Asaleo Care Limited ABN 61 154 461 300
30–32 Westall Road, Springvale, Victoria 3171
www.asaleocare.com

17 February 2021

Company Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Electronic lodgement via ASX Online

Asaleo Care Limited (AHY) – Appendix 4E for the full year ended 31 December 2020

In accordance with ASX Listing Rule 4.3A, please find attached the Appendix 4E for the full year ended 31 December 2020 for immediate release. The Appendix 4E incorporates the Annual Financial Report.

Yours sincerely,

James Orr
Company Secretary
Asaleo Care Limited

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Appendix 4E *Rule 4.3A*

Preliminary Final Report

Asaleo Care Limited
ABN 61 154 461 300

1. Details of reporting period and the previous corresponding period

Reporting Period:	year ended 31 December 2020
Previous Corresponding Period:	year ended 31 December 2019

2. Results for announcement to the market

Key information	**2020**				**2019****
Statutory results*					
2.1 Revenue from ordinary activities ('000s)	419,157	Up	2.3%	from	409,694
2.2 Net profit after tax for the period attributable to members ('000s)	32,296	Up	46.2%	from	22,088
2.3 Net profit after tax from continuing operations ('000s)	38,186	Up	25.1%	from	30,522
2.4 Basic earnings per share (cents)	5.9	Up	43.9%	from	4.1
2.5 Diluted earnings per share (cents)	5.9	Up	43.9%	from	4.1
Underlying results*					
2.1 Revenue from ordinary activities ('000s)	419,157	Up	2.3%	from	409,694
2.2 EBITDA	89,181	Up	6.3%	from	83,862
2.3 Net profit after tax for the period attributable to members ('000s)	39,029	Up	15.5%	from	33,792
2.4 Basic earnings per share (cents)	7.2	Up	16.1%	from	6.2
2.5 Diluted earnings per share (cents)	7.2	Up	16.1%	from	6.2

Dividends	**Amount per security**	**Franked amount per security**
Current period		
2.6 Final dividend	3.0 cents	100%
2.5 Interim dividend	0.0 cents	–
Previous corresponding period		
2.5 Final franked dividend	2.0 cents	nil
2.5 Interim franked dividend	0.0 cents	–

2.6 Record date for determining entitlements to the dividend	16th March 2021

	31 December 2020	31 December 2019
2.7 Net tangible asset backing per ordinary security (cents per share)	7.2	4.5

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For explanation of the figures reported above or other item(s) of importance not previously released to the market, please refer to the attached Annual Financial Report (which incorporates the Directors' Report, Remuneration Report, Operating and Financial Review and Financial Report) for explanations.

Additional Appendix 4E disclosure requirements can be found in the attached Annual Financial Report.

*** Supplementary comments**

To assist shareholders in their understanding of the Asaleo Care Group's business, underlying financial information for the years ended 31 December 2020 and 31 December 2019 is included in the table above and in the Company's Investor Presentation (attached), released to the ASX on 17 February 2021. A reconciliation between the underlying financial information and Asaleo Care Group's statutory financial information is included within the Operating and Financial Review section of the Directors' Report. The statutory results in this report are based on the Annual Financial Report, which has been audited by PricewaterhouseCoopers.

**** Restated 2019 results**

Numbers have been restated due to the classification of Baby business as a discontinued operation.

James Orr

Date: 17 February 2021

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ASALEO CARE LIMITED AND ITS CONTROLLED ENTITES

ABN 61 154 461 300

ANNUAL FINANCIAL REPORT

for the year ended 31 December 2020

Asaleo Care Limited ABN 61 154 461 300
30–32 Westall Road, Springvale, Victoria 3171
www.asaleocare.com

ASALEO CARE LIMITED AND ITS CONTROLLED ENTITIES

Annual Financial Report for the Year Ended 31 December 2020

Contents

The Directors present their report together with the Financial Report of Asaleo Care Limited (the Company) and its controlled entities (the Group), for the year ended 31 December 2020 and the Auditor's Report thereon.

These reports are designed to assist shareholders understand Asaleo Care's business performance and the factors underlying its results and financial position.

