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Sustainability



Setting the bar high to create a more sustainable society

Asaleo Care is proud to lead its industry in sustainability action and reporting. We consistently set the bar high for ourselves to improve our own performance year-on-year.

Such as the targets we have set to reduce carbon emissions and increase recyclable packaging, and our stand on important and significant issues, including a no peatland commitment, and human rights and modern slavery.

Our goal is to create a more sustainable society and circular economy through our products, services and business operations.

Asaleo Care has been recognised for its corporate sustainability leadership in the Dow Jones Sustainability Index (DJSI) Australia in the Personal Products sector for five years running.

Further information about our approach to sustainability, including key issues such as supply chain management and human rights, responsible forestry and resource scarcity and climate change, is available at

www.asaleocare.com/sustainability

Managing our key sustainability issues

We incorporate financially relevant sustainability practices into our business to improve our capacity to operate in a competitive and changing commercial environment that supports long-term value for our shareholders.

The following are our key sustainability issues:

- + Community engagement and partnerships (on page 40)
- + Economic performance (discussed in the Financial Statements section of this Report)
- + Occupational health and safety performance (on page 28)
- + Responsible forestry
- + Resource scarcity and the impact of climate change
- + Sustainable packaging
- + Supply chain management, including human rights

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Supply chain management and human rights

Protecting human rights in the supply chain is a global issue and is essential to achieve sustainable development. Asaleo Care is committed to eliminate modern slavery within our supply chain and source goods and services free from the exploitation of workers.

Our approach to managing human rights is grounded in several internationally recognised declarations and standards including the UN Universal Declaration of Human Rights, the International Labour Organization (ILO) Conventions, the UN Guiding Principles on Business and Human Rights and the Ethical Trade Initiative.

Our commitment to human rights is reinforced in our Code of Conduct, Ethical Sourcing Policy and other documents which clearly outline our supplier expectations. Our due diligence processes serve to identify, prevent and mitigate adverse human rights impacts from our multi-tiered and complex supply chains. Since 2014, we have worked with Sedex (the global Supplier Ethical Data Exchange platform) to continually improve our supplier targeting, onboarding, risk assessment and monitoring process.

Modern slavery is an important and serious issue that affects millions of people globally. Asaleo Care welcomes the new *Australian Modern Slavery Act 2018* that targets modern slavery and human trafficking in operations and supply chains.

In preparation for the new reporting requirements, we have:

- + Commenced a review of our existing procedures and processes
- + Reviewed our salient human rights issues through our risk mapping process
- + Further strengthened our Responsible Sourcing Program to focus on our labour supply chain
- + Refined our human rights risk assessment process to focus on potential modern slavery risks across our operations and supply chain
- + Maintained the focus on our fibre supply chain where we expect to have the greatest influence and impact
- + Developed a roadmap to address gaps in our framework to build and embed modern slavery considerations into our processes and systems, and strengthen our due diligence and management controls

To learn more visit asaleocare.com/sustainability/supply-chain-management

KPI	2019	2015
Active suppliers participating in our Responsible Sourcing Program by year end:		
+ Number of suppliers	121	89
+ Suppliers as a percentage of the Company's total procurement spend ¹	58%	46%

Our first Statement under the Australian Modern Slavery legislation is due June 2021 for the calendar year 2020. In advance, we have prepared a preliminary Modern Slavery Statement, available online at www.asaleocare.com, which outlines the actions we are taking to tackle modern slavery.

As a manufacturer of personal care and hygiene products, the raw material for many of our products come from forests. The industries for forestry and forest products are high risk for modern slavery practices, including forced labour and trafficking.² Aside from the hazardous nature of forestry and logging activities, risk factors in the sector can include exploitative conditions, excessive working hours, potential use of migrant workforces and vulnerable workers, labour contractors and other middlemen, and long, complex and non-transparent supply chains.³

Asaleo Care sources sustainable pulp and pulp-based products and applies multiple policies and governance tools across our procurement process to address any potential risk to human rights in our operations and extensive global supply chains.

