

CORPORATE GOVERNANCE STATEMENT

This Statement discloses how Asaleo Care Ltd and its Group Companies comply with the ASX Corporate Governance Council's Principles and Recommendations (4th edition) (Recommendations) and sets out the Company's main corporate governance practices. For ease of reference it follows the same structure as the Recommendations. This Statement has been approved by the Board of Directors and is current as at 18 February 2020.

Board and Committee Charters and governance policies referred to in this Statement are included in the "Corporate Governance" section under the "Investors" tab on the Company's website (www.asaleocare.com).

The Board is committed to maximizing performance, generating financial returns and greater value for shareholders and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance shareholder interests, and that the Company and its Directors, officers and personnel operate in an appropriate governance environment. Accordingly the Board has created a framework for managing the Company which includes relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

Principle 1 Lay solid foundations for management and oversight

The Board of Directors has adopted a Board Charter which sets out the roles and responsibilities of the Board and Management, those matters specifically reserved to the Board and those delegated to management.

Recommendation 1.1

The Board Charter covers matters including:

- Board size, composition and term,
- Director independence,
- Requirements of being Chairperson and responsibilities,
- Matters reserved for the Board and those delegated to management
- Process for dealing with conflicts and other appointments of Directors,
- Director access to information and advice, and
- Responsibilities of CEO.

Recommendation 1.2

The Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director. Appropriate checks will also be undertaken prior to appointing a director, or putting forward to shareholders a new candidate, for election as a director.

Appropriate background checks are also undertaken prior to engaging a senior executive.

Recommendation 1.3

The Company has a written agreement with each Non Executive Director and senior executive setting out, amongst other things, the terms of appointment or employment and their roles and responsibilities.

The material terms of remuneration arrangements of Directors, the CEO and other Key Management Personnel are disclosed in the Remuneration Report each year. This Report is included in the Annual Report and shareholders have the opportunity of voting on it at each Annual General Meeting.

Recommendation 1.4

The Board appoints the Company Secretary who is accountable directly to the Board, through the Chairperson, for all matters to do with the proper functioning of the Board. The Secretary's role includes:

- Advising the Board and its Committees on governance matters,
- Monitoring that Board and Committee policy and procedures are followed,
- Coordinating the timely completion and dispatch of Board and Committee papers,
- Ensuring accurate minutes are kept of Board and Committee meetings, and
- Assisting with the induction and professional development of directors.

Recommendation 1.5

The Company is committed to diversity at all levels across the Group and acknowledges the benefits that diversity brings, including contributing to achieving corporate objectives and enhancing its reputation. This commitment is reflected in the Company's Diversity Policy. The Company also has specific policies, practices and programs which address impediments to gender diversity in the workplace.

The Company has adopted a 40/40/20 gender diversity target, for the Board, executives and the workforce generally. This means 40 % men, 40% women and 20% of any gender.

The Board is currently comprised of one half female directors. There is currently 1 female member on the Executive Lead Team and females comprise 44% of the Senior Leadership Team. The Company's total workforce comprises 35% females.

To support the achievement of this target a number of initiatives have been introduced including:

- Providing targeted development and/or mentoring opportunities to support the career advancement of high potential women within the Company.
- Implementation of workplace flexibility, parental leave, carer's leave and recruitment and selection initiatives to ensure there are no barriers to achieving the gender diversity and inclusion objectives.

Whilst these policies have been working well, they are reviewed on a regular basis to ensure they continue to support our diversity and inclusion objectives. Existing policies will be amended or new policies introduced as appropriate.

The Company reports to the Workplace Gender Equality Agency and that reporting is available at <https://www.wgea.gov.au/report/public-reports>

Recommendation 1.6

The Nomination and Governance Committee has responsibility for ensuring the performance of directors both individually and collectively is evaluated.

On an annual basis, the Nomination and Governance Committee initiates a Board, Committee and Director evaluation process against appropriate criteria. This may be done internally or using external resources with the aim of continual Board improvement. Appropriate disclosures are made for each relevant period. During 2019, evaluations were conducted internally of; the Board, each Board Committee and each Director. These involved each director completing a detailed questionnaire on a confidential basis, with aggregate results being provided to the relevant Chairperson. The Chairman of the Board discusses individual Director evaluations with respective Directors, prior to each being tabled and discussed at a meeting of the Board. The Chair of the Audit and Risk Committee discusses the evaluation of the Board Chairman with him. Board and Committee evaluations were tabled and discussed at respective Board and Committee meetings. All ratings were positive and indicated the Board, its Committees and individual Directors were functioning appropriately with no substantive issues or matters of concern raised.