Company Overview

Asaleo Care is a leader in personal care and hygiene across Australasia.

We manufacture and sell leading brands of essential, everyday consumer and business-to-business products across Australia, New Zealand, Fiji and other Pacific Islands.

We have a portfolio of global leading brands and local heritage brands that have been trusted by customers and consumers for more than 60 years. Our quality branded products today represent close to 94 per cent of our revenue, with the remainder coming from private label.

Our core retail brands are Libra, TENA, Purex, Sorbent and Handee (in New Zealand only) offering tampons, pads, liners, toilet and facial tissue, wipes and paper towels. We are also well known for our popular brands Viti toilet tissue, Orchid toilet and facial tissue, napkins and kitchen towels, and Drypers nappies in Fiji and the Pacific Islands.

On 29 December 2021, Asaleo Care acquired TOM Organic, a leading Australian organic feminine care business. The TOM Organic brand portfolio includes tampons, pads, liners, period briefs and menstrual cups. The acquisition is an important strategic step for Asaleo Care as it enters the fast growing 'better-for-you' personal care sub-category. Growth in this category is being driven by increasing demand from consumers who prefer natural and sustainable products as part of their personal care repertoire.

Our Tork and TENA business-to-business brands for professional hygiene and incontinence are world leaders within their market categories. Through Tork, we manufacture and market a broad range of commercial hygiene solutions, while our TENA business focuses on providing incontinence products, systems and support to healthcare professionals and facilities.

Listed on the Australian Securities Exchange (ASX) in 2014, Asaleo Care has a manufacturing and distribution footprint which extends across 14 sites throughout Australia, New Zealand and Fiji.

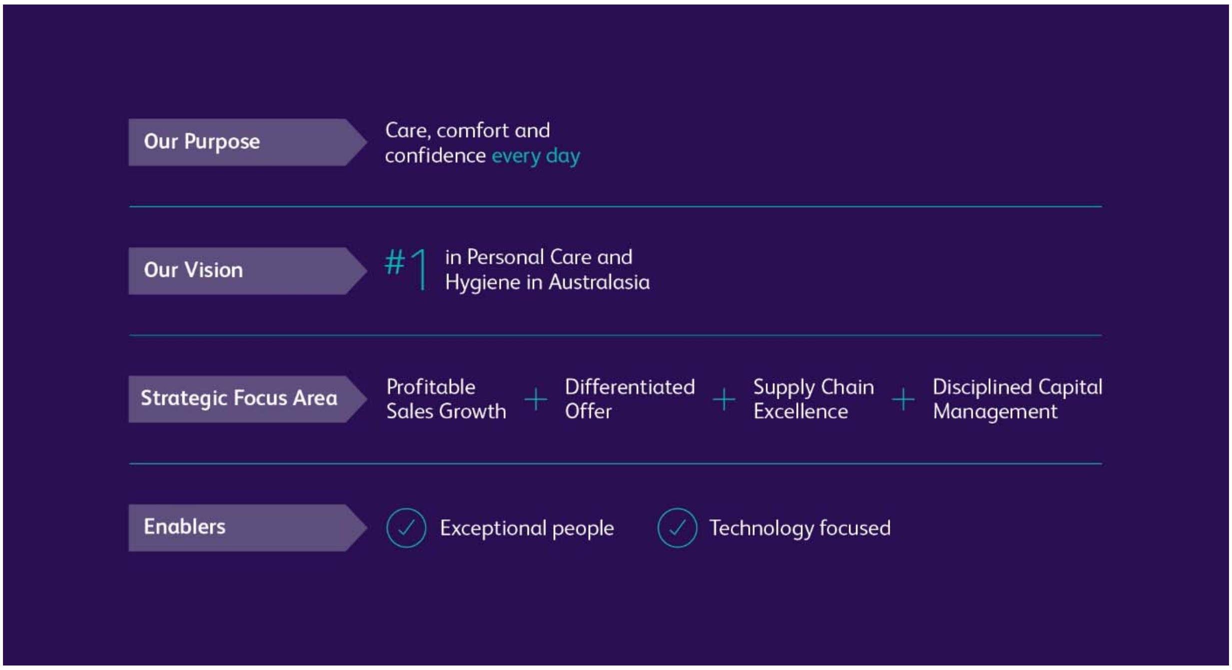
Business segment	Product category	Products	Manufacturing facilities*	Route to market
Retail Contributes 46% of FY20 EBITDA	Feminine Care	Libra Pads, tampons, liners and pants	Springvale, Australia	**Retailers** Coles, Woolworths, Metcash, Pharmacy, Costco, Foodstuffs, **Web shops** *(Customer list is not exhaustive)*
	Incontinence Care	TENA Incontinence pads, pants and liners	Various products produced at Springvale, Australia	
	Baby Care	Drypers Nappies, nappy pants and wipes	Imported from Malaysia	
	Consumer Tissue New Zealand and Pacific Islands	Sorbent, Purex, Handee Orchid, Viti and Softly Toilet tissue, facial tissues, paper towel and napkins	Kawerau, New Zealand Nakasi, Fiji	Foodstuffs, Woolworths