Our fibre, paper and fibre-based product supply chains are subject to our Responsible Forestry and Fibre Sourcing Policy. Our products, certified to Forest Stewardship Council® (FSC®) FSC-C101950, are assured to be free from any direct or indirect involvement in activities that violate traditional and human rights in forestry operations, as required by the International Labour Organization (ILO) Convention 169.⁴

To learn more visit asaleocare.com/sustainability/modern-slavery

1. Based on spend in Australia, New Zealand and Fiji. Data for the Australian Consumer Tissue business has only been included in the table for January – March 2019 inclusive.
2. Global Slavery Index 2018; US Department of Labour, 2018 List of Goods Produced by Child Labour or Forced Labour; Verite 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains.
3. Verite 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains; and Know the Chain. Investor snapshot: forced labour in forestry (incl. paper and forest products).
4. According to FSC-STD-40-004 V3-0.

Statement on Task Force on Climate-related Financial Disclosures

Asaleo Care supports the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the position that:

“The financial impacts of climate-related issues on an organisation are driven by the specific climate-related risks and opportunities to which the organisation is exposed and its strategic and risk management decisions on seizing those opportunities and managing those risks.”⁵

During 2019, the Company commenced a project to enhance and broaden our understanding of the impact of climate change on our business and value chain by applying TCFD’s model of transition risks, physical risks and opportunities.

We understand that:

- + This is the beginning of an ongoing evaluation and strategic review process,
- + We will need to continue to deepen our understanding of climate-related risks and opportunities, and
- + We must work towards more comprehensive disclosure in the coming reporting periods.

This TCFD Statement outlines our preliminary response to the TCFD recommendations for governance, strategy, risk management, and metrics and targets.

Governance

The Asaleo Care Board has oversight of material risks, including climate risks, through the Audit and Risk Committee. A list of the Committee members and number of meetings held during 2019 are found in the Directors’ Report. Further information is available in the Corporate Governance Statement at www.asaleocare.com.

This year, we established a climate change steering committee to further develop our own TCFD model of transitional and physical risks, and climate-related opportunities. We are integrating the learnings from this work into our existing risk and strategy management processes. The committee includes representatives from operations, logistics, OH&S, sustainability and finance.

Strategy

In 2015, in accordance with the Australian Securities Exchange Governance Council’s recommendations, the Company identified the key sustainability issues pertinent to our business through a materiality assessment.

While the assessment identified Resource Scarcity and Climate Change, and the related theme of Responsible forestry as key sustainability issues, they are not considered a material business risk in the short term.

We acknowledge that climate change poses complex and varied risks to businesses and supply chains and recognise that the impact of climate change varies over different time horizons. Our review of the TCFD recommendations indicates future climate impacts to our business may include risks described in the table below.

On the other hand, opportunities may arise through Asaleo Care’s climate risk management and adaptation decisions, such as changing consumer preferences in line with United Nations Sustainable Development Goal (SDG) 12 ‘Ensure responsible consumption and production patterns’.

This could lead to market share growth of low-carbon tissue products, like those produced at our paper mill in Kawerau, New Zealand which uses a high share of renewable energy over the entire product life cycle (i.e. up to 78 per cent), or for hygiene systems designed to reduce consumption such as TENA Indentifi and Tork SmartOne.

TYPE	CLIMATE-RELATED RISK	POTENTIAL FINANCIAL IMPACT
Transition	Regulatory risks such as changes to government policy, law and regulation	Increased regulatory compliance costs and energy costs
Physical	Acute – Extreme weather events	Disruption of pulp and other supply chains
	Chronic – Changing weather patterns	Indirect impacts such as increased raw material, energy and freight costs, and insurance premiums

5. FSB Task Force on Climate-related Financial Disclosures (2017), <https://www.fsb-tcf.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf>, accessed 2 December 2019.



Our paper mill at Kawerau, New Zealand uses geothermal steam, reducing greenhouse gas emissions by 46 per cent.

We limit greenhouse gas emissions through the use of renewable energy and efficiency activities. For example, in 2010 we ceased burning natural gas to make steam at our paper mill at Kawerau, New Zealand, and started using naturally occurring, local geothermal steam. This directly reduced Kawerau's greenhouse gas emissions by 46 per cent.

