phase II clinical trial for garadacimab (CSL312), CSL's next generation treatment for patients suffering from Hereditary Angioedema (HAE). The Phase III trial for CSL112 also continues to progress well and has successfully completed the first and second futility analyses.

In May 2021, CSL closed its Commercialization and License Agreement with uniQure for EtranaDez, which is a novel gene therapy for adult patients with haemophilia-B. EtranaDez is currently in Phase III clinicals trials and could transform the lives of patients with haemophilia.

Our differentiated influenza vaccine products offer options for a range of at-risk populations and Seqirus are investigating the use of self-amplifying mRNA technology to develop the potential next generation of influenza vaccines. We also know that both internal and external ideas are key drivers of innovation and, in addition to a number of existing partnerships, have launched the Research Acceleration Initiative to co-innovate with leading academic groups.

Efficiency and reliable supply continues to be the core of our business. Over the last year, CSL has faced some of its most challenging times and has worked tirelessly to ensure supply for plasma products and deliver vaccines to the public.

We approach the next decade of growth being the most efficient derived-plasma operator in the market and aim to serve more patients through a network strategy that requires investments in technology, operational excellence and process improvement. Outside plasma, we continue to invest in influenza vaccines and have announced plans to increase capacity and optimise processes for our cell-based influenza vaccine products.

Sustainable growth of our business requires that patients who will benefit most from our therapies have access and that we also capture the value that our products brings to patients. Global demand for our core products is increasing and we are committed to grow our business by maximising the value of our franchises. In support of this commitment, we opened 25 new plasma collection centres in 2020/21. For our therapeutic areas, we will continually expand our portfolio of products to deliver unmet need to patients and value to stakeholders. CSL's core therapeutic area focus also means we will choose not to develop certain internal assets that are outside these areas; instead, we will identify suitable partners and outlicense assets that have promising therapeutic attributes.

We have taken a step forward with the appointment of our new Chief Digital and Information Officer to accelerate Digital Transformation, from optimising the organisation to identifying key strategic areas of investment to accelerate our ambitious 2030 goals. CSL has plans to increase efficiency, enhance innovation and unlock value across our operations by designing fit-for-purpose digital architecture frameworks and applying digital learnings across the enterprise.

We continue to invest in the future of our organization and we have several major expansion projects underway that will be vital to the continued sustainable growth of CSL including in ongoing immunoglobulin product capacity expansions in Switzerland and Australia, as well as construction of a new cell-based influenza vaccine manufacturing facility in Australia. We are also continuing to progress our new global headquarters in the heart of Melbourne's biomedical research precinct.

Addressing the COVID-19 Crisis

Despite the constantly challenging environment the pandemic has presented, and the potential for business continuity distraction, CSL not only remained focused on delivering its promise to patients in the therapeutic areas, but took on extra commitments to protect public health through a number of initiatives and collaboration. Some of our efforts for FY21 as they related to COVID-19 included the following:

- In 2020, CSL worked with the University of Queensland in the early stages of its UQ-CSL v451 COVID-19 vaccine candidate. A Phase I clinical trial showed that the vaccine elicited a robust response towards the virus and had a strong safety profile. However, following consultation with the Australian Government, CSL did not progress the vaccine candidate to Phase II or Phase III clinical trials due to the partial immune response causing an unexpected interference with certain HIV testing procedures.
- CSL rapidly established dedicated COVID-19 vaccine teams across its business units and transitioned elements of its Australian manufacturing capacity, at both our CSL Behring Broadmeadows and Seqirus Parkville facilities, to manufacture 50 million doses of AstraZeneca's COVID-19 vaccine for local use. First doses were rolled out in March 2021 with over 10 million doses released at the end of June 2021.
- Seqirus provided its well-established adjuvant technology – MF59® – to the vaccine efforts of multiple entities, including the University of Queensland vaccine development program. MF59® is used in CSL's adjuvanted seasonal flu vaccine for the over-65 age group, one of the most vulnerable populations to COVID-19. Adjuvants can help improve immune response and reduce the amount of antigen needed for each vaccine, enabling more doses to be manufactured more rapidly. In parallel, Seqirus remains focused on the production of seasonal influenza vaccines, the importance of which is very much underscored by the COVID-19 pandemic.
- CSL Behring co-founded the CoVIg-19 Plasma Alliance, an unprecedented industry of 11 plasma companies across 13+ countries and five continents, to develop a potential plasma-derived hyperimmune therapy for treating COVID-19. The one-year collaboration concluded in April 2021 after a Phase III clinical trial of the potential therapy did not meet its endpoints. In addition, CSL's work on an Australian hyperimmune, which was dependent on positive data, has also been discontinued.

CSL is continuing to evaluate additional assets in its portfolio, and partnerships with external researchers, for potential use in the fight against COVID-19. Our acumen and expertise across vaccine, monoclonal antibody, recombinant and plasma technology platforms, our manufacturing capabilities and partnerships, along with a therapeutic focus in immunology and respiratory, all align with the scope of this disease and, most importantly, our ability to contribute to the development of potential vaccines and treatments.