Company Overview

Business segment	Product category	Products	Manufacturing facilities*	Route to market
Business-to-business Contributes 54% of FY20 EBITDA	Professional Hygiene	Tork Hand towel, toilet tissue, napkins, soap, facial tissues and other hygiene accessories	Kawerau, New Zealand Nakasi, Fiji	**Distributors** Bunzl, OfficeMax, WINC *(Customer list is not exhaustive)*
	Incontinence Care	TENA Incontinence pads, pants and liners	Springvale, Australia	**Healthcare** Hospitals, aged care facilities, community care

* The Company also imports a number of products from Essity group companies.

Our business strategy



Our Vision is to become the leader in personal care and hygiene in Australasia.

Our strategy to drive growth remains focused on building a strong foundation for our business by investing in our brands and putting the needs of our customers and consumers first.

Four pillars underpin our strategy. These pillars focus on the key value drivers for the Company and set out the priorities that will help us achieve our vision and grow long-term shareholder value.

- Delivering **profitable sales growth**
- Driving customer-led innovation through **differentiated products and services**
- Advancing **supply chain excellence** through world-class planning and process
- Continuing to apply **disciplined capital management** practices

Underpinning our strategy is a culture of ownership and accountability which will enable us to perform while supporting our people to succeed; and investing in technology to deliver an exceptional customer experience.

Company Overview

Our Purpose is to provide ***care, comfort and confidence every day***. It is core to our decision-making, drives action and inspires our people to make a positive impact every day.

As we navigate a global pandemic that has impacted us all, our Purpose holds truer than ever before. We are united around a shared ambition to deliver innovative personal care and hygiene solutions, which empower people to take steps to improve their health and wellbeing. Through our products and services, we aim to improve quality of life for our consumers by providing access to essential products, breaking barriers and taboos around hygiene and health, and encouraging them to live confidently every day.

Our Values reflect the behaviours that shape how we work with each other, our business partners and the wider community.

Pride – We are proud of our company and its brands and take pride in working safely, collaboratively and supporting one another to get the job done.

Integrity – We do what we say we will do and act in an open, honest and transparent manner.

Courage – We confront our challenges and have the confidence to make difficult decisions and are always seeking to do things better.

We know we are successful when we exceed the expectations of our customers, consumers and shareholders and we create a workplace where our people perform at their very best every day.

Our commercial relationship with Essity

Essity is a major shareholder of Asaleo Care, holding approximately 36.2 per cent of the Company's shares. Asaleo Care has commercial arrangements in place with Essity for the supply and purchase of Personal Care and Professional Hygiene products, and licensing of certain trademarks, technology, and intellectual property.

Our access to a pipeline of world-leading research, development, and innovation for the Tork and TENA brands through our relationship with Essity, allows us to provide new, market-leading product solutions to consumers.

Company Overview

Our operations

Care, comfort and confidence every day.