Recommendation 1.7

A formal process is in place to evaluate the performance of the Company's senior executives on an annual basis. Performance is measured against financial and non-financial KPIs which reflect the Group's overall business objectives including long term growth and creating shareholder value. An overview of the KPI's is provided in the Remuneration Report. The Board reviews the performance of the CEO, and the CEO reviews each of his direct reports. During 2019 the performance of the Company's senior executives was evaluated in accordance with this process.

The Remuneration and Human Resources Committee is responsible for ensuring processes are in place for these annual evaluations to take place, and also that the Company has policies and procedures in place which attract, motivate and retain executives and directors who create shareholder value. An incentive plan aimed at creating short and long term value for shareholders has been implemented for senior executives comprising short and long term incentives. A summary of the senior executive incentive plan is included in the Remuneration Report each year.

Principle 2 Structure the Board to add value

Recommendation 2.1

The Board has established a Nomination and Governance Committee which comprises all Non-Executive Directors. Details regarding the composition of the Committee and number of meetings during each year can be found in the Annual Report.

The Committee's Charter sets out the composition of, as well as the objectives and responsibilities of the Committee, which include:

- Ensuring the Board is of an effective composition, size and skills mix to enable it to discharge its duties effectively,
- Establishing processes and criteria for recruiting new Directors, and election and re-election of Directors,
- Ensuring there are appropriate new director induction programs and continuing professional development programs for Directors,
- Establishing a Board succession plan,
- Establishing a process for evaluating, and evaluating Director performance, and
- Recommending governance processes, practices and policies.

Recommendation 2.2

Directors believe the Board is of an appropriate size and has the requisite commitment, diversity and mix of skills to enable it to discharge its duties effectively.

The following table sets out the number of Directors who have significant industry or organisational skills and experience in those areas relevant to Directors' duties and the Company's operations.

Skills/Experience No of Directors

Personal Care and Hygiene 3

Industrial/manufacturing 5

Paper Industry 4

Distribution and Logistics	3
FMCG and Retail	5
B2B	3
Sales and Marketing	5
Health, Safety and Environment	4
Business development	6
Accounting and Finance	2
Governance/risk management	6
Human resources	6

Executive management and leadership 6

The Company's commitment to diversity at all levels forms part of its merit-based organizational culture dedicated to the recruitment and retention of the best available talent at all levels, up to and including the Board. The Board recognizes the benefits of being comprised of directors with different skills and experience and that regard should be had to diversity when constituting the Board.

Recommendation 2.3

The Board Charter sets out that an "Independent Director" is one who:

- Is independent of Management,
- Is free of any interest, position or relationship that could materially interfere with or could reasonably be perceived to materially interfere with: the exercise of their unfettered and independent judgment on issues before the Board or, them acting in the best interests of the Company as a whole.

In assessing the independence of a Director, the Board will take into account the "Factors relevant to assessing the independence of a Director" as set out in the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The following directors are considered by the Board to be independent:

- Harry Boon, (appointed 28 May 2014)

- JoAnne Stephenson (appointed 28 May 2014)
- Sue Morphet (appointed 28 May 2014)
- Mats Berencreutz (appointed 14 March 2014). Whilst Mats is a nominee of Essity, he resigned from SCA (which renamed as Essity) on 1 March 2015 and receives no remuneration (other than pension entitlements) from Essity. He has no formal involvement with current Essity management and has minimal contact with current Essity employees. He does not consult with, gain input from or report to Essity on Asaleo Care related matters.

The following directors are not considered by the Board to be independent:

- Sid Takla (appointed 23 October 2018). Sid is the CEO and a member of Company's management team.
- Marie-Laure Mahe (appointed 20 August 2019). Marie-Laure is Essity's Vice President marketing, e commerce and Essity Ventures for Essity consumer goods and is a nominee of Essity which owns 36.16% of the issued capital in the Company and has entered a number of commercial agreements with the Company.

