



CSL Limited

Chairman's Address – Annual General Meeting 2017

Introduction

"I would now like to review our performance for the year ended 30 June 2017. I hope that you have taken the opportunity to read our most recent Annual Report, copies of which are available here and also on CSL's website.

"I am very pleased to report that CSL delivered an exceptional performance, reflecting the successful execution of our strategy.

"CSL's total operating revenue reached US\$6.92 billion, up 15% on a constant currency basis.

"Our reported net profit after tax was US\$1.33 billion. On a constant currency basis¹, net profit after tax was US\$1.43 billion. Excluding the one-off items relating to the acquisition of the Novartis influenza business last financial year, net profit after tax grew 24% on a constant currency basis. The exclusion of this one-off item provides shareholders a more meaningful measure of the actual performance of the Company.

"Similarly, earnings per share on a constant currency basis grew almost 26% boosted by the effect of the share buy-back program.

"Return on invested capital, a measure which provides an insight into how well the Company is turning capital into profit, was 24.5%. This compares very favourably with the average return on invested capital for Australia's top 15 Companies (excluding CSL) of approximately 7% for the year ended 30 June 2016².

¹ *Constant currency removes the impact of exchange rate movements facilitating comparability of operational performance. For further details please refer to the Directors' Report on page 53 of our 2016-17 Annual Report.*

² *Internal CSL analysis based on publicly available data sourced from published Annual Reports.*



“Mr Paul Perreault, our CEO and Managing Director, will shortly be sharing with you some further detail across the individual business units

Capital Management

“Efficient capital management remains a strong focus of the CSL Board.

“CSL’s balance sheet and debt serviceability remain strong. Net debt to Earnings Before Interest Taxes Depreciation and Amortization currently stands at around one and half times (1.5x).

“During the second half of the reporting period, CSL sought debt ratings to facilitate debt diversification and enable access to wider debt markets. Ratings of A3 and A- issued by Moody’s and Standard & Poor’s, respectively, represent strong investment grades with a stable outlook for CSL.

“In October 2016, CSL announced its intention to conduct an on-market share buyback of up to A\$500 million, which, as of 30 June 2017, was 70% complete with approximately 2.9 million shares repurchased for A\$349.7 million. This latest share buyback together with previous share buybacks has contributed to a 31% boost to earnings per share through to 30 June 2017. On 5 September 2017, this latest share buyback was completed with a total of close to 4 million shares repurchased.

“As foreshadowed with the announcement of our Annual Results in August 2017, on 5 October 2017, CSL announced that it had placed a US\$700 million private placement of debt in the US. The new private placement has a weighted average interest rate of 3.36% and an average life of 13.1 years. The placement was again significantly oversubscribed reflecting the sound economic structure of and confidence in the CSL Group. The placement will further smooth our debt profile at attractive long term interest rates.



Dividend

“As shareholders would know, CSL now determines dividends in US dollars. However, for the convenience of shareholders with a registered address in Australia or New Zealand, payments of dividends to these shareholders will continue to be made in local currencies. In addition, last year we introduced the ability for shareholders to elect to receive their dividends in US dollars paid into a US dollar bank account with a US financial institution.

“The Board determined a final unfranked dividend of US 72 cents per share (or approximately Australian 91 cents per share). This dividend was paid to shareholders on 12 October. Total ordinary dividends for the year were US\$1.36 per share (or approximately A\$1.75 per share).

“The reason this dividend is unfranked is that there are insufficient Australian franking credits available. Australian franking credits are dependent on the profits earned and tax paid in Australia. As CSL’s business continues to grow globally, our ability to provide franked dividends declines. However, it remains our intention that available franking credits will be passed on to shareholders as and when they are generated in a meaningful amount.

Corporate Responsibility

“This year, CSL released to all employees a third edition of the Code of Responsible Business Practice (our Code). Our Code sets out the rights and obligations of our employees and affirms our commitment to our stakeholders for the highest standard of conduct in all that we do.

“We have translated our Code into 17 languages and provided it to all employees across the organisation. Our environmental, social and governance (also known as ESG) performance continues to be recognised externally, with CSL remaining a constituent of the FTSE4Good index. This is a globally recognised index designed to measure the ESG performance of companies assisting investors with investment decisions. CSL was also recently selected as a member of



the prestigious Dow Jones Sustainability Indices (DJSI) for both Australia and the Asia Pacific region.

“In addition, for the last nine years, CSL has participated in the CDP initiative, formerly the Carbon Disclosure Project. CDP is a leading global disclosure system that enables companies to measure and manage their environmental impacts. We are one of a few Australian companies to disclose our water performance and have been disclosing our climate performance since 2009. In 2016/17 our disclosures scores improved over the prior comparable period.

“Last year, we announced the establishment of a new \$25 million fellowship program for discovery and translational research in Australia. We again received many applications and, yesterday, we announced the next two recipients of this A\$1.25 million CSL Centenary Fellows - Associate Professor Sarah-Jane Dawson from the Peter MacCallum Cancer Centre and Associate Professor Andrew Murphy from the Baker Heart and Diabetes Institute. We look forward to seeing the progress of their inspiring research in the years to come.

“You’ll be able to find more information on our corporate responsibility performance for the year ended 30 June 2017 in our Corporate Responsibility Report to be published in early November.

