

Remuneration Report

The Remuneration Report forms part of the Asaleo Care Ltd (Company) Directors' Report and is prepared in accordance with Section 300A of the *Corporations Act 2001*.

This Remuneration Report covers the remuneration and benefit arrangements of the Company's Key Management Personnel (KMP) for the year ended 31 December 2018.

Overview

The Company's executive remuneration strategy and policy are driven by the following principles:

- › Motivating senior management to pursue the Company's long-term growth and success.
- › Demonstrating a clear relationship between the Company's overall performance and the remuneration of senior management.
- › Alignment of the interests of Executives with the creation of value for shareholders.
- › Complying with all relevant legal and regulatory provisions.

Responsibility for the Company's executive remuneration strategy and policy rests with the Board of Directors (the Board), supported by the Remuneration and Human Resources Committee (the Committee).

Key Management Personnel disclosed in this Report

KMP are those who have authority and responsibility for planning, directing and controlling the major activities of the Company directly or indirectly.

The 2018 Company's KMP include the Chief Executive Officer and Managing Director (CEO), KMP Executives and Non-Executive Directors (NED) as set out in the following table:

KMP	POSITION	EMPLOYMENT STATUS CHANGE
Sid Takla ¹	Chief Executive Officer and Managing Director	Appointed on 23 October 2018 Previous position was Interim CEO
Peter Diplaris	Chief Executive Officer and Managing Director	Resigned effective 22 May 2018
KMP Executives		
Lyndal York	Chief Financial Officer (CFO)	Resigned in October 2018 Effective March 2019
Caitlin Patterson	Executive General Manager (EGM), Consumer Marketing	
Rob Graham	Executive General Manager (EGM), Business to Business (B2B)	Appointed on 12 November 2018 Previous position was EGM, Consumer Sales
Non-Executive Directors		
Harry Boon	NED – Chairman	Mats Berencreutz ² NED
Sue Morphet	NED	Robert Sjoström ² NED
JoAnne Stephenson	NED	

1. Sid Takla took on the position of Interim CEO from 22 May 2018 following Peter Diplaris' resignation. Prior to the Interim CEO role, Sid held the position of Chief Operating Officer overseeing both commercial and manufacturing operations. In October 2018, Sid was appointed to the position of CEO. Sid's appointment is the result of comprehensive CEO succession planning.
2. Mats Berencreutz is a representative, and Robert Sjoström is an employee and representative, of Essity Aktiebolag (publ) on the Asaleo Care Ltd Board. Essity is the ultimate parent entity in its investment in Asaleo Care Ltd.

Remuneration Strategy and Governance Framework

Remuneration strategy

The Company's reward philosophy is to drive achievement of outstanding results through a market competitive remuneration framework that incentivises exceptional performance. It has clearly defined objectives that balance the achievement of short-term results and long-term value creation for shareholders.

Specifically, the Company's executive remuneration strategy focuses on:

- › Value creation and sustainable returns to shareholders.
- › Remuneration policies and practices to attract, motivate and retain Executives who will create value for shareholders.
- › Responsibly and fairly rewarding Executives having regard to the Company's performance, individual performance and the general external pay environment.

Since listing, the Company's executive remuneration strategy and policy have been working as intended. As a consequence of the Company's financial performance, KMP have not been rewarded incentives with respect to key financial measures over the past 3 years as the gateway for the incentive payments was not achieved.

Remuneration governance framework

The Company's executive remuneration is overseen by the Committee and the Board. The Committee consists of a majority of independent NED and it met four times during 2018.

The Committee is responsible for reviewing the structure and market competitiveness of executive remuneration on an annual basis. The Committee is also responsible for the governance framework relating to executive remuneration. The aim of the Committee is to help the Board achieve its objectives by ensuring that the Company:

- › Has coherent remuneration policies and practices to attract and retain Executives and Directors who will create value for shareholders.
- › Observes those remuneration policies and practices.
- › Fairly and responsibly rewards Executives having regard to the performance of the Group, the performance of the Executives and the general external pay environment.
- › Has a human resource strategy, policies and practices which will assist the Company achieving its overall business objectives.

For the purpose of incentive payments, the Committee recommends to the Board individual and Company performance measures and weightings for the CEO and KMP Executives. The Committee also reviews and makes recommendations to the Board in relation to performance assessment of the CEO and KMP Executives against these measures. The Board makes the ultimate decision on the CEO's and KMP Executives' performance assessment and their final incentive payments.