The Board Charter includes a process for disclosing and assessing Director independence on an ongoing basis. This includes a requirement for each Director to advise the Chairperson prior to accepting any appointment, which may impact on their ability to carry out their duties. The proposed appointment is to be discussed at the subsequent Board meeting. Assessing the independence status of Directors is undertaken on a regular basis and prior to a Director's election or re-election to the Board.

Recommendation 2.4

The Board is currently comprised of a majority of independent directors. Non Executive directors meet on a regular basis in the absence of the Managing Director and management.

Recommendation 2.5

The Chairperson is an independent Non Executive Director and is not the same person as the Company's CEO.

Recommendation 2.6

The Nomination and Governance Committee is responsible for ensuring the Company has an induction program for new directors. This is developed, in consultation with management, to suit the specific requirements and experience of new Directors who join the Board. It usually involves visiting Company sites and meeting with management who explain different aspects of the Company's operations and issues. Directors are offered appropriate professional development to enable them to enhance and develop such skills and experience as are required to enable them to fulfill their duties effectively.

Principle 3 Act ethically and responsibly

Recommendation 3.1

Our Purpose:

Care, comfort and confidence every day is our purpose. Our purpose makes clear our reason for being in business and what we are delivering to our consumers.

Through our products and brands, we focus on delivering functional personal care and hygiene solutions, which lead to improved health outcomes and ultimately, the enhanced wellbeing of consumers. We take a holistic approach; it is not just about making great products to address our consumers' needs. It is also about listening to, educating and informing consumers about hygiene and health solutions.

We are guided and inspired by our three values – Pride – Integrity – Courage. Our values reflect what is important to our Company and our culture and defines who we are, what we represent and what is expected of each of us.

We know we are successful when we exceed our customers' expectations, deliver on our promises to shareholders and create a workplace where our people perform at their very best, every day.

Recommendation 3.2

The Board has approved a Code of Conduct for the Company. The Code sets out the high standards of ethical and responsible behavior expected of all Directors and employees, including that they:

- Act honestly and with the highest standards of integrity,
- Comply with all applicable laws and regulations,
- Avoid, and disclose, any conflicts of interests with those of the Company,
- Not take advantage of their position for personal gain, and
- Are encouraged to report all unethical or illegal behavior.

Any material breach of the Code is reported to the Board.

Recommendation 3.3

The Company has a Whistleblower and Reporting of Improper Conduct Policy which:

- encourages the reporting of improper conduct (including fraudulent and corrupt conduct) by employees, suppliers, customers, contractors and other third parties
- provides assistance in obtaining information on improper conduct so that such conduct can be addressed
- provides contact details which can be used for reporting improper conduct;
- summarises investigation and complaint handling processes, and
- outlines protections for people who report improper conduct in good faith.

Any material breach of the Policy is reported to the Board.

Recommendation 3.4

The Company has an Anti Fraud and Corruption Policy which:

- reinforces the commitment of the board and senior management to, and their responsibility for, identifying fraudulent and corrupt activities and for establishing policies, controls and procedures for prevention and detection of these activities;
- reinforces the requirement for all employees and others to refrain from corrupt and fraudulent conduct and encourages the reporting of any instance of fraud or corrupt conduct;
- provides a framework for conducting investigations to ensure that all suspected fraudulent and corrupt activity is dealt with appropriately; and
- assigns responsibility for the development of controls to prevent and detect fraud.

Any material breach of the Policy is reported to the Board.

Principle 4 Safeguard integrity in corporate reporting

Recommendation 4.1

The Board has established an “Audit and Risk Committee”, which complies with the Recommendations. The Committee’s Charter sets out the composition and objectives and responsibilities of the Committee, which include assisting the Board achieve its governance objectives with respect to:

- Financial accountability and reporting,
- Risk Management and internal control,
- Compliance, and
- Audit.

Details of the Committee's composition, number of meetings held and members' attendance can be found in the Annual Report.

Recommendation 4.2

Prior to approving the Company's financial accounts for a given financial period, the Board requires from the CEO and CFO a declaration that accords with Recommendation 4.2 and section 295A of the Corporations Act.