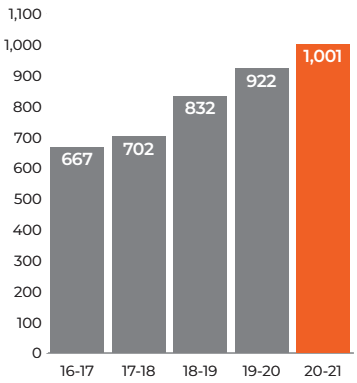
Powered by Innovation

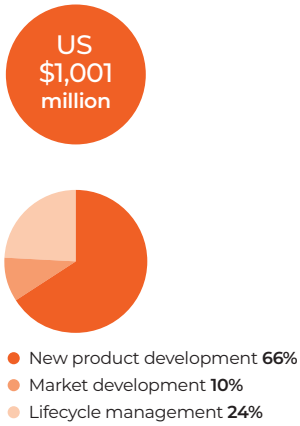
Innovative science and discovery form the core of our R&D efforts and approach to drug development. We invest in research and development (R&D), enabling our continued growth. Our global R&D activities support innovation in new products and technology, improved products and manufacturing expertise to ensure our continued growth and commitment to fulfill patient's needs. In support of this program, we invested over US$4.1 billion over the last five years.

Our R&D network has over 1,700 R&D staff based around the world. The network operates by assembling co-ordinated teams from around the world, drawing together staff from different countries, depending on their expertise. The activities of our R&D team span research, product development, clinical development, global regulatory affairs and safety.

In 2020/21, CSL invested US$1,001 million in R&D across our businesses with a focus on our six therapeutic areas – immunology, haematology, cardiovascular and metabolic, respiratory, transplant, and influenza – and four scientific platforms – plasma fractionation, recombinant protein technology, cell and gene therapy, and cell-based and egg-based vaccines. CSL continues to build on its capabilities across the R&D value chain, from discovery research to pharmacovigilance to its currently marketed therapies. Such proficiency is critical as R&D builds the novel and diverse pipeline of the future.

CSL R&D Investment
(US$ millions)





Our R&D Pipeline

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

CSL continues to evolve as a biotechnology leader by advancing high-quality science and technology through our own high-calibre scientists and innovative collaborations. CSL's R&D organisation utilises its expertise in four strategic platforms – plasma fractionation; recombinant protein technology; cell and gene therapy; and cell-based and egg-based vaccines. This ensures CSL can develop and deliver innovative medicines and vaccines that address unmet medical needs, help prevent infectious disease and protect public health, and help patients lead full lives.

CSL's strong R&D pipeline includes new treatments that utilise these platforms and align with its leading-edge scientific technology and commercial capabilities across our six therapeutic areas: immunology; haematology; cardiovascular and metabolic; respiratory; transplant; and influenza.

Looking towards 2030, R&D continues to strive to deliver on the current portfolio of medicines and vaccines and build a full and innovative pipeline that will make a meaningful difference to the lives of patients with rare and serious diseases. This pipeline will also assist with planning future revenue well into the following decades.

Therapeutic Areas	Immunology	Haematology	Respiratory	Cardiovascular and Metabolic	Transplant	Influenza Vaccines (Seasonal, Pandemic)

Platform	Plasma Fractionation	Recombinant Technology	Cell and Gene Therapy	Adjuvanted Cell-based	Adjuvanted Egg-based

Our R&D Pipeline

Global Research and Development Pipeline 2020/21

Immunology

	Clinical	Registration	Post-Launch
HAEGARDA® (C1 Esterase Inhibitor subcutaneous) Hereditary Angioedema			
HIZENTRA® (20% subcutaneous Ig) Multiple Indications			
PRIVIGEN® (10% intravenous Ig) Multiple Indications			
Garadacimab (Anti-FXIIa mAb) Hereditary Angioedema			
HIZENTRA® (20% subcutaneous Ig) Dermatomyositis			
HIZENTRA® (20% subcutaneous Ig) Systemic Sclerosis			
CSL324 (Anti-G-CSFR mAb) Hidradenitis Suppurativa			
CSL730 (Recombinant Trivalent Human IgG1 Fc Multimer) Multiple Indications*			

Haematology

	Clinical	Registration	Post-Launch
AFSTYLA® (Recombinant FVIII) Haemophilia A			
IDELVION® (Recombinant rFIX-FP) Haemophilia B			
EtranaDez (Etranacogene dezaparvovec; formerly AMT-061) Haemophilia B			
KCENTRA® (Prothrombin Complex Concentrate) Trauma			
CSL889 (Hemopexin) Sickle Cell Disease			

Respiratory

	Clinical	Registration	Post-Launch
ZEMAIRA®/RESPREEZA® (Alpha-1 Proteinase Inhibitor) A1-PI Deficiency			
Garadacimab (Anti-FXIIa mAb) Interstitial Lung Disease			
CSL311 (Anti-Beta Common mAb) Asthma			
CSL787 (Nebulised Ig) Non-Cystic Fibrosis Bronchiectasis			

Cardiovascular and Metabolic

	Clinical	Registration	Post-Launch
CSL112 [Apolipoprotein A-I (human)] Acute Coronary Syndrome			
CSL346 (Anti-VEGF-B mAb) Diabetic Kidney Disease			

Transplant

	Clinical	Registration	Post-Launch
Clazakizumab (Anti-IL-6 mAb) Chronic Active Antibody-Mediated Rejection			
CSL964 (Alpha-1 Antitrypsin) Prevention of Graft-versus-Host Disease			
CSL964 (Alpha-1 Antitrypsin) Treatment of Graft-versus-Host Disease*			