External remuneration consultant engagement

During 2018 no external remuneration consultant was engaged for advice on executive remuneration.

Egan's recommendations on the structure of reward for Asaleo Care KMPs in November 2017 were considered by the Committee and the Board in the 2018 salary review process which determined Executives' 2018 remuneration.

Executive Remuneration Overview

The Company's executive remuneration consists of fixed and variable remuneration which focus on both short-term and long-term Company performance. Fixed remuneration is designed to provide a market competitive base level of remuneration. Variable remuneration including a cash incentive and an equity incentive, in the form of four-year deferred shares (equity), is based on pre-determined performance measures, at different performance levels, which are important for business growth and value creation for shareholders. These measures may vary year on year based on factors relevant to improving the Company's performance.

Fixed remuneration

Fixed remuneration, also referred to as Total Fixed Remuneration (TFR), is determined on an individual basis taking into consideration the size of the Company, the scope of the Executive's position, the importance of the role to the Company, the demand for the role in the market, individual performance and competency levels.

Fixed remuneration comprises base salary and superannuation. It is reviewed on an annual basis through a salary review process which takes into account Company and individual performance and contribution to the Company's success, while ensuring it remains market competitive.

Variable remuneration

Variable remuneration is an integral part of the Company's executive remuneration structure to provide Executives with competitive performance-based remuneration.

Variable remuneration is delivered through an Executive Incentive Plan (EIP) including cash and equity which is:

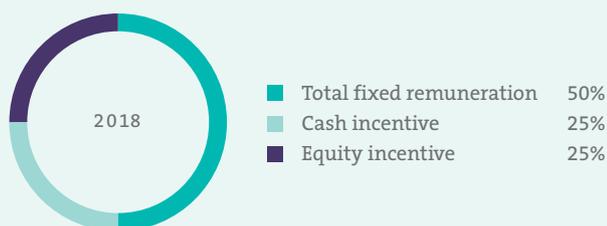
- › Designed to take into account individual, business unit and Company performance.
- › Linked to clearly specified performance targets, which are aligned to the Company's short-term and long-term performance objectives.

2018 Executive Remuneration

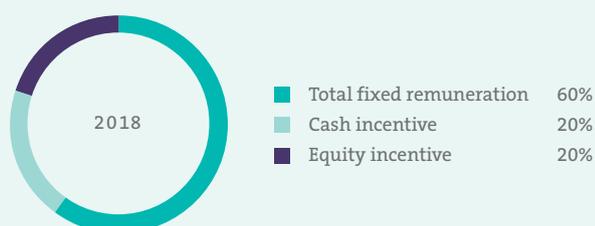
Executive remuneration mix

Below is the remuneration mix between fixed and variable remuneration at target for the CEO and KMP Executives for 2018.

CEO REMUNERATION MIX AT TARGET



CFO REMUNERATION MIX AT TARGET



OTHER KMP REMUNERATION MIX AT TARGET



Following the annual review process in January 2018 taking into account market benchmarks for Executives' relevant positions, salary movement forecasts for comparable Executives and the Company and individual performance, some Executives received a salary increase in the 2018 review.

There was no salary increase to any of the Executives following the 2017 review.

Sid Takla received an increase in his TFR upon his appointment to the Interim CEO position in May 2018. He did not receive any additional increase upon his appointment to the CEO position on 23 October 2018.

Executive Incentive Plan

EIP overview

The EIP includes a combination of cash and equity reward potential. The equity reward is designed to strengthen the alignment of the interests of Executives and shareholders.

The 2018 EIP structure remained the same as 2017. This is detailed in the '2018 EIP Reward Potential' section of this Report.