The Company's Auditor attends each AGM and is available to answer questions relevant to its audit of the Company.

The Company does not currently release any periodic corporate reports which are not audited or reviewed by external auditors.

Principle 5 Make Timely and balanced disclosure

Recommendation 5.1

The Company has a "Continuous Disclosure Policy" which describes:

- how its continuous disclosure obligations are complied with,
- measures for responding to, and avoiding, the emergence of a false market in the Company's securities,
- the roles and responsibilities of directors, officers and employees,
- protocols regarding confidential information, and
- practices and procedures with respect to shareholder and analyst presentations and briefings as well as trade conferences.

The Board approves all material market announcements prior to release. The Board receives copies of all material market announcements promptly after they have been made.

Any investor or analyst presentation which contains new and substantive information is released to the ASX prior to being presented.

Principle 6 Respect the rights of security holders

The Company is committed to engaging with its shareholders and providing appropriate information and facilities to allow them to effectively exercise their rights as security holders. This includes:

- Providing ready access to information about the Company and its governance,
- Open and honest communication, and

- Encouraging and facilitating participation in meetings of security holders.

Recommendation 6.1

The Company's website www.asaleocare.com has an "Investors" section which includes significant information about the Company including:

- Governance Policies,
- Board and Committee Charters,
- ASX Releases,
- Copies of Annual Reports, Financial Statements and Presentations,
- Information about Directors and senior executives,
- A key events calendar (including AGM details and dates of full and half results),
- ASX share price information,
- Company contact details, and
- Links to the Company's Share Registry to enable information including security holder forms to be accessed and downloaded.

This section is updated on an ongoing basis and is easily accessed by following the prompts from the home page.

Other sections of the website include an overview of the Company's business, how the Group is structured and a summary of its history. This information is easily accessed by following the prompts from the home page.

Recommendation 6.2

The Company has an effective investor relations program involving two way communication with investors and wider engagement with the financial markets. The program includes presentations as well as scheduled and ad hoc interactions with institutional and private investors, sell and buy side analysts and the financial media.

Recommendation 6.3

The Company's next AGM, is scheduled for 21 April 2020 in Melbourne. In addition to hearing addresses from both the Chairperson and Managing Director, shareholders are encouraged to ask questions during the AGM and interact with Directors and management outside of the formal meeting as to areas of interest or concern that they have with the Company. Shareholders who are unable to attend the meeting are given the opportunity in advance of the meeting to ask questions of the Board, Management or Auditor. These questions are addressed during the meeting. A recording of the meeting is made available on the Company's website for a reasonable period after the meeting.

All resolutions at Shareholder meetings are decided by a poll rather than a show of hands.

Recommendation 6.4

Shareholders are encouraged to communicate with the Company electronically, including via the “contact us” facility on the Company website and receiving forms and documents electronically or accessing certain material and information directly from the Company’s or Share Registry’s website.

Principle 7 Recognise and Manage Risk

Recommendation 7.1

The Board has established an Audit and Risk Committee which complies with the Recommendations. The Committee’s Charter sets out the composition, objectives and responsibilities of the Committee which relevantly include:

- Overseeing implementation of a risk management framework and systems,
- Reviewing the risk management framework, at least annually,
- Reviewing and evaluating risk policies, processes and procedures, and
- Reviewing and evaluating management’s risk management reports.

The Company has a risk register, which identifies and rates the main strategic risks facing the Company and provides an explanation as to how they are managed. An outline of the main risks that could adversely affect the Company is also included in the Directors’ Report.

Risk management is integrated into the management of the Company’s business. The Company has developed a Risk Management Framework to assist it identify, evaluate, manage and report on risk. It also identifies roles and responsibilities within the Company so that risk is effectively managed.

Recommendation 7.2

The effectiveness of the Risk Management Framework is reviewed annually by the Audit and Risk Committee. Each year the Company discloses that such a review has occurred and, if appropriate, insights gained and any significant changes made as a result of that review. Management reviews and updates the Strategic Risk Register at a business unit level and on a Group wide basis in the context of changes to the business environment and Company operating activity each year. Changes are advised to the Audit and Risk Committee.

