

Sustainability

Supporting a more sustainable society

Our sustainability goal is to help create a more sustainable society through our products and business operations.

Through purposeful management of our raw materials, supply chains and operations, we improve our processes, reduce our operating costs, minimise our impact on the environment, and create value for our customers and consumers, our shareholders, our communities and our employees.

For the fourth year running, Asaleo Care has been recognised for corporate sustainability leadership in the Dow Jones Sustainability Index (DJSI) Australia in the Personal Products sector.

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

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.

We reviewed our previous materiality assessment based on recommendations from the ASX Corporate Governance Council, and added sustainable packaging to our key sustainability issues:

- › Community engagement and partnerships (on page 36)
- › Economic performance (discussed in the Financial Statements section of this Report)
- › Occupational health and safety performance (on page 27)
- › Responsible forestry
- › Resource scarcity and the impact of climate change
- › Sustainable packaging
- › Supply chain management, including human rights

Supply chain management and human rights

Our local and international suppliers provide goods and services to our operations, customers and consumers. Asaleo Care is committed to respecting human rights and eliminating modern slavery within our supply chain. We expect that our suppliers and our suppliers' suppliers are committed to the same principles as us.

Our approach is aligned with Ethical Trade Initiative (ETI) and International Labour Organisation (ILO) Conventions and national and international laws. We operate a due diligence program to help identify and mitigate any adverse human rights impacts of our supply chains in alignment with the principles and guidance contained in the United Nations Guiding Principles on Business and Human Rights.

Asaleo Care welcomes the introduction of the Modern Slavery Bill 2018 that targets modern slavery and human trafficking in supply chains. The Bill establishes a public reporting requirement for Australian entities with the aim of increasing transparency around these issues and improving workplace anti-slavery practices by holding businesses to account. Asaleo Care has reported on these issues since we first launched our Responsible Sourcing Program in 2014.

Since this time, we have been working together with Sedex to continually improve our supplier targeting, onboarding and risk assessment processes.

KPI	2018	2015
Active suppliers participating in our Responsible Sourcing Program by year end:		
> Number of suppliers	106	89
> Suppliers as a percentage of the Company's total procurement spend ²	55%	46%

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A high-level overview of our supplier assessment process includes:

- > Use of Sedex's *Risk Assessment Tool* to identify high-risk supplier sites
- > Desk-top reviews of high-risk sites performed to confirm their high-risk designation, and ethical audits commissioned if we are unable to show the risk has been mitigated
- > Corrective Actions are monitored as part of our ongoing management of suppliers

In addition, our fibre, paper and fibre-based product supply chains are subject to our Responsible Forestry and Fibre Sourcing Policy. Our products certified to the 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 169¹.

Sustainable packaging

We are reliant on packaging to enable us to deliver high quality products to our customers and consumers. Asaleo Care has been a signatory of the Australian Packaging Covenant (APC) for almost a decade and continues to publicly report our progress on this important issue.

In 2018, Asaleo Care committed to work towards 100 per cent recyclability of our packaging by 2025, revised our Sustainable Packaging Policy to reflect current thought leadership on the issue and partnered with the REDcycle Program in Australia.

Through REDcycle, our consumers can now recycle all soft-plastic packaging at a REDcycle drop off location at major supermarkets. Collected plastic is recycled locally into products such as bollards, outdoor furniture, decking and road construction materials. The REDcycle program compliments our partnerships in New Zealand such as our membership with the New Zealand Soft Plastics Recycling Scheme and our partnership with Tread Lightly, a program that educates school children about soft plastics recycling and establishes recovery systems in schools.

Our Sustainable Packaging approach follows these key principles:

- › 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

Resource scarcity and the impact of climate change

Asaleo Care intends to enhance and broaden its understanding and contribution to the impacts of climate change on its business through 2019. The Company has commenced implementing the requirements of the Task Force on Climate-related Financial Disclosure (“TCFD”) with the aim of broadening its understanding of climate-related risks and opportunities within the business through a TCFD project.

During 2019 in line with the TCFD project, a high-level risk and impact analysis will be completed as part of the Company’s risk management procedure. TCFD-related reporting processes and controls will be embedded as part of the project, including Company targets for energy, greenhouse gas emissions (i.e. scope 1 and 2) and water.

Asaleo Care recognises the importance in managing the use of these resources in a responsible way across our operations. We have established strict policies and procedures to minimise pollution from our sites. Our renewable energy and efficiency initiatives are also aimed at reducing greenhouse gas emissions.

Our tissue manufacturing site at Kawerau, for example, uses geothermal steam as a direct energy source. In addition, our remaining New Zealand based manufacturing and operational sites benefit from the country’s low-emissions electricity generation network.

Asaleo Care began reporting on renewable energy as a percentage of total energy use across the Group in 2015. For the first time since then, more than a quarter of all the energy we used was derived from renewable sources in New Zealand at a total of 26.4 per cent. Geothermal steam makes up 15.6 per cent of our total energy consumption. Additionally, 10.8 per cent of Asaleo Care’s total energy consumption was from electricity generated from renewable energy sources in New Zealand⁵.