Influenza Vaccines

	Clinical	Registration	Post-Launch
AUDENZ™ [Adjuvanted cell-based influenza A (H5N1) pandemic vaccine]			
AFLURIA® Quadrivalent (Egg-based Influenza Vaccine)			
FLUAD® Trivalent (Adjuvanted Influenza Vaccine)			
FLUAD® Quadrivalent (Adjuvanted Influenza Vaccine)			
FLUCELVAX® Quadrivalent (Cell-based Influenza Vaccine)			
FOCLIVIA®/FOCETRIA [Adjuvanted egg-based influenza A (H5N1) pandemic vaccine]			
PANVAX® [Alum-adjuvanted egg-based influenza A (H5N1) pandemic vaccine]			
Adjuvanted Cell Culture Influenza Vaccine (aQIVc)			

Outlicensed Programs

	Clinical	Registration	Post-Launch
ASLAN004 (Anti-IL-13R mAb) Atopic Dermatitis			
Mavrilimumab (Anti-GM-CSFR mAb) Giant Cell Arteritis, COVID-19			

* Partnered projects.
CSL's pipeline also includes Life Cycle Management projects that address regulatory post-marketing commitments, pathogen safety, capacity expansions, yield improvements, and new packages and sizes.

How we Create Value

CSL's ultimate goal is to deliver value through fulfilling unmet patient needs and protecting public health. With patients and public health at the core of our focus, we also strive to deliver sustainable financial growth for our shareholders and other stakeholders who rely on our operations for economic and social prosperity.

What we draw on

Unmet need

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

Natural resources

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

Physical assets

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

Our people

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

Financial resources

Cash, equity and debt for future growth.

Collaborators and business partners

Accessing and sharing intellectual know how to develop and innovate our products.

Value we create

A healthier more productive society

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

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

Sustainable financial growth

Delivering consistent, profitable and responsible growth for our investors, which fuels innovation and development.

Social and economic opportunity

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

Our Strategy

We achieve value creation through high-quality, focused innovation capabilities, operational excellence and global commercial strength. At the origins of our value chain, plasma donors fuel our pipeline, while partners and collaborators support innovation and portfolio diversification. Employees enable value creation by driving our performance to deliver against our strategy and our promise.

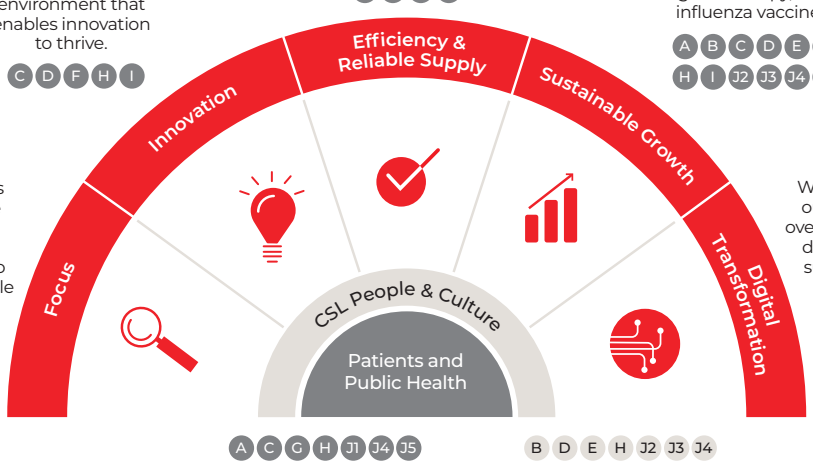
Our strategy

We are investing in capacity ahead of projected demand and in technology and process improvements to ensure that we can supply the needs of our patients. D F H I

We are creating an environment that enables innovation to thrive. C D F H I

Our growth platforms include plasma, recombinants, cell and gene therapy, and influenza vaccines. A B C D E G H I J2 J3 J4 J5

We target areas where we have strong assets, expertise and opportunities to create sustainable franchises. A C G J5



We are transforming our business model over the next decade to drive efficiency and support innovation throughout our business. B H J2

A C G H J1 J4 J5 B D E H J2 J3 J4

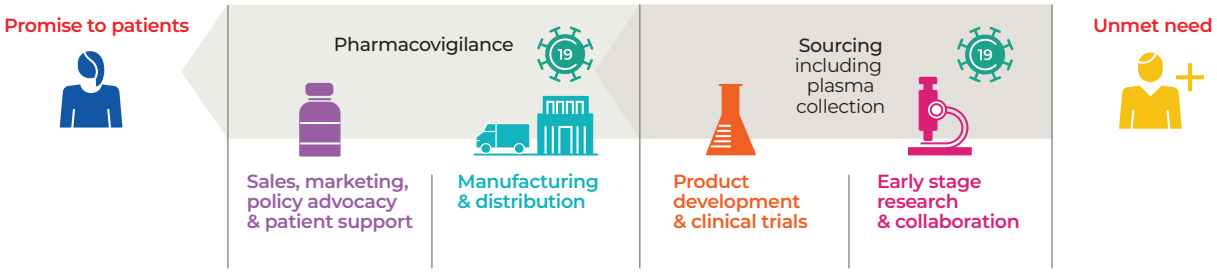
Our sustainability strategic pillars

Environment | Social | Sustainable Workforce

Priority sustainability topics *

- A Product safety and quality
- B Talent recruitment, development and retention
- C Access to healthcare
- D Environment – resource consumption and environmental protection
- E Employee health and safety
- F Innovation/R&D
- G Communities we operate in
- H Corporate governance
- I Climate change risk
- J1 Social investment
- J2 Diversity and inclusion
- J3 Human rights/labour practices
- J4 Integrity
- J5 Plasma donors

Our value chain



CSL's Purpose, Values and Code of Responsible Business Practice

19 Indicates where across our value chain our resources and assets have supported efforts to address COVID-19 pandemic.

* For more detail on our material topics visit CSL.com (Our Company > Corporate Responsibility > Approach > Material topics). Topics J1 to J5 are equally ranked. CSL's biennial sustainability materiality assessment, conducted in 2019/20, has received limited assurance by Ernst & Young.