Australia 265 employees

Distribution centre // **Perth**

Distribution centre // **Brisbane**

Distribution centre // **Sydney**

Distribution centre // **Altona**

Manufacturing facility // **Springvale**
Product categories: Feminine Care, Incontinence Care and Professional Hygiene
Brands: Libra, TENA and Tork

Distribution centre // **Adelaide**

New Zealand 326 employees

Distribution centre // **Auckland**

Distribution centre // **Tauranga**

Manufacturing facility // **Kawerau**
Product categories: Consumer Tissue and Professional Hygiene
Brands: Sorbent, Handee, Purex and Tork

Distribution centre // **Palmerston North**

Distribution centre // **Christchurch**

Fiji 89 employees

Distribution centre // **Labasa**

Distribution centre // **Nadi**

Manufacturing facility // **Nakasi**
Product categories: Consumer Tissue and Professional Hygiene
Brands: Orchid, Viti, Softly and Tork

Retail

The Retail segment includes the sale and manufacture of a comprehensive range of Feminine Care, Incontinence Care, Baby Care and Consumer Tissue products. These essential products include pads, tampons, liners, nappies, wipes, toilet, facial tissue, and paper towels.

In 2020, the Retail team delivered strong revenue growth driven by increased brand investment, a strong pipeline of new products and product innovations.

Feminine Care enjoyed a strong year of growth with sales rising 12 per cent, as a result of brand investment, effective marketing campaigns, new packaging and strong execution with key retail accounts. Market share for the Libra brand also increased in the year.

Incontinence Care also realised significant sales growth with a year-on-year lift of 10 per cent. With increased range and distribution in Pharmacy and new TENA product launches contributing, market share also increased in a highly competitive environment.

Consumer Tissue New Zealand had a solid year with revenue growth of 3 per cent. Branded sales were up 7 per cent with market share increasing for the Sorbent, Purex and Handee brands.

Pacific Islands revenues contracted slightly due to the impact of COVID-19 on the Tourism and Leisure sectors, despite new customer wins in export markets.

The Retail division delivered an increase in EBITDA of 11 per cent, despite funding an increase in brand investment of 18 per cent. Sales growth, margin expansion through lower levels of promotional activity during periods of COVID-19 restrictions, production efficiencies and lower pulp prices all contributed to the EBITDA lift.

Libra – growth and positivity

Libra, the only period care brand manufactured in Australia for over 40 years, continued positive progress to grow sales by 12 per cent in 2020. The Company continued to invest in advertising and promotion, and increased trade activation support for the brand.

The year included a significant relaunch for the Libra brand, with a refined brand positioning and new visual identity rolled out on all pack formats across Australia and New Zealand in April 2020. The new Libra packaging improved shelf presence and attracted both new and lapsed users to the brand.

To further highlight Libra's position as the only Australian manufactured feminine care brand, a 'Made in Australia' graphic device was added to the front of the packaging and communicated across a range of platforms. The Libra website and social media platforms were also redesigned to mirror the new aesthetic.

Another key focus for the brand was product innovation, with Libra introducing two incremental night products to the market; the Libra Extra Long and Wide Goodnights pads and Libra Goodnights Pants. Libra Extra Long and Wide Goodnights pads are 28 per cent longer and 50 per cent wider at the back than the rest of the Libra Goodnights pads range, while Libra Goodnight Pants are the ultimate in 360° leakage protection for consumers looking for extra security and coverage. Both products were designed to provide consumers with a wider choice of products to manage their periods overnight.

Retail

#LiveLiberated
Libra developed #LiveLiberated to challenge societal expectations and break down period taboos, launching to Australian and New Zealand audiences in September 2020.

Building on the overwhelming success of last year's award-winning #BloodNormal campaign, Libra once again inspired women in a new purpose-led campaign, encouraging them to break the cycle of pressure and expectation, all the while tackling period stigmas and taboos.

Live Liberated is a rally cry to Australian and New Zealand women of all ages, skin tones and backgrounds, empowering them to shake off the societal pressures they face daily. Underpinned by consumer research involving more than 2,000 women across Australia and New Zealand, the study found an alarming 91 per cent of women feel society places pressure on them, with a further quarter (26 per cent) feeling stifled and suffocated as a result.

Anchoring the campaign, the Live Liberated television commercial was produced by an all-female cast and crew and set to the classic female empowerment anthem 'You Don't Own Me' remastered by Australian artist SayGrace. In testing, the ad performed consistently well across a range of metrics, speaking to the Libra brand platform of 'You Do You,' which resonated strongly with women.