Following the sale of the Australian Consumer Tissue Business a review of the Strategic Risk Register was undertaken in H2 2019. Whilst there was no significant change to the risks faced by the Company, the Risk Register was updated to reflect changes in the level of some risks and how some risks manifest differently in the new business structure and environment.

Recommendation 7.3

The Company has implemented an internal audit function utilizing the resources and experience of an external provider, working in close consultation with management. The internal audit function reports to the CFO and provides reports to the CFO and the Audit and Risk Committee.

Recommendation 7.4

The Company has undertaken a materiality assessment of sustainability issues across its business. This involved a review of Company policies, commitments and internal risk registers, management interviews and workshops and external stakeholder interviews. It also took into account peer benchmarking and a review of NGO and industry publications and campaigns. As a result of that assessment, a number of environmental and social sustainability issues relevant to the business were identified. Whilst these are not considered to currently pose a material risk to the Company, the key material issues identified were:

- Supply chain management (including human rights)
- Resource scarcity (including the impact of climate change)
- Sustainable packaging
- Responsible forestry
- Community engagement and partnerships
- Workplace health and safety

Each of these issues continues to be considered material and is actively managed pursuant to a comprehensive framework. Some of the key aspects of each are set out below and further information is available on the Company website:

Supply chain management (including human rights) - A responsible sourcing program is used to identify relevant suppliers and enables the Company to screen for supplier practices in the areas of human rights and labour standards, health and safety, environmental management and business integrity. In addition the Company has published a Modern Slavery Statement (available on the Company website) that outlines the steps we are taking to prevent the occurrence of modern slavery and human trafficking in our operations and supply chains.

Resource scarcity (including the impact of climate change) - The Company is subject to environmental, energy and emissions regulations, licences, consents, and voluntary accreditation which requires resource utilisation to be tracked, reviewed and managed in a responsible manner.

The Company has commenced implementing the requirements of the Task Force on Climate-related Financial Disclosure (“TCFD”). During 2019 we 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. This is set out in our TCFD Statement included in the Annual Report.

Sustainable packaging - The Company is a signatory to the Australian Packaging Covenant and abides by the principles of its Sustainable Packaging Policy to manage packaging design, recyclability and materials selection. The Company has committed to work towards 100% recyclable packaging by 2025 and we have revised our Sustainable Packaging Policy. **Responsible forestry** - All aspects of this issue are managed according to the Company's Responsible Forestry and Fibre Sourcing Policy, FSC Chain of Custody accreditations and Environmental Choice New Zealand licence.

Community engagement and partnerships – The Company partners with groups and charitable organisations that help bring our Company purpose to life and that align with our Company Values. Our sponsorship strategy is focused on enhancing established charitable partnerships and complementing these with corporate and brand donations and sponsorships that support our staff, customers and the local communities in which we operate.

Workplace health and safety – The Company has a comprehensive Health and Safety Policy which is fundamental to achieving our Safety Vision of “safe and healthy every day, everyone in every way”. The Policy includes: consultation with and education of employees, maintaining a safe working environment, measurable objectives and targets, compliance systems and detailed reporting. Further detail can be found in the Operating and Financial Review section of each year's Annual Report.

Principle 8 Remunerate fairly and responsibly

Recommendation 8.1

The Board has established a Remuneration and Human Resources Committee which complies with the Recommendations. Its primary objective is to ensure the Company has remuneration and human resource policies and practices which attract, motivate and retain executives and directors who create value for shareholders.

The Committee's Charter sets out the composition, objectives and responsibilities of the Committee which include ensuring that the Company's executive remuneration policies, practices and procedures;

- are aligned with the Group's overall business objectives and market practice,
- motivate executives to pursue the Group's long term growth,
- demonstrate a clear relationship between the Group's performance and performance of executives, and
- align the interests of executives with the creation of value for shareholders.

Recommendation 8.2

The Remuneration Report sets out the Company's remuneration policies and practices as they relate to Directors and senior executives including short and long term incentive arrangements. It also includes remuneration of Directors and key management personnel. The Remuneration Report is included in each Year's Annual Report.

Recommendation 8.3

Management participating in the Senior Executive Incentive Plan are not permitted to enter into transactions which limit the economic risk of participating in the Plan. This continues until shares are no longer subject to any form of restriction or holding lock.

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