Our Approach to Tax Governance and Tax Strategy

CSL's approach to tax governance and tax strategy is guided by our Code of Responsible Business Practice, which sets out CSL's values and principles of conduct. Our decisions in relation to tax are consistently made in accordance with this code.

At CSL, we are committed to conducting all aspects of our business in an ethical and transparent way. CSL has a low tax risk appetite, and seeks to manage its global tax affairs in a manner that maintains the integrity and reputation of CSL at all times. Tax is considered a core part of CSL's corporate responsibility, and tax governance is overseen by the Board.

CSL's approach to tax is underpinned by our values of Integrity

CSL's approach to tax is guided by the following principles, which are the basis of our Tax Strategy:

Compliance

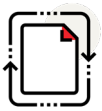
CSL is committed to complying at all times with the requirements of the law, and also with CSL's understanding of the intent of the law. Tax positions adopted must be cogent and well grounded. The principles in the OECD Transfer Pricing Guidelines will be adopted when determining the appropriate transfer price for transactions between International Related Parties.

Governance

The Board approves the Tax Policy, and has ultimate responsibility for ensuring there is an effective process to manage tax risk. The CFO is responsible for monitoring the effectiveness of the Tax Risk Management Framework.

Business Structure

CSL will only implement transactions that are aligned with our business activity, have clear commercial objectives, and do not rely on tax for their commercial viability. We will not operate artificial or aggressive tax structures.



Transparency

Publish an annual tax transparency report to explain our tax payments and a reconciliation between tax and financial results.

Relationships

CSL operates with integrity and transparency to maintain open, respectful and co-operative relationships with Tax Authorities. Where appropriate, CSL will seek advance rulings from Revenue Authorities to provide certainty to CSL.

Summary of CSL's International Related Party Dealings

Collaboration is at the heart of CSL's success, and this is reflected in our globally integrated value chain. Employing more than 25,000 people, we have operations in over 35 countries. In order to best serve the needs of our patients, CSL's companies and employees conduct business with each other throughout the entire value chain to drive an integrated enterprise wide approach and meet the global demand for our lifesaving medicines.

The majority of CSL's related party transactions are between our subsidiary companies located in Australia, Germany, Switzerland, USA and the UK. Over 93% of our employees are located in these countries, working across manufacturing, R&D and commercial operations.

A significant proportion of CSL's growth has been achieved through offshore acquisitions, resulting in a global manufacturing network, and products that are owned by different companies within the CSL group.

To facilitate the development, manufacture, and sales of our products across a global value chain, the relevant 'product owner' will engage other CSL related entities to carry out certain supply chain functions, such as contract R&D, supply of intermediate product, distribution and, in some cases, components of manufacturing.

Pricing of Intercompany Transactions

In line with our Tax Policy, CSL has a robust transfer pricing policy and transfer pricing guidelines in place that comply with the OECD transfer pricing guidelines.

Transactions between related parties are undertaken as if the transactions were carried out between unrelated parties. This is referred to as 'the arm's length principle' and determines how profits are allocated between countries, which in turn is a component of the amount of tax paid in a country.

Transfer pricing is a complex area and its application can be subject to differences in interpretation by global Revenue Authorities.

CSL intends to enter into a series of bilateral APAs with certain tax authorities to reach agreement on pricing in respect of our related party dealings. CSL has reached agreement with the ATO on matters including the application of transfer pricing methodologies in relation to our key related party transactions as they apply to the Australian business. CSL appreciates the confidence that future focussed agreements provide in relation to ensuring compliance with tax laws.

The following activities are conducted between CSL related parties

Research and Development (R&D)

Strong and productive partnerships are essential for innovative discoveries and for developing new therapies for patients. CSL invests heavily in research, product development and clinical trials. CSL's world-class R&D organisation continues to evolve as a biotechnology leader by advancing high-quality science and technology through our own high-calibre scientists and innovative collaborations. Approximately 10% of global revenue was invested in R&D in 2020/21 to develop clinical candidates and discover new molecules.

Where one CSL entity owns a product, that entity will be responsible for future R&D in relation to that product and may engage other entities around the CSL group to conduct contract R&D on its behalf.

Contract R&D services result in arm's length charges for the R&D services provided by one CSL company to another.

Our R&D pipeline (refer page 10) fuels the company's sustainable growth.

Licensing of IP

There are limited instances in the group where IP is owned by one entity, and that IP is licensed to another company in the group. Where this occurs, an arm's length royalty is paid to the licensor of the IP.

Manufacturing

CSL has specialized and integrated manufacturing sites in Australia, Germany, Switzerland, the United Kingdom and United States. Operationalisation of CSL's new End to End Supply Chain model and full global implementation of our Enterprise Resource Planning system ensured that there was tighter integration across the network, better utilisation of assets, diversification of risks and improvements in supply reliability. There are a number of possible related party dealings that occur during the manufacturing stage;

- Raw material (i.e. plasma) for production can be sourced from the CSL network. For example, plasma sourced in the US is provided to Germany and Switzerland, where the plasma is used to manufacture intermediate or finished goods.
- Intermediate product can be provided by one manufacturing facility to another for further processing. For example, our manufacturing site in the US provides intermediate product, typically a 'paste' to manufacturing operations in Germany, Switzerland and Australia, where it is converted into finished goods.
- Products can be manufactured by one CSL entity on behalf of another – this can occur where the product owner does not have sufficient manufacturing capacity and also to manage supply risk.