TENA Retail – a positive shift in conversation

TENA Retail continued to amplify its share of voice in market in 2020 off the back of an exceptional year of growth. Heavy investment in brand communication across Australia and New Zealand helped build an emotive connection with consumers through bolder and more energised creative execution with key partnerships, including Chrissie Swan, Mamamia, and the Prostate Cancer Foundation of Australia (PCFA) and New Zealand (PCFNZ).

TENA's brand voice took a more positive and uplifting attitude, away from the stereotypes that have traditionally dominated the category, and successfully shifted the conversation on incontinence from one of silence and taboo to one of support and confidence.

Carnival
Coming off a successful campaign in 2019, the Carnival campaign was rolled out nationally to Australian and New Zealand audiences in August, supported by digital screens and social media. The ad performed consistently well across a range of metrics, strongly resonating with women on messaging of liberation, reliability, security, and discretion.

Conversations with Chrissie Swan
During the year, TENA engaged well-known Australian TV and radio personality Chrissie Swan as its brand ambassador. Chrissie lives with incontinence and partners with TENA to start a conversation with women, breaking category stigma and silence. *Conversations with Chrissie* was a hugely successful social campaign launched in September and featured a series of online videos where she discussed her personal experience with incontinence. The campaign delivered both high engagement and received overwhelmingly positive sentiment from consumers.

Partnership with PCFA and PCFNZ
TENA Men was a key focus area for growth in 2020. An estimated 13 per cent[1] of men are living with incontinence in Australia. However, awareness and usage of men's incontinence products is low.

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[1] Continence Foundation of Australia.

Retail

In 2019, TENA announced a three-year partnership with the Prostate Cancer Foundation of Australia (PCFA) and in 2020, partnered with the Prostate Cancer Foundation of New Zealand (PCFNZ) to support those affected by prostate cancer and incontinence. The purpose led *We're here for you* campaign was launched to promote awareness of the condition among men and drive trial of TENA Men incontinence products. Real life prostate cancer survivor testimonial videos supported the campaign through digital and social channels, complemented by comprehensive in-store activation, including free TENA product sample kits.

Introducing TENA Discreet Noir

TENA was first in the market to introduce black plants with the launch of TENA Discreet Noir. Within the incontinence category, pants are one of the fastest growing segments and female pants represent significant unlocked growth potential. The launch of TENA Discreet Noir was a revolutionary step towards a more 'feminine' and 'underwear-like' solution for women, breaking down the barriers to entry into this segment and normalising pants.

The TENA Discreet Noir launch was supported by an omni-channel campaign, including a programming partnership with *The All-New Monty*, which reached more than 3.5 million viewers nationally. The *I will be me* campaign shifted the brand voice from 'problem solver' to 'benefit giver', empowering women to feel confident, beautiful and attractive.

Consumer Tissue New Zealand

Sorbent – a strong performer

Sorbent toilet paper continued its revenue growth in 2020, up 31 per cent on the back of strong growth in 2019.

Sorbent was back on TV with the *Small Detail, Big Difference* advertising campaign hitting airwaves in New Zealand from September to November, complemented by consumer sampling, a new website, and on-pack stickers. This activity coupled with retailer consumer promotions drove strong momentum, enticing consumers to return to the brand.

Sorbent facial tissue is the #2 facial tissue brand in New Zealand. The focused range has improved key sustainability credentials and the new four-ply range featured a first-to-market innovation with a paper dispenser replacing the traditional plastic dispenser. Limited edition designs introduced on our top-selling 224 product line helped it top the facial tissue market during the peak winter period.

Handee – the sustainable choice

Handee continued to lead the paper towel category in New Zealand, experiencing 21 per cent growth in 2020 over the previous year.

As more and more shoppers look to reduce their environmental impact and demand more eco-friendly products, Handee connected with consumers to position itself as *the* sustainable choice, bringing its unique local manufacturing and sustainability story to life in a series of activations and campaigns.