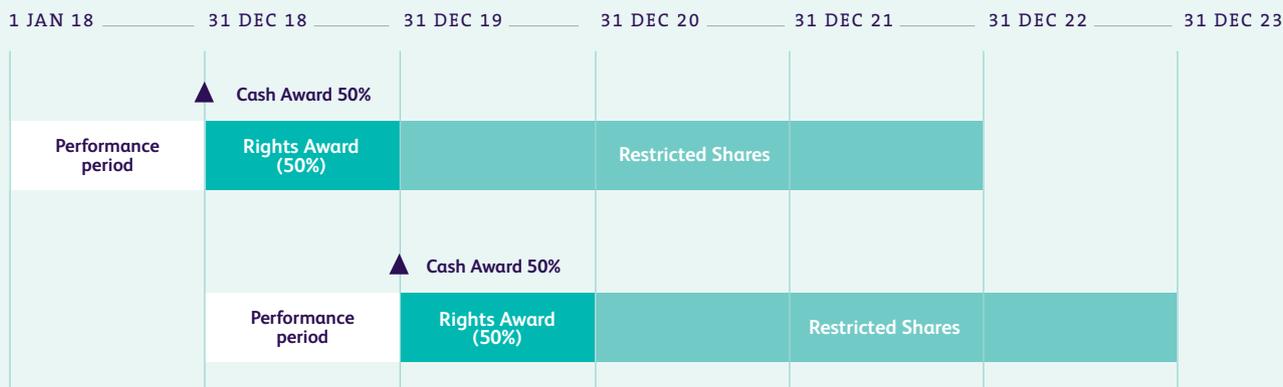
Award delivery

The amount awarded to an Executive under the EIP is calculated as a percentage of that Executive's TFR at 31 December of the performance period if certain Company and individual financial and non-financial targets are achieved or exceeded. The performance period is 12 months starting from 1 January each year.

The EIP award is delivered in a combination of cash and equity:

- › 50% of EIP award will be paid in cash as soon as practicable after release of the Company's full year financial results to the Australian Securities Exchange (ASX) for the relevant performance period.
- › 50% of EIP award will be awarded by means of share rights. These share rights are unlisted rights to ordinary shares in the Company and become exercisable into restricted ordinary shares on the first anniversary of the completion of the relevant performance period. Once the restricted ordinary shares are granted, they are subject to disposal restrictions (holding lock) for a further three years. During the holding lock period, Executives will not be able to sell, transfer or otherwise dispose of or deal in these shares. They will, however, have all other rights of holders of ordinary shares including being entitled to receive dividends and vote.

The structure of the EIP award is illustrated as follows:



Clawback provision

The EIP has a clawback provision which provides the Board with the authority to cancel or to claw back some or all of an Executive's performance rights and/or restricted ordinary shares if, in the Board's reasonable opinion, any adverse actions or events that cause any material financial misstatements and misrepresentations of the Company's performance in the past three financial years are subsequently revealed. This may include the deliberate failure to bring forward information relevant to assessing the performance of the Company or its business units, or any negligent acts or omissions that cause material reputational damage to the Company.

Termination

Any termination for cause (being misconduct, serious misconduct or poor performance) will result in forfeiture of share rights and restricted ordinary shares.

Any termination without cause (including termination due to genuine redundancy, ill-health, disability and death) and resignation will result in the participant forfeiting any share rights but being fully entitled to their granted restricted ordinary shares unless the participant fails to comply with the terms of their employment contract, for example, the confidentiality or restraint provisions. The restricted ordinary shares will continue to remain the subject of the holding lock until the end of the relevant holding lock period.

2018 EIP Reward Potential

The following table sets out the 2018 EIP reward potential for the CEO and KMP Executives at different performance levels.

POSITION	2018 POTENTIAL EIP (% OF TFR)		
	THRESHOLD	TARGET	MAX
CEO/Interim CEO	50	100	150
CFO	33.33	66.67	100
Other KMP Executives	30	60	90

Threshold, Target and Maximum performance levels are explained in the '2018 Performance measures' section below.

2018 Performance measures

The Board carefully considers the selection of Key Performance Indicators (KPIs) and weightings based on factors relevant to improving the Company's performance. Emphasis is placed on the key financial and operational metrics.

The EIP covers both short-term and long-term KPIs for the performance period and includes a gateway as well as Threshold, Target and Maximum performance measures.

Performance outcomes may be subject to normalisation or other relevant adjustments at the absolute discretion of the Board to reflect the impact of any exceptional items or circumstances.

For the purpose of the 2018 EIP plan, the performance measures and weightings for the Interim CEO and KMP Executives are outlined in the following table.

NAME POSITION	GROUP UNDERLYING NPAT ¹ %	GROUP ROIC ² %	GROUP OCF ³ %	GROUP SV ⁵ %	BUSINESS UNIT UNDERLYING EBITDA ⁴ %	BUSINESS UNIT SV ⁵ %	OPERATIONAL KPIs %	SAFETY %	TOTAL WEIGHTING %
Sid Takla Interim CEO	40	10	10	10	–	–	20	10	100
Lyndal York CFO	50	20	10	–	–	–	10	10	100
Caitlin Patterson EGM Consumer Marketing	30	–	10	–	30	20	–	10	100
Rob Graham EGM B2B	30	–	10	–	30	20	–	10	100

1. NPAT: net profit after tax

2. ROIC: return on invested capital

3. OCF: operating cash flow, representing net cash flow before financing, taxation and shareholder returns

4. EBITDA: earnings before interest, tax, depreciation and amortisation

5. SV: sales value

Below is an explanation of why each measure was chosen.