The manufacturer is compensated with an arm's length return for the manufacturing services performed.

Sale of Product

Finished goods are principally sold into local markets through subsidiary distributors. Where the distributor is not the manufacturer, the distributor purchases the finished product at an arm's length price. CSL has distribution entities throughout the world.

Financing

CSL has limited instances of inter-company loans. Arm's length interest rates are charged in respect of any intercompany loans.

Management and Marketing Fees

A number of management, marketing, finance and administrative functions are performed by certain entities within the group that benefit other CSL entities worldwide.

This is more efficient than if each country was to also perform the same function. The entity providing the service charges the recipient entities an arm's length fee.

Note

For the purposes of clarity for Australian tax transparency reporting, Australia engages with its related parties in each of the above categories.

CSL's Material Subsidiaries*

Company	Country of Incorporation	%
CSL Limited	Australia	
Subsidiaries of CSL Limited:		
CSL Innovation Pty Ltd	Australia	100
CSL Behring (Australia) Pty Ltd	Australia	100
CSL Behring LLC	USA	100
CSL Plasma Inc	USA	100
CSL Behring GmbH	Germany	100
CSL Behring AG	Switzerland	100
CSL Behring Lengnau AG	Switzerland	100
Seqirus UK Limited	UK	100
Seqirus Pty Ltd	Australia	100
Seqirus Vaccines Limited	UK	100
Seqirus Inc	USA	100

* Extracted from Note 17 of the 2021 CSL Limited Annual Report.

Overview of Activities in Key Jurisdictions

Australia

US$859.1m
External operating revenue

US$136.1m
Profit

(US$3.6m)
Income tax paid

US$14.5m
Total tax paid

US$442.8m
R&D expenditure

2,705
Number of employees

CSL is headquartered in Melbourne, Australia and listed on the Australian Securities Exchange.

As the pandemic emerged, CSL was able to offer our skills, breadth and capabilities in support of onshore vaccine manufacturing for Australia. CSL partnered with AstraZeneca and the Australian Government so that AstraZeneca's COVID-19 vaccine could be produced in Australia for the domestic market. CSL did not claim any Jobkeeper Payments in Australia.

CSL Behring

CSL Behring's biotherapies manufacturing site at Broadmeadows, Victoria, is a substantial part of the Australian business. CSL Behring is the national plasma fractionator for the Australian Government and manufactures a range of life saving plasma-derived therapies for the treatment of the Australian community.

The Australian manufacturing plant also provides plasma fractionation services to Hong Kong, Malaysia, New Zealand, Singapore and Taiwan.

Our A$900 million Broadmeadows Base Fractionation facility is now well over halfway complete and CSL is committed to further expanding its facilities (and capacity) in the coming years. These investments help to meet future demand for our products by expanding production capacity and supporting end to-end manufacturing of plasma-derived therapies.

Seqirus

Seqirus Australia manufactures egg based influenza vaccine and products of national significance to Australia at its Parkville facility, including antivenoms and Q fever vaccine. Seqirus is also a leading provider of in-licensed vaccines and specialty pharmaceuticals and markets and distributes a range of vaccines and specialty pharmaceuticals in Australia.

In 2021, we announced plans to construct a new biotech manufacturing facility in Australia to supply cell-based influenza vaccines to Australia and the rest of the world.

Research & Development

IIn response to COVID-19, CSL worked with the University of Queensland to develop a vaccine candidate. Following consultation with the Australian Government the vaccine candidate did not progress to Phase II/III clinical trials.

CSL continues to invest in Melbourne as an important R&D centre for the group, with CSL's Global Hub for Research and Translational Medicine being based in Australia in the Bio21 institute in Parkville.

Construction of CSL's new global headquarters in the Parkville Biomedical Precinct in Melbourne is scheduled for completion at the end of 2022, with occupation planned for early 2023. The facility will house around 800 employees, including product development teams from both CSL and Seqirus R&D, and include leading-edge laboratories along with space for external collaborators, innovators and start-ups.

CSL Australia owns and funds a significant proportion of new research projects. The largest clinical trial ever undertaken by CSL (for CSL112) has successfully completed its second futility analyses despite slowing due to COVID-19. CSL112 has the potential to reduce the risk of recurrent cardiovascular events following a heart attack, and will be a transformative treatment offering if it is successful.

CSL's strong commitment to funding and conducting R&D in Australia is supported by the Australian government's R&D policy. Much of the R&D undertaken in Australia is eligible for the Australian Government's R&D tax offset regime, which provides a tax concession as an incentive for companies to conduct R&D in Australia. This concession effectively provides an additional 8.5% tax benefit on eligible R&D expenditure up to the capped amount of A$100 million.

Dividends

CSL Limited – as the parent entity of the CSL group, receives dividends from subsidiary entities. Dividends received from wholly owned subsidiaries are not subject to further taxation in Australia. The intra group dividends of US$667 million received have been excluded in deriving the profit number above.