In September 2020, Handee launched a new TV campaign that emphasised the brand's locally made and environmental credentials, including its recent home composting certification. With this certification, Handee became the first and only consumer paper towel brand in New Zealand to be certified by the Australasian Bioplastics Association's Home Compostable Verification Scheme. The campaign tracked strongly with consumers, who found it informative, authentic, and helped increase purchase intent. A new website was also launched to reinforce its sustainability credentials to consumers.

Retail

Consumer activation also continued across the well-received Handee Hacks digital campaign that presents inspiring usage ideas and was further supported with influencer activity for maximum reach.

Purex – a consistent market leader
Purex, a New Zealand market-leading toilet paper brand experienced 7 per cent sales growth.

Popular brand ambassador, Rolly, was launched as a collectible toy in pack throughout August 2020, with the novel activation helping to draw consumers to the Mega Long product.

Orchid, Viti and Drypers in the Pacific Islands

Orchid and Viti are well-known, trusted brands for quality hygiene products in the Pacific Islands. The range includes toilet and facial tissue, serviettes, kitchen towels and garbage bags.

Drypers is the leading baby care brand in Fiji, with an extended range of nappies, soaps, wipes, and talcum powder.

Business-to-Business

The Business-to-Business (B2B) segment has two divisions – Professional Hygiene and Incontinence Healthcare.

In Professional Hygiene, Tork, is the leading global brand in workplace hygiene offering a range of products including hand towels, toilet and facial tissues, napkins, soaps, sanitisers and other hygiene products. Key selling channels include schools, hospitals, shopping centres, industrial work environments and the hospitality sector.

TENA Healthcare products and support services are provided to healthcare professionals in community care facilities, residential facilities, retirement villages and hospitals.

The Professional Hygiene division experienced a significant reduction in 'Away from Home' demand affecting sales of products because of COVID-19 restrictions across Australia and New Zealand throughout the year. Despite this, performance was solid, with revenues down only 4 per cent.

Incontinence Healthcare revenue grew strongly, up 9 per cent, due to growth in the community channel and incremental government investment in the National Disability Insurance Scheme (NDIS), which resulted in more consumers opting for 'Stay at Home' options over residential aged care. Higher sales also reflected the impact of new product introductions in the prior year, fulfilment, and COVID-19 driven demand. Also assisting during the year was Asaleo Care's partnership with the Victorian Government Schools Feminine Care Initiative, which provides feminine care products across schools in the state. While the initiative was also impacted by COVID-19 restrictions, this initiative is set to broaden in 2021 and beyond.

EBITDA for the B2B division was $47.8m, increasing 2.1 per cent with benefits from investment in the Kawerau manufacturing facility in New Zealand, and lower pulp prices more than offsetting slightly lower revenues.

TENA Healthcare

TENA makes a positive difference to people's lives. With more than 50 years' experience, TENA is the global leader in continence care management and personal hygiene, providing products and services to individuals and healthcare professionals. TENA's continence and skincare range has been rigorously researched and tested to meet the needs of individuals and to ensure the highest quality of care.

The COVID-19 pandemic delivered many challenges in 2020, particularly in the aged care sector. With social distancing requirements and no visitors allowed at many facilities, a reorientation was required in the way TENA delivered support services to its customers. Digital came to the fore and regular face-to-face contact was replaced by phone, email, and virtual meetings. A series of training videos was developed and shared to assist with continence management, covering topics from ensuring continuity of supply during a pandemic, product choice and fitting, maintaining natural skin health and the importance of continence documentation. The introduction of TENA Tuesday webinars also provided an opportunity for both residential care and homecare providers to learn about continence related topics and attend Q&A sessions.

TENA continued to deliver new product innovations throughout the year with the TENA SmartCare Change Indicator and the introduction of new TENA PROskin brand positioning.

Business-to-Business

TENA PROskin

The TENA PROskin range was developed by a 300-strong global research and development team to improve quality of care and maintain natural skin health for those living with incontinence, especially those with fragile elderly skin. Research shows that prolonged exposure to moisture and wetness can adversely affect skin health of those with incontinence. The TENA PROskin absorbent product range is designed to reduce moisture and help maintain the skin's natural microclimate.
All product packaging was updated with a fresh new look that incorporates the TENA PROskin three-step process and a new product endorsement from the Skin Health Alliance, a world first for continence products.