Underlying NPAT and EBITDA have been used to reflect the operating performance excluding non-recurring income and expenditure.

Gateway – Net Profit After Tax (NPAT)

As a result of an increasingly price competitive market place and significant impacts of cost increases in pulp and energy and lower currency, the Board determined that for the 2018 performance year it was appropriate to remove from the EIP rules the requirement that 'NPAT threshold must be higher than the prior year NPAT achievement'. Consequently, for the 2018 performance year, the EIP gateway was set at a threshold of 98% of budgeted NPAT.

Under the EIP rules, if the EIP gateway is not achieved, the EIP reward will be at the discretion of the Board. In these circumstances, individual EIP payments for the performance period must not exceed 50% of the maximum entitlement.

NPAT at Target performance was set at 100%, and at Maximum performance at 110%, of budgeted NPAT.

Other financial KPIs

Other financial KPIs to apply during 2018 were:

- › ROIC: which supports a focus on striking the right balance between efficient management of capital and ongoing investment in the Company's operations and brands to grow the Company's value.
- › OCF: which measures the Company's cash generation capability.
- › EBITDA: which measures the profitability at the business unit level and includes key strategic, growth and market share initiatives.
- › SV: which aligns EBITDA with sales targets and is critical to ensure a balance between margin retention and sustainable growth.

The underlying financial KPIs for the above measures in 2018 for each EIP reward level were defined as follows (assuming achievement of the NPAT gateway):

- › Threshold performance for individuals was set at 98% of their relevant financial KPIs at budget. Threshold performance reflected the minimum required performance level before any EIP payment could be made with respect to that KPI.
- › Target performance was set at 100% of the relevant budgeted KPIs.
- › Maximum performance was set at 110% of the relevant budgeted KPIs.

Rewards for performance between Threshold and Target and between Target and Maximum are calculated on a pro-rata, straight-line basis.

Operational KPIs

Operational KPIs include a set of measures focused on production capability, working capital and operational excellence which drive improvement in cost competitiveness and production quality.

Specific functional Operational KPIs for 2018, which were financial or non-financial, were set by the CEO in the Executives' annual performance plan and formed part of Executives' 2018 key objectives. Reward payments for achievement of non-financial measures are adjusted in accordance with the Company's NPAT result against budget.

Safety

To reflect the Company's commitment to providing a safe workplace for all employees, contractors and visitors. Corporate safety measures including Lost Time Injury Frequency Rate (LTIFR) and Target Injury Frequency Rate (TIFR) were set at improved levels to 2017 performance. If achieved, reward payments for the safety component are aligned to the Company's NPAT result.

2018 EIP payments

For the 2018 performance year, the Company did not achieve the gateway hurdle of NPAT at Threshold level. As a consequence, there were no EIP payments for 2018 to the CEO or any of the KMP Executives.

KMP Remuneration Disclosure

The following table has been prepared in accordance with Section 300A of the *Corporations Act 2001* to detail KMP remuneration for the year ended 31 December 2018. For the purpose of comparison, remuneration for the year ended 31 December 2017 is also provided.

NAME POSITION	YEAR	FIXED REMUNERATION			VARIABLE REMUNERATION ¹		TOTAL REMUNERATION \$
		CASH SALARY/FEE \$	SUPER- ANNUATION \$	TOTAL TFR \$	EIP (CASH) \$	EIP (EQUITY) \$	
CEO and KMP Executives							
Sid Takla ² CEO	2018	633,334	25,000	658,334	–	–	658,334
	2017	417,772	27,500	445,272	–	–	445,272
Peter Diplaris ³ CEO	2018	538,125	9,872	547,997	–	–	547,997
	2017	870,000	30,000	900,000	–	–	900,000
Lyndal York ⁴ CFO	2018	405,000	25,000	430,000	–	–	430,000
	2017	60,230	4,167	64,397	–	–	64,397
Caitlin Patterson ⁵ EGM Consumer Marketing	2018	326,048	25,000	351,048	–	–	351,048
	2017	181,347	12,500	193,847	–	–	193,847
Rob Graham EGM B2B	2018	325,000	25,000	350,000	–	–	350,000
	2017	321,869	28,131	350,000	–	–	350,000
Former disclosed executives ⁶	2017	401,733	33,334	435,067	–	–	435,067
Subtotal	2018	2,227,507	109,872	2,337,379	–	–	2,337,379
	2017	2,252,951	135,632	2,388,583	–	–	2,388,583
Non-executive Directors							
Harry Boon	2018	279,710	20,290	300,000	–	–	300,000
	2017	280,168	19,832	300,000	–	–	300,000
Sue Morphet	2018	109,710	20,290	130,000	–	–	130,000
	2017	110,168	19,832	130,000	–	–	130,000
JoAnne Stephenson	2018	114,336	15,664	130,000	–	–	130,000
	2017	110,168	19,832	130,000	–	–	130,000
Mats Berencreutz	2018	110,000	–	110,000	–	–	110,000
	2017	110,000	–	110,000	–	–	110,000
Robert Sjoström ⁷	2018	–	–	–	–	–	–
	2017	–	–	–	–	–	–
Subtotal	2018	613,756	56,244	670,000	–	–	670,000
	2017	610,504	59,496	670,000	–	–	670,000