Overview of Activities in Key Jurisdictions

Switzerland

US$307m
External operating revenue

US$993m
Profit

US$169.1m
Income tax paid

US$170.8m
Total tax paid

US$230.4m
R&D expenditure

1,874
Number of employees

CSL Behring

CSL's operations in Switzerland primarily manufacture finished products, and is the owner of intravenous and subcutaneous immunoglobulin products PRIVIGEN® and HIZENTRA®. Immunoglobulins are used in the management of primary and secondary immunodeficiency diseases, neurology and oncology conditions.

The Swiss entities sell the products to Swiss third parties, and sell to the CSL group distribution entities for on sale to third parties overseas.

In order to meet patient demand for product, CSL Switzerland's technology is used by other manufacturing entities in the CSL network to manufacture products.

CSL's Swiss operations sell intermediate paste that is not required for its own manufacturing operations to other network companies for further manufacturing.

CSL's existing Swiss manufacturing facilities are based in Bern and the 'Protinus' state-of-the-art immunoglobulin production facility has now opened, with two additional manufacturing lines for immunoglobulin bulk manufacturing, space for a future sterile filling line, utility and logistics rooms, as well as new office workspaces and meeting rooms.

This major capital program expands manufacturing capacity to deliver additional volumes of existing immunoglobulin products to patients globally and allow an additional 90,000 patients to live an improved quality of life.

Although the Covid-19 pandemic briefly slowed construction work on CSL's state-of-the-art recombinant manufacturing facility in Lengnau, Switzerland, the site continues to move toward completion. In May 2020, CSL announced that it entered into a strategic partnership with Thermo Fisher Scientific Inc. for the lease of the Lengnau facility. As part of this long-term lease agreement, Thermo Fisher will manufacture and supply CSL Behring with IDELVION®, which will be produced in Lengnau. Thermo Fisher is scheduled to assume oversight and operation of the facility once construction is completed.

Research & Development

Our Swiss operations perform R&D activities such as product development and regulatory affairs, for the local business entity and for other companies in the CSL group. Our Swiss operations derive income from product related intellectual property that qualifies for the recently introduced Swiss patent box regime.

During FY2020, CSL officially opened the Swiss Institute for Translational and Entrepreneurial Medicine – known as sitem-insel –, on the campus of the University of Bern hospital. This unique facility provides the infrastructure to cultivate research findings or prototypes to marketable products and uniquely houses an established biotechnology company along with academic researchers and start-up biotechnology companies. CSL's Biologics Research Centre will be situated at sitem-insel. CSL will be the sole large biotechnology company on-site and will conduct research and enter into meaningful collaborations with scientists from both the academic and start-up arenas. These collaborations will support the growth of our research pipeline and cutting edge therapeutics.

Overview of Activities in Key Jurisdictions

Germany

US$854.1m
External operating revenue

US$734.9m
Profit

US$149m
Income tax paid

US$154.0m
Total tax paid

US$36.2m
R&D expenditure

3,593
Number of employees

CSL Behring

CSL's German operations own and manufacture plasma based coagulation products used to manage bleeding in patients with bleeding disorders such as haemophilia, along with critical care products and a broad range of specialty products, such as HAEGARDA® and BERINERT®.

The German entity sells their products to third parties in Germany, and to the CSL group distribution entities for on sale to third parties overseas.

CSL's German operations purchase and sell plasma and intermediate product to and from other network companies, for use in manufacturing operations. The German business also manufactures product on behalf of other entities in the CSL network.

The manufacturing operations are based in Marburg where a new base fractionation facility is currently under construction to support increased capacity and ensure a more seamless and efficient production chain.

CSL Plasma

CSL Plasma's EU headquarters are based in Marburg. CSL Plasma Germany collects, purchases and sells source plasma to CSL network companies for further processing into intermediate, semi-finished and finished products. CSL Plasma in Germany also has plasma testing and logistics capabilities.

Research & Development

Our German R&D team is based at Marburg, and undertake R&D activities across the full spectrum of R&D functions, including research, product and clinical development and global regulatory affairs. The German based R&D team conduct activities in relation to German owned products and provide R&D services to other CSL companies.

Construction of the new R&D campus in Marburg commenced in November 2019. The new R&D campus is anticipated to complete in mid-2022 and will accommodate around 600 R&D employees and house state-of-the-art laboratories. It will create further opportunity for external and academic partners and collaborators to work with us.

Overview of Activities in Key Jurisdictions

US

US$4,983.5m
External operating revenue

US$640.6m
Profit

US$65.9m
Income tax paid

US$160.2m
Total tax paid

US$253.9m
R&D expenditure

13,464
Number of employees

CSL Behring

CSL Behring's operational headquarters is located in King of Prussia, Pennsylvania, and manufacturing operations in Kankakee, Illinois. The Kankakee operation primarily manufactures intermediate products that are shipped worldwide to the CSL manufacturing network for further manufacture into final finished products. Finished products manufactured include albumin, which is used to treat blood volume loss as a result of trauma or surgery and Zemaira, which is used to treat hereditary emphysema.

CSL Behring US manufactures some products on behalf of other CSL companies. This occurs where the IP owner has manufacturing capacity constraints.

The US market is a key market for CSL products, and the US operation is the distributor for all of the CSL products in the US market.

CSL Plasma

CSL operates one of the largest plasma collection networks in the world, through our subsidiary CSL Plasma. CSL Plasma is headquartered in Boca Raton, Florida, and is responsible for the efficient sourcing of plasma for use in the CSL Behring business for the manufacture of plasma protein therapies. There are now approximately 300 plasma collection centres in the US, with 25 new plasma collection centres opened in 2020/2021 to meet the demand for plasma.

Innovation with respect to plasma collection is of increasing importance and CSL Plasma has developed the most efficient processes and systems in the plasma industry.