TENA Continence Management System (TCMS) Homecare

Many older Australians living at home with complex care needs receive government funding in the form of home care packages. These packages are designed to provide people with the support they need to live at home, and many choose to direct part of their funding to continence products.

Based on demand from home care providers, TENA has created a new online ordering system to make product ordering and delivery to clients easy to manage. TCMS Homecare was launched in July 2020 and has received positive feedback due to the convenience, ease, and speed of ordering. This will be an important platform going forward as the number of government home care packages continues to grow year-on-year.

Digital health technology

Following the launch of TENA Identifi (sensor wear that records urinary events to enable accurate continence assessments) TENA will continue to focus on transformative digital health technology in 2021 with the pilot and full-scale launch of the TENA SmartCare Change Indicator. The innovation reduces the need for unnecessary manual checks of incontinence products by carers by utilising a reusable sensor that attaches easily to the outside of select TENA absorbent products. The sensor tracks the degree of urine saturation and sends a notification to caregivers via the TENA SmartCare app when it is time to consider changing the product, ensuring high-quality and efficient care without unnecessary disturbance.

Waste solutions

In 2020, Asaleo Care was awarded grant funding as part of the Australian Government's National Product Stewardship Investment Fund for waste reduction and recycling projects. The grant will go towards funding the trial of a new stewardship scheme providing a cost-effective and environmentally friendly end-of-life solution for problematic absorbent hygiene product waste that typically ends up in landfill. Starting with used continence pads from residential aged care facilities, and then expanding to other hygiene products, the project aims to divert the problematic waste from landfill through specialised onshore waste processing facilities that will create local employment and deliver significant environmental benefits. This project will run over 2021 and 2022 and builds on two years of research and trials that have already been undertaken to find better end-of-life solutions for customers' waste.

Professional hygiene

Tork is the leading global brand in workplace hygiene, inspiring and supporting facilities to think ahead so they are always ready for business. From rethinking the ultimate guest experience and reimagining cleaning efficiencies, to lifting hygiene standards in the workplace and rethinking ways to become more sustainable, Tork is always finding new and better ways to improve businesses.

The COVID-19 pandemic spurred panic buying in the first half of 2020 with facilities stocking up on essentials such as toilet paper, soap, sanitisers and hand towels. More than 60 per cent of Tork's products are made in New Zealand, which meant that the majority of customer demand was able to

Business-to-Business

be met during the peak buying period. Supply was also maintained to critical hospital and residential aged care sectors. The pandemic also accelerated the planned launch of Tork's Australian-made hand sanitiser range, which has between 70 and 80 per cent alcohol content and a verified 99.99 per cent germ kill rate.

Secure the new normal in hygiene

The COVID-19 pandemic created new respect for the importance of hygiene. To help customers lift their hygiene standards, Tork launched its largest fully integrated marketing campaign, *Secure the new normal in hygiene,* with a wide range of support materials. Six key industry sector toolkits were created covering hand hygiene, surface cleaning and tips to prevent the spread of infection. Tork has also supported customers with hygiene audits, installation management, hand hygiene posters and hygiene training for our employees.

Product innovation

Tork's continued commitment to improving hygiene and delivering time saving efficiencies saw the introduction of two new products.

Tork Reflex launched at the beginning of 2020. This wiping paper dispenser system is ideal for cleaning spills and mess quickly in the food manufacturing and service industries with a flexible rotating nozzle. Single sheet dispensing not only reduces paper consumption by up to 37 per cent, but also provides hygiene benefits, reducing the risk of cross contamination in hygiene critical environments.

Also launched in 2020 was Tork Coreless, the latest in toilet paper dispensing, providing more with less. Its innovative design produces 81 per cent less waste than equivalent products, holding the equivalent of five conventional toilet rolls, reducing the need for additional refills and storage space. The premium compact dispenser is also enclosed, keeping rolls protected and hygienic.