1. No EIP payment was made to any of the KMP for the 2017 and 2018 performance years.
2. Sid was COO in 2017. He took on the position of Interim CEO from 22 May 2018 following Peter Diplaris' resignation. On 23 October 2018, he was appointed to the position of CEO.
3. Peter's 2018 remuneration included outstanding annual leave and long service leave payout upon termination.
4. Lyndal was appointed on 8 November 2017.

5. Caitlin was appointed on 13 June 2017.
6. Former KMP are not included individually in the above table.
7. Robert Sjoström is an employee and representative of Essity Aktiebolag (publ) on the Asaleo Care Ltd Board. Robert is remunerated by Essity Aktiebolag (publ) pursuant to his employment arrangements with that entity and receives no remuneration from any Asaleo Care Group Company for his directorship of Asaleo Care Ltd.

Company Performance over the Last Five Years

The following table shows the Company performance over the last five years.

	2018 UNDERLYING ¹	2017 UNDERLYING ¹	2016 UNDERLYING ¹	2015 UNDERLYING ¹	2014 PRO FORMA ¹
Revenue (A\$ million)	407.8	585.8	605.9	622.2	629.9
EBITDA (A\$ million)	80.6	124.3	130.7	145.2	140.8
NPAT (\$A million)	29.2	59.4	64.6	76.1	72.3
Net cash flow before financing, taxation and shareholder returns (A\$ million)	66.0	104.4	79.0	116.1	92.6
Occupational Health and Safety (TIFR) ²	11.60	11.05	16.61	9.36	11.50
Total CEO and KMP Executive incentives as percentage of NPAT	0.0%	0.0%	0.0%	1.1%	0.0%

1. Underlying and Pro Forma amounts are included as the Board is of the opinion that these most appropriately represent the Company's performance for these years. They include statutory financial information with adjustments to eliminate non-recurring items and reflect the operating structure. Pro Forma operating cash flow numbers exclude Performance Improvement capital expenditure.
2. Occupational Health and Safety measures including targets with respect to injury rates aim to provide a safe workplace for all employees, contractors and visitors.

CEO's and KMP Executives' Employment Agreements

The key employment agreements for the CEO and KMP Executives are provided in the table below.

NAME POSITION	EMPLOYMENT START DATE	EMPLOYMENT TERM	NOTICE PERIOD (EMPLOYER- INITIATED TERMINATION)	NOTICE PERIOD (EMPLOYEE- INITIATED TERMINATION)	REDUNDANCY PAYMENT
Sid Takla ¹ CEO	12 February 2007	Permanent Full Time	12 months	6 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>
Lyndal York ² CFO	8 November 2017	Permanent Full Time	9 months	6 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>
Caitlin Patterson EGM Consumer Marketing	13 June 2017	Permanent Full Time	6 months	3 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>
Rob Graham ³ EGM B2B	2 May 2016	Permanent Full Time	6 months	6 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>

1. Appointed to the position of CEO effective 23 October 2018. Previous position was Interim CEO.
2. Resigned in October 2018, effective March 2019.
3. Appointed to the position of EGM B2B effective 12 November 2018. Previous position was EGM Consumer Sales.

The Company may terminate the CEO or KMP Executives' employment by providing them with the required notice or payment in lieu of notice. The CEO or KMP Executives may terminate their employment by providing the Company the required notice. The required notice periods are set out in the above table. The Company may dismiss the CEO and/or KMP Executives immediately without notice or payment in lieu of notice in the event of misconduct, serious breach or non-observance of any terms or conditions of the employment contract or serious neglect of duties.