Plasma collections were adversely impacted over the last year by the COVID-19 pandemic as communities responded to shelter-in-place orders, extended lockdowns, multiple stimulus initiatives and other government actions. In response to these challenging conditions, CSL implemented multiple initiatives and new technologies at our plasma collection centres to support our plasma collection efforts. In response to these initiatives, we are starting to see a recovery in our plasma volumes.

Seqirus

Seqirus has a state-of-the-art facility at Holly Springs, North Carolina, where cell based technology is used for the production of FLUCELVAX® QUADRIVALENT influenza vaccine. With testing now based in Holly Springs, Seqirus has been able to simplify and streamline the testing process to release FLUCELVAX® influenza vaccine into the US each season. Seqirus is also strategically focused on developing new and better influenza vaccines, including through self-amplifying messenger RNA (sa-mRNA) technology.

Construction of a US$140 million expansion at the site is also continuing which means an increased capacity for formulation, fill and finish manufacturing of cell-based and adjuvanted influenza vaccines. The facility also retains capacity for rapid ramp up of pandemic vaccine production.

Research & Development

The US based R&D team has a strong focus on clinical development, gene therapy and product commercialisation.

In early 2021, CSL signed a lease to expand operations at CSL Behring's R&D facility in Pasadena, California, US and add a dedicated office and laboratory facilities for cell manufacturing product development. These new facilities will provide essential capabilities to accelerate development of our cellular-therapy products and facilitate transfer to GMP manufacturing.

Both the CSL Behring and Seqirus businesses qualify for the R&D credit in respect of work performed in the US. This provides a tax credit in respect of qualifying R&D.

Overview of Activities in Key Jurisdictions

UK

US$579.5m
External operating revenue

US$379.4m
Profit

US$21.4m
Income tax paid

US$30.2m
Total tax paid

US$35.7m
R&D expenditure

872
Number of employees

CSL Behring

CSL Behring UK is a distributor of CSL products to third parties in the UK market. It does not have any manufacturing facilities in the UK, nor does it own any product technology.

Seqirus

CSL's principal business in the UK is Seqirus. Seqirus has a corporate hub in Maidenhead, Berkshire that provides various central headquarter services to Seqirus entities around the world.

Seqirus' Liverpool site manufactures and formulates bulk material for a range of influenza vaccines.

The Liverpool site is the largest vaccine manufacturing facility in the UK, and one of the largest in Europe. This site is able to produce over 50m doses of seasonal influenza vaccine each year, with the ability to increase production to 200m doses in the event of an influenza pandemic.

The Liverpool site also produces MF59®, Seqirus' novel immune-enhancing adjuvant.

Seqirus UK secured Authorised Economic Operator (AEO) status in FY2020, confirming the quality of the organisation's processes with World Customs Organization (WCO) standards.

There is strong demand and an ongoing shift for Seqirus' differentiated products, including FLUAD®, particularly in the context of governments around the world seeking to vaccinate their populations against influenza and ease additional burden on health care systems that are already under pressure from COVID-19.

In November 2017, Seqirus announced a new £40 million investment for a new high-speed fill and finish facility at our Liverpool site. This was completed in 2021 and now enables start-to-finish onshore manufacturing in the UK.

Seqirus was newly formed in 2015 when CSL acquired the influenza vaccine business of Novartis. During the first years of operation, the Seqirus business – and in particular, Seqirus UK, incurred losses, primarily on the set up of a new global influenza business and as a result of R&D spend. From a tax perspective, losses incurred are available for future carry forward against future taxable income of the Seqirus business.

While Seqirus UK has carried forward losses available for use, it has been in a taxable profit position since FY19.

Research & Development

There are R&D facilities based at Liverpool. The focus of the UK R&D team is on the Seqirus business.

Developing new and better influenza vaccines across all age groups in expanded markets is a strategic priority for Seqirus, including further advancing our adjuvanted products, to enhance the immune response of those particularly vulnerable to influenza such as older adults and children. Adjuvants can help improve immune response and reduce the amount of antigen needed for each vaccine, enabling more doses to be manufactured more rapidly.

Our Global Tax Profile

Calculation of Tax Expense

The Global Effective Tax Rate represents the tax expense calculated in accordance with Australian Accounting Standards, and is included in CSL's annual report. This is calculated by dividing the income tax expense by the profit before tax. It reflects the amount of tax that is expected to be paid on the year's activities.

Consolidated Entity

Values Per CSL Limited 2021 Annual Report

	2021 US$m
Profit before income tax expense	**2,963.1**
Income tax expense	(588.1)
Net profit for the period	**2,375.0**
Global Effective Tax Rate	**20%**

Australian Effective Tax Rate

	2021 US$m
Profit before income tax expense	**803.4**
Less Exempt Dividend[1]	**(667.3)**
Taxable Profit (after adjustment for tax exempt dividend)	136.1
Income Tax Calculated at 30%	40.8
Research & Development	(6.3)
Under provision in prior year	3.2
Other (non-assessable)/non-deductible amounts[2]	14.1
Income Tax Expense	**51.8**
Australian Effective Tax Rate[3]	**38%**

1 Under Division 768A of the Income Tax Assessment Act 1997, foreign dividends received from subsidiaries are not subject to Australian income tax.
2 This includes expenses such as non-deductible interest costs due to thin capitalisation restrictions and non- assessable/non-deductible foreign exchange movements.
3 The Australian Effective Tax Rate represents the tax expense related to Australian entities, calculated in accordance with Australian Accounting Standards, and is calculated by dividing the income tax expense by the Taxable Profit (after adjustment for tax exempt dividend).