All our manufacturing and operational sites located in New Zealand take advantage of the country's low-emissions electricity generation network. This enables us to manufacture products and operate distribution centres in New Zealand with a low greenhouse gas footprint. We continue to look for opportunities to reduce greenhouse gas emissions over the entire life cycle of our products.

Forests are effective in helping to stabilise the climate. According to International Union for Conservation of Nature⁶ (IUCN), it is important forest landscapes are kept intact and managed more sustainably. This is challenging with forests worldwide declining at a rate of 13 million hectares per year.⁷ It is a key reason Asaleo Care is committed to responsible forestry and fibre procurement and supports the Forest Stewardship Council (FSC) system.

Asaleo Care is the first in its industry to make a no tropical peatland commitment, which is included in our fibre procurement policy. In discussions with our customers:

- + we explain the devastating environmental and social impacts of buying products made from these fibre sources including the increase in greenhouse emissions;
- + we share our No Tropical Peatland Commitment with them; and

- + we encourage them to take similar action to limit their Scope 3 emissions through the purchase and consumption of tissue paper products.

Risk management

The Company has a Risk Management Framework that assists to identify, evaluate, manage and report on risk, including climate-related risk. Our risk register identifies and rates the main strategic risks facing the Company, provides an explanation of the way risks are managed, and identifies roles and responsibilities of those within the Company who will manage each risk.

An outline of the main risks that could adversely affect the Company is also included in the Directors' Report and our Corporate Governance Statement. Risk management, including climate-related risk, is integrated into the management of the Company's business.

Metrics and targets

The Company has reported its Company Scope 1 and 2 emissions since 2015. Between 2015 and 2018, there was a decline in total emissions as our share of renewable energy increased and our energy consumption lowered.

In 2019, following the sale of the Australian Consumer Tissue business, we reviewed our energy and emissions footprint from ongoing operations, our metrics and targets. More information can be found in the Resource scarcity and climate change section of this Report.

6. IUCN, <https://www.iucn.org/resources/issues-briefs/forests-and-climate-change>, accessed 2nd December 2019.

7. United Nations Sustainable Development Goals (UN SDGs), SDG 15 (2015), <https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-15-life-on-land.html>, accessed 29th November 2019.

Asaleo Care joins the Climate Leaders Coalition

We're on a mission to reduce emissions in New Zealand

The Climate Leaders Coalition was launched in July 2018 to promote business leadership and collective action in New Zealand on the issue of climate change. The Coalition's goal is to help New Zealand transition to a low-emissions economy and, in doing so, create a positive future for New Zealanders, business and the economy.

By the end of 2019, more than 120 chief executives, including Asaleo Care's Sid Takla, had signed a joint statement, which commits organisations to take voluntary action on climate change. This includes measuring and publicly reporting greenhouse gas emissions, setting a public emissions reduction target, and working with suppliers to reduce their emissions.

Organisations from all sectors of the economy are represented in the Coalition and together, signatories make up 60 per cent of New Zealand's gross emissions.



Responsible forestry – extending our approach beyond chain of custody

Deforestation and land use conversion puts the climate under pressure, and forestry is a high-risk sector for modern slavery. We believe it is our responsibility to manage the sustainability impact of our products in an environmentally and socially responsible manner.

Our approach is centred on securing responsible sources of pulp and pulp-based products to manufacture our goods which we put into action through our policies and sourcing practices.

To learn more visit

asaleocare.com/sustainability/responsible-forestry-and-fibre-sourcing-policy

With our Forest Stewardship Council (FSC) certification, our consumers and customers are assured the products we are delivering are sustainable, responsible and traceable. All our manufacturing facilities and trading operations are covered by our multi-site FSC Chain of Custody certificate.

Our responsible fibre sourcing metrics include FSC certification, Environmental Choice New Zealand licensing and assurance, and source of origin due diligence. Using a unified range of responsible forestry metrics enables us to examine our progress in a unified and holistic way without being limited to one management approach.