Manufacturing investment

The $23 million investment made at our Kawerau manufacturing site in New Zealand in 2019 enabled Tork to deliver improved quality on a range of products in 2020. A new stylish leaf emboss pattern was introduced to popular toilet paper products, and carry handles were added to a large volume of toilet, hand towel and wiping products for easy use, safeguarding employee wellbeing. The new converting line also reduced packaging materials by 139 tonnes per year, a welcome sustainability improvement for customers, many of which have waste reduction goals.

Thinking ahead

In 2021, Tork will continue to bring new products to the market that lift hygiene standards and have a strong sustainability focus. The soon-to-be launched Tork Xpressnap Fit napkin system is one example of this. Tork Xpressnap Fit is a new napkin solution for fast casual restaurants designed to improve the guest dining experience and reduce the spread of germs. Napkin refills are 100 per cent recycled and compostable and will be delivered in smaller compressed packs that reduce storage space and packaging.

People and Culture

Our people are important to us and we recognise that having an engaged and accountable workforce is essential to our future success.

Strengthening our culture of ownership and accountability

The COVID-19 pandemic has required us to think differently about the way we work. During the year, our people demonstrated incredible strength, resilience and commitment to meet the needs of our customers, consumers and the wider community during an unprecedented time.

Asaleo Care employees working at sites swiftly implemented health and safety initiatives to protect one another and their communities, while more than 34 per cent of our employees across Australia, New Zealand and Fiji transitioned to remote working.

LIFT, our business transformation program which commenced in 2019, has been vital in our response to the challenges posed by COVID-19. The program set out clear and decisive actions to reshape our culture around accountable behaviours in order to strengthen the business, ensuring we are more capable of adapting quickly to change. LIFT provided a solid foundation upon which we have been able to mobilise resources to support the changing needs of our customers and business during this global pandemic.

Employee engagement is crucial to firmly embedding our culture, and to helping our people see how their efforts contribute to meeting the needs of our customers and consumers and the Company's strategic objectives. During the year, our employee survey sought feedback from our people on how we were progressing with our work on culture, leadership and a range of other areas. The results painted a healthy picture of our company, exceeding industry benchmarks locally and globally. Of course, there are always opportunities for improvement and as we move forward, we will be working with our people seeking regular feedback on what we can do better.

Supporting the development of our people and fostering an environment where employees can learn and grow is critically important to our success, now and into the future. In 2020, we launched a new performance improvement tool, Kendo, designed to build individual and organisational capability and enhance performance. The platform helps people define their role and responsibilities, and gain clarity on where they create value, reinforcing our culture of ownership and accountability. In 2021, we will expand the resources available to employees to further invest in their personal learning and growth, encouraging people to enhance and build the skills that will support us in the future and build satisfying careers.

Investing in technology for our people

Keeping our people connected and engaged has been a priority for us during COVID-19. Knowledge and information sharing are critical to our success, and we have quickly implemented new technology to ensure our people can continue collaborating while working remotely.

We have enhanced our approach to internal communications to adapt to new ways of working, adopting a multi-channel strategy with a focus on frequent, digital communications to ensure our people remain connected to our Purpose and strategy. We also introduced regular virtual events to keep our people engaged and updated on the evolving situation with COVID-19 while allowing them an opportunity to connect with our leaders.

In addition, we have invested in more cloud-based technology solutions which provide us with greater real-time visibility and insights into our people and performance. Our new paperless payroll and employee self-service system brings our people processes in-house, with remote and secure access to a central database, creating a platform for more effective analysis of people related data.

Creating a diverse and inclusive workforce

We aim to build a more diverse and inclusive company that is reflective of the communities in which we operate and our customers and consumers. We know that bringing together diverse backgrounds and experiences helps us innovate for the future and provide an even better customer experience.

Half the members of our Board are women, and since 2016 we have made significant steps forward in increasing our representation of women in senior leadership positions. Two of our Executive Lead Team are women, both leading critical market-facing businesses, and females comprise 44 per cent of our Senior Leadership Team. We will continue to invest in our talented women and look to advance their representation in key positions.

We know that diversity and inclusion extends beyond gender, and in 2020, we were proud to launch our inaugural Reconciliation Action Plan (RAP), developed in partnership with Reconciliation