The employment contracts of the CEO and each KMP Executive contain confidentiality provisions, which continue after termination of the relevant KMP's employment, preventing them from disclosing any confidential information of the Company or using it for their own use or benefit or that of a third party.

Non-Executive Directors' Engagement

On appointment to the Board, NEDs enter into a letter of appointment with the Company. The letter summarises the engagement terms including remuneration and termination provisions.

NED remuneration reflects Directors' level of leadership and accountability. It takes into account the size of the Company as well as the complexity of the business. All fees are inclusive of statutory superannuation and are paid on a monthly basis. Directors are not paid a commission on, or a percentage of, profits or operating revenue.

There was no change to NED fees in 2018. NEDs have not received any fee increases since the Company listed in 2014.

The 2018 annual fees are set out in the table below.

NAME	POSITION	ANNUAL BOARD FEE \$	ANNUAL COMMITTEE CHAIR FEE \$
Harry Boon	Chairman	300,000	—
	Chair of Nomination and Governance Committee	—	—
Sue Morphet	Board Member	110,000	—
	Chairperson of Remuneration and Human Resources Committee	—	20,000
JoAnne Stephenson	Board Member	110,000	—
	Chairperson of Audit and Risk Committee	—	20,000
Mats Berencreutz	Board Member	110,000	—
Robert Sjostrom*	Board Member	—	—

* Robert Sjostrom is an employee and representative of Essity Aktiebolag (publ) on the Asaleo Care Ltd Board. Robert is remunerated by Essity Aktiebolag (publ) pursuant to his employment arrangements with that entity and receives no remuneration from any Asaleo Care Group Company for his directorship of Asaleo Care Ltd.

Additional Information

KMP shareholdings

The Company does not have a Minimum Shareholding Policy, which requires KMP to hold Asaleo Care shares. KMP are, however, encouraged to hold Company shares to enhance alignment of their interests with those of shareholders.

The Directors agreed that independent NED would invest one year after tax fees in Company shares on a progressive basis over three years from listing or from their appointment. All independent NEDs have an interest in the requisite number of shares.

The following table details the number of Asaleo Care shares held by KMP, either directly, indirectly or beneficially, and movements during the year ended 31 December 2018.

NAME POSITION	REGISTERED HOLDING	BALANCE AT 31/12/2017	PURCHASED/ ALLOTTED	SOLD	BALANCE AT 31/12/2018
Sid Takla CEO	NIDO D'ORO PTY LTD AS TRUSTEE FOR THE NIDO D'ORO TRUST	611,601	–	–	611,601
Lyndal York CFO		–	–	–	–
Caitlin Patterson EGM Consumer Marketing		–	–	–	–
Rob Graham EGM B2B		–	–	–	–
Peter Diplaris CEO	NETHERLEE INVESTMENTS PTY LTD (THE DIPLARIS FAMILY TRUST)	1,156,342	–	910,000	246,342*
Harry Boon NED	TORRESDALE SUPER NOMINEES PTY LTD (V & H BOON SUPER FUND A/C)	146,212	–	–	146,212
Sue Morphet NED	MORPHET SUPERANNUATION FUND PTY LTD	46,425	–	–	46,425
JoAnne Stephenson NED	MR ROBIN JAMES LARSEN & MS JOANNE MAREE STEPHENSON	50,000	–	–	50,000
Mats Berencreutz NED		–	–	–	–
Robert Sjoström NED		–	–	–	–

*Balance at 22 May 2018

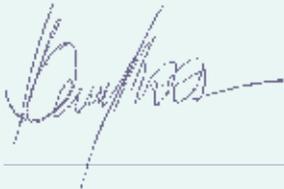
Policy on trading in Asaleo Care's shares

The Company's Securities Trading Policy applies to all Directors, Executives and other specified staff. Directors, Executives and their associates must not, in any circumstances, deal or procure another person to deal in Company securities if they have inside information in relation to Company securities. The policy imposes blackout periods for trading and sets out an approval process for trading in Company shares. The Company would consider an intentional breach of the Company's Securities Trading Policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

Other transactions with KMP

There are no other transactions between any of the KMP with any of the companies which are related to or provide services to Asaleo Care unless disclosed in this Remuneration Report.

The Directors' report is made in accordance with a resolution of Directors.



Harry Boon, Chairman

Dated this 19th day of February 2019