KPIs	2019	2015
Percentage of pulp and paper reel purchases that met our Responsible Forestry and Fibre Sourcing Policy	100%	100%
Relevant suppliers screened based on our due diligence criteria ⁸		
- Number of suppliers	38	29
- Percentage of relevant suppliers	81%	66%
Number of FSC (or PEFC) chain of custody certified products	256 ⁹	180
Number of Environmental Choice New Zealand (ECNZ) assured products ¹⁰	69 ¹¹	81

8. Source of origin due diligence is not performed on packaging that is not regulated under the *Illegal Logging Prohibition Act 2012* (Cth) or items for internal consumption.

9. From 2015 to 2018, this KPI includes PEFC certified products manufactured at the Box Hill site. Since the sale of the Australian Consumer Tissue Business during 2019, no PEFC products are included in our assortment and the results reflect the number of FSC certified products only.

10. ECNZ's Sanitary Paper Products specification, EC-13-15.

11. ECNZ assured products. The reduction in 2019 was due to the rationalisation of our range.

Resource scarcity and climate change

The United Nations¹² warns that at current rates of global growth and consumption, the equivalent of three planet Earths will be required by 2050 to sustain current lifestyles. Asaleo Care recognises the importance in managing the use of energy and water resources in a responsible way as well as reducing emissions across our operations. In addition, we have established strict policies and procedures to minimise pollution from our sites.

Following the sale of the Australian Consumer Tissue business in March 2019, our use of renewable energy for the reporting period rose to 44.3 per cent, the highest ever recorded for our business. The energy was derived from renewable sources in New Zealand. Geothermal steam contributed up 26.2 per cent of our total energy consumption. Additionally, 18.2 per cent of Asaleo Care's total energy consumption was from electricity generated from renewable energy sources in New Zealand.¹³

As part of our response to the TCFD recommendations, and in alignment with our commitment to the New Zealand Climate Leaders Coalition, we have reviewed the energy and emissions footprint of our ongoing business operations and set a greenhouse gas reduction target.

Leading organisations are using Science-based Target (SBT) methodology to set their emissions reduction targets and we have used the same tools to set ours. Our target is a 28 per cent reduction in greenhouse gases (Scope 1 and 2)¹⁴ by 2025 from a 2015 base year on an ongoing business operations basis.¹⁵ This equates to an absolute emissions target of 26.6 kt CO₂-e by end 2025.



Tropical peatland free commitment

Asaleo Care is the first and only company in our industry committed to prevent fibre sourced from drained tropical peatlands from entering its fibre supply chain. We are actively raising awareness about the environmental and social impacts of buying products made from drained tropical peatlands.

Why tropical peatland conservation is important

Tropical peatlands, such as those found on Indonesia's Sumatra and Kalimantan Islands, are one of the most efficient forms of land-based carbon sequestration on the planet. Draining them for pulpwood plantations and other purposes, like palm oil production, releases large amounts of greenhouse gases. Dry, degraded tropical peatlands become more vulnerable to devastating fires that can release further greenhouse gases and create a toxic smoke haze, threatening the health of exposed populations such as those in Indonesia, Malaysia and Singapore.

WHAT IS PEAT?

Organic matter accumulated over thousands of years, storing concentrated carbon in thick layers



12. United Nations Sustainable Development Goals (UN SDGs), SDG 12 (2016), <https://www.un.org/sustainabledevelopment/wp-content/uploads/2016/08/12.pdf>, accessed 16th December 2019.
13. New Zealand Energy Quarterly, January – September 2019 (MBIE: www.med.govt.nz), electricity from renewable energy sources equated to 81.4% of total electricity generation.
14. Scope 1 greenhouse gas emissions are the emissions released to the atmosphere as a direct result of an activity, or series of activities at a facility level. Scope 2 greenhouse gas emissions are the emissions released to the atmosphere from the indirect consumption of an energy commodity.
15. Following the sale of Australian Consumer Tissue business, the greenhouse gas footprint of our ongoing business operations is significantly smaller. In 2015 our actual Company emissions were 226.9 kt CO₂-e.