5. New Zealand Energy Quarterly, January – September 2018 (MBIE: www.med.govt.nz), electricity from renewable energy sources equated to 83.8% of total electricity generation

CASE STUDY

Peatland free

By far, pulp is the most significant input in producing our products. As an environmentally responsible manufacturer, we rely on sustainable sources of pulp and pulp-based products. We are the first in our industry to make a tropical peatland-free commitment for our forestry and fibre sourcing.

In 2018, we included a No Deforestation, No Peat, No Exploitation (NDPE) commitment in our Responsible Forestry and Fibre Sourcing Policy. Concern for the impacts of climate change and reducing greenhouse gas emissions in our supply chain are key reasons behind our tropical peatland free commitment.

Why tropical peatland conservation is important

Peatland forests are one of the most efficient forms of carbon capture in the world, storing up to about 250 billion tons of carbon. That's more carbon stored per hectare than any other natural forest or plantation.

When tropical peatlands are drained for forestry, palm oil, roadways, and mining, high levels of greenhouse gas emissions are released into the atmosphere. Greenhouse gases can contribute to devastating forest fires. These fires can smolder for many months, emitting a haze that causes major health risks to local populations.

What is peat?

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



Keeping our promise

As a leading personal care and hygiene company, our goal is to support a more sustainable society through our products and business. Asaleo Care recognises the importance of tropical peatland conservation by:

- › tracing the fibre source of origin which tells us if the wood used to make the pulp was harvested and processed in compliance with relevant laws and social standards for local communities.
- › not purchasing pulp and paper reels that originate from controversial sources including illegally logged timber, timber from high conservation value forests (HCVF), timber from plantations on drained tropical peatlands and timber from areas where human rights or the traditional rights of indigenous people are violated;
- › supporting our tropical peatland-free promise through precise supplier requirements and additional due diligence practices;
- › working with suppliers to reduce the risk of having sources of tropical peatland fibres in our supply chain.

Group environmental performance data

	UNIT	2017	2015
Energy Consumption			
Geothermal steam	GJ	260,988	270,258
Fossil fuels ⁶ : natural gas, diesel, gasoline, LPG	GJ	823,755	1,034,930
Electricity	GJ	592,066	706,521
Total energy consumption	GJ	1,676,809	2,011,709
Energy from direct use of geothermal steam	% of total	15.6	13.4
Energy from New Zealand electricity purchases	% of total	12.9	10.7
GHG Emissions to Air⁷			
Scope 1 (direct) GHG emissions (CO ₂ -e)	tonne	43,407	54,007
Scope 2 (indirect) GHG emissions (CO ₂ -e)	tonne	120,362	172,844
Total Scope 1 + 2 GHG emissions (CO₂-e)	tonne	163,769	226,851
Fresh Water Usage⁸			
Municipal supply	m ³	1,051,726	1,150,118
	% of total	40.3	45.0
Surface water	m ³	1,555,152	1,403,133
	% of total	59.7	55.0
Total fresh water usage	m³	2,606,878	2,553,251
Discharge to Water⁹			
Biological Oxygen Demand (BOD)	tonne	193	130

Note: Data in this table covers Asaleo Care's manufacturing, distribution centre and sales operations, unless otherwise specified.

6. Direct fuel combustion from stationary and transport energy purposes. Excludes third-party logistics transport activities.
7. Global Warming Potentials used for this report are sourced from the Australian National Greenhouse Accounts (NGA) Factors (July 2018), New Zealand Guidance for Voluntary Corporate Greenhouse Gas Reporting (December 2016), 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.
8. Fresh water usage is reported for manufacturing sites only (i.e. Kawerau, Te Rapa, Box Hill, Springvale and Nakasi).
9. BOD is reported for Asaleo Care's Paper Mills only (i.e. Kawerau and Box Hill sites).

CASE STUDY

Cutting plastic packaging waste through REDcycle

Reducing plastic waste is high on the agenda for most countries, as well as our own Company. Plastic protects vulnerable products from damage caused by moisture, humidity, gases, insects and light and contamination.

REVIEW / RENEW

Yet unmanaged, plastics contribute to a take-make-dispose economy. It's important we rethink the way we make, use, and reuse plastics and shift to a circular, sustainable economy.

Asaleo Care has partnered with REDcycle, a Melbourne based recycling organisation which established a voluntary, industry-led initiative known as the REDcycle Program. The Program is true product stewardship model where manufacturers, retailers and consumers share responsibility in creating a sustainable future.

Collected plastic is sent to a recycling manufacturer where it is made into more than 200 recycled plastic products such as bollards, outdoor furniture, fitness equipment and decking, and now, even roads.

Asaleo Care's new commitment to work towards 100 per cent recyclability of our packaging by 2025 is in line with the national packaging targets announced by the Australian Packaging Covenant Organisation.

With a focus on flexible packaging materials, we are designing our packaging to be recyclable and through support of programs such as REDcycle, our packaging can be recoverable as well. Consumers of any of our products can now recycle all soft plastic packaging at their nearest REDcycle location

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