Reconciliation of Accounting Profit to Tax Expense

The effective tax rate differs from the statutory tax rate of 30% due to differences in tax rates in the countries in which we operate, incentives such as R&D or any other country specific allowances and disallowance or limitation of certain deductions in some countries.

Consolidated Entity

	2021 US$m
Profit before income tax	**2,963.1**
Income tax calculated at 30%	**888.9**
Effects of different rates of tax on overseas income[1]	(217.1)
Research and development[2]	(69.1)
Under provision in prior year	18.4
Revaluation of deferred tax balances[3]	(19.8)
Other non-assessable revenue[4]	(13.2)
Income tax expense	**588.1**

1 This arises due to the global nature of CSL's business. CSL pays tax in the jurisdiction where the income is earned. Some of the jurisdictions we operate in, such as the US, the UK and Switzerland have lower corporate income tax rates than Australia.
2 Governments around the world offer tax incentives to companies that spend money on qualifying research and development activity. This is in recognition of the value and importance of such expenditure. CSL claims tax incentives as a result of R&D activities in Switzerland, Australia and the US.
3 Due to tax rate changes.
4 This includes non-assessable/non-deductible amounts including foreign exchange movements, non-deductible interest costs due to thin capitalisation restrictions and other non-deductible costs.

Calculation of Effective Cash Tax Rate

The Effective Cash Tax Rate represents the tax rate based on total income tax paid to tax authorities during the year. This will always differ from the Effective Tax Rate for the period calculated for accounting purposes. This is due to a variety of factors, such as, cash tax paid in the year may relate to the profits from prior years or determined by reference to fixed instalment rates set by tax authorities. In some key jurisdictions, there may therefore be a significant time lag with respect to tax payments for a particular year. There are also differences in accounting and tax depreciation rates that impact the timing of tax payments, and other tax and accounting timing differences.

Consolidated Entity

	2021 US$m
Profit before income tax expense	**2,963.1**
Income taxes paid	494.5
Global Cash Tax Rate	**17%**

Reconciliation of Tax Expense to Income Tax Payable in respect of Current Year Profits

	2021 US$m
Tax Expense on profit before tax	588.1
Total net deferred tax movements affecting tax payable	(97.5)
Amounts charged to other comprehensive income	(17.2)
Amounts credited to equity	(6.2)
Amounts credited to translation reserve	0
Income Tax Payable in Respect of Current Year Profits	**467.2**

Taxes Paid

Country of Operation	Corporate Income Tax Paid USDm	Employee Taxes Paid USDm	Other USDm	Total Taxes Paid USDm
Australia	(3.6)[2]	16.1	2.0	**14.5**
Switzerland	169.1	–	1.7	**170.8**
Germany	149.0	–	5.0	**154.0**
US	65.9	52.0[3]	42.3	**160.2**
UK	21.4	8.8	–	**30.2**
RoW[1]	92.7	–	–	**92.7**
Total	**494.5**	**76.9**	**51.0**	**622.4**

Other Taxes Collected and Remitted

Country of Operation	GST/VAT Collected USDm	GST/VAT Paid but reclaimed USDm	Employee Taxes Remitted USDm	Other USDm	Total Taxes Collected USDm
Australia	168.3	(116.9)	84.6		**136.0**
Switzerland	311.4	(135.3)	6.1		**182.2**
Germany	122.7	(326.1)[4]	65.1		**(138.3)**
US	–	–	259.9	43.5	**303.4**
UK	95.9	(99.5)	33.7		**30.1**
Total	**698.3**	**(677.8)**	**449.4**	**43.5**	**513.4**

1 For materiality reasons, only corporate income tax has been disclosed for RoW.

2 Due to receipt of refunds from prior year overpayments.

3 A portion of employee taxes were deferred to FY22 under the Coronavirus, Aid, Relief and Economic Security Act (CARES Act). This amount represents the amount actually paid in FY21.

4 Due to high levels of capital expenditure.

Basis of Report Preparation

The purpose of this report is to provide an overview of the tax contribution made by CSL and provide further information in relation to CSL's tax governance process and tax profile.

The Australian component of the report, has been prepared in line with the Voluntary Tax Transparency Code.

Publication of our approach to tax strategy and tax governance is regarded as satisfying Paragraph 16(2), Schedule 19, Finance Act 2016 (UK).

Currency

Unless specifically noted otherwise, the data has been disclosed in US dollars.

Income Tax payments have been translated at the exchange rate at date of payment. The balance of tax payments have been translated at the average exchange rate for the year.

External Operating Revenue

This represents the revenue received on sales to third parties, and any other third party operating revenue. It does not include revenue from sales by the product owner to the group distribution companies.

Income Tax Paid

Income tax paid is calculated as the cash tax paid in the year 1 July 2020 – 30 June 2021. It is the amount of tax paid by the CSL companies in that country. It includes both payments made to the local Revenue Authority, and also any withholding taxes paid to foreign governments.

Number of Employees

In relation to individual countries: This is calculated based on FTE's. Total global employees is based on employee numbers, including part time employees (as per the annual report).

Other Taxes

This includes items such as property taxes, pharmaceutical taxes, sales and use tax, carbon taxes etc.

Profit

Profit disclosed on a Country Level Basis.

The profit disclosed is based on the local statutory profit before tax, excluding intercompany dividends.

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