GROUP ENVIRONMENTAL PERFORMANCE DATA

	UNIT	2019	2015
Energy Consumption			
Geothermal steam	GJ	264,628	270,258
Fossil fuels: ¹⁶ natural gas, diesel, gasoline, LPG	GJ	382,923	1,034,930
Electricity	GJ	363,699	706,521
Total energy consumption	GJ	1,011,250	2,011,709
Energy from direct use of geothermal steam	% of total	26.2	13.4
Energy from New Zealand electricity purchases	% of total	22.3	10.7
GHG Emissions to Air¹⁷			
Scope 1 (direct) GHG emissions (CO ₂ -e)	tonne	20,727	54,007
Scope 2 (indirect) GHG emissions (CO ₂ -e)	tonne	47,339	172,844
Total Scope 1 + 2 GHG emissions (CO₂-e)	tonne	68,066	226,851
Fresh Water Usage¹⁸			
Municipal supply	m ³	372,552	1,150,118
	% of total	20.1	45.0
Surface water	m ³	1,484,323	1,403,133
	% of total	79.9	55.0
Total fresh water usage	m³	1,856,875	2,553,251
Discharge to Water¹⁹			
Biological Oxygen Demand (BOD)	tonne	49	130

Note: Data in this table covers Asaleo Care's manufacturing, distribution centre and sales operations, unless otherwise specified. Environmental performance data for Australian Consumer Tissue business have only been included in the table for January – March 2019 inclusive.

16. Direct fuel combustion from stationary and transport energy purposes. Excludes third-party logistics transport activities.

17. Global Warming Potentials used for this report are sourced from the Australian National Greenhouse Accounts (NGA) Factors (August 2019), New Zealand's Ministry for the Environment 'Measuring emissions: A guide for organisations' (May 2019, Correction August 2019), New Zealand Government (2014), *Climate Change (Stationary Energy and Industrial Processes) Regulations 2009* (SR 2009/285, Reprint as at 1 October 2018) and Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) (2007). All documents are in alignment.

18. Fresh water usage is reported for manufacturing sites only (i.e. Kawerau, Te Rapa, Box Hill, Springvale and Nakasi).

19. BOD is reported for Asaleo Care's Paper Mills only (i.e. Kawerau and Box Hill sites).



Sustainable packaging

Packaging plays a critical role in protecting our products and ensuring they reach our customers in premium condition. But used packaging can create an environmental challenge. Inadequate recycling infrastructure contributes to the problem with only 58 per cent of paper and 14 per cent of plastic recycled globally.²⁰ One solution is to ensure all packaging materials are technically recyclable.

Our goal is to achieve 100 per cent recyclable packaging by 2025 guided by our policy principles where:

- + Excessive packaging is avoided or reduced
- + Packaging is recyclable
- + Materials with improved sustainability are selected
- + Compostable plastic is avoided where it could present a significant contamination risk to material recycling systems

We also recognise that improving the recycling infrastructure requires collaboration both up and down the supply chain and across industries. During 2019, Asaleo Care participated as a Steering Committee Member of the Soft Plastics Recycling Scheme in New Zealand and a partner of the RedCycle Program in Australia, a recovery initiative for post-consumer soft plastic.

As part of our sustainable packaging journey, our new diaper brand, Treasures Care, is packaged in lightweight recyclable plastic derived from 51 per cent sugarcane instead of fossil fuels. In addition, this material has a lower greenhouse warming potential than conventional plastics and reduces our reliance on non-renewable materials.

We have been a signatory of the Australian Packaging Covenant (APC) for nearly a decade and continue to publicly report our progress via the Australian Packaging Covenant Organisation (APCO) Annual Report. In 2019, we achieved well above the industry average at a 'Performance Level 4 – Leading'²¹ category for both the mandatory 'core' and 'recommended' criteria.

20. Ellen MacArthur Foundation, 'The New Plastics Economy', 2016, p17. https://www.ellenmacarthurfoundation.org/assets/downloads/EllenMacArthurFoundation_TheNewPlasticsEconomy_29-1-16.pdf

21. APCO annual reporting levels range from 'Level 0 – Not Yet Started' to 'Level 5 – Beyond Best Practice'.