Health, Safety and Environment

“CSL has an Environment, Health, Safety and Sustainability Strategic Plan which ensures its facilities operate to or exceeds industry and regulatory standards. This strategy includes compliance with government regulations and commitments to continuously improve the health and safety of the workforce as well as minimising the impact of operations on the environment. To drive this strategy, a Global CSL EHS Management System Standard is under development having regard to key international standards.

“We continued our long-standing record of no employee or contractor fatalities and zero safety violations or fines.



“Furthermore, no environmental breaches have been notified by the Environment Protection Authority in Victoria, where our two Australian facilities are located or by any other equivalent Australian interstate or foreign government agency in relation to CSL’s Australian, European, North American or Asia Pacific operations during the year ended 30 June 2017.

Our People

“Our exceptional performance was the result of nearly 20,000 employees who are driven by and delivered on our promise to patients in more than 60 countries.

“Our relaunched employee feedback survey conducted in May 2017 tells us our employees are actively engaged, achieving a result above the IBM Smarter Workforce Employee Engagement Index global norm.

“The results further revealed employee pride being a primary driver behind what motivates our people. People are proud to work for CSL. They enjoy working in a purpose-driven Company with a values-based culture where they can perform meaningful work and grow their careers.

“A testament to this level of engagement is the external recognition that our talented people and innovative workplace received. Recognition of note includes the prestigious 2017 Industry Innovator Award from the National Organization for Rare Disorders (NORD) and ranking on IgeaHub’s list of Top 15 Biotech Companies in the world for 2016 (see www.igeahub.com).

“We have received recognition for our culture of diversity and inclusion. Our Kankakee facility, in the US, was acknowledged by the US Department of Defense for going ‘above and beyond’ in employing members of the military. Our Marburg facility, in Germany, also received an award from the Economy Minister of the German State for “GreenZone”, an employee wellbeing concept.



Remuneration at CSL

“Since the 2016 Annual General Meeting and the ‘first strike’, members of the Board have met with a number of shareholders to better understand their concerns. The key messages were to focus on simplicity and transparency, reward real achievement, ensure executive alignment with shareholders’ interests, and do a better job of explaining our approach to rewarding senior executives.

“Following this, we have made many changes to how we now approach remuneration. This was coupled with the importance of developing a single, globally-competitive pay design for senior executives that secures our future as a global biopharmaceutical Company. We have implemented the new CSL executive pay design, effective 1 July 2017, which we believe will strengthen CSL and gain even better alignment between shareholders and executives.

“The details of the new pay design are explained in the Remuneration Report on pages 62 to 80 of the 2017 Annual Report.

“The CSL Board’s continued remuneration governance focus is significant and actively engaged on ensuring that CSL has a system that we believe both shareholders and executives will agree is helping to drive sustainable growth in our business over the longer term.

“I am pleased to say that approximately 88% of our shareholders have indicated their intention to vote FOR CSL’s Remuneration Report.

“Our business strategy continues to be precisely executed by extremely capable leaders who are critical to driving CSL’s performance. Offering competitive, globally relevant remuneration is an imperative in order to retain them.

“We thank you for your confidence in our new executive pay design that ensures our shareholders and our senior executives are better aligned.



Our Shareholders

“CSL is committed to communicating effectively with our key stakeholders, including shareholders. In addition to our Annual General Meeting, our Half Year and Full Year Reports and our continuous disclosure announcements to the Australian Securities Exchange, a few years ago CSL introduced a programme of regular Shareholder Briefings. This year, CSL conducted Shareholder Briefings in Auckland, New Zealand, and Brisbane, Australia, with both sessions very well attended. CSL plans to continue these briefings on a rolling basis to other Australian States to provide an opportunity for shareholders in these places to interact with CSL.

“CSL is pleased to see that the number of shareholders has been increasing over time and that in the last year alone we have seen shareholder numbers increase by approximately 10% to now more than 148,000 shareholders [LY135,000].

“I would also like to thank shareholders who responded to our invitation to submit questions to the Company ahead of today’s meeting. The Managing Director and I have endeavoured to address the most common questions received in the course of our presentations this morning. As we have done for the last few years, we will also shortly be publishing on our website answers to the most commonly asked questions (see www.csl.com.au/investors).

Our Board

“At the conclusion of this meeting we farewell Mr Maurice Renshaw, who has been a Director since 2004. Mr Renshaw has made an important contribution, especially in his capacity as Chairman of the Innovation and Development Committee since its establishment in 2008. During this time, he has been a strong supporter of CSL’s strategy to expand its research and development activities. Your Board would like to express its thanks and wish him well upon his retirement from the Board.



“With the retirement of Mr Renshaw, I will also take on the position of Chairman of the Innovation and Development Committee on an interim basis.

“Your Board continues to look actively at Board succession and continues to assess potential candidates in the context of CSL’s strategic objectives and core capabilities.

Thanks to Management and Staff

“Central to CSL’s success is the significant contribution and commitment of our employees to deliver on our promise to patients.

“Your Board recognises and appreciates the hard work and strong commitment of dedicated management and staff in executing a values-based culture that underpins working each day as if someone’s life depends on it.

**Professor John Shine AC
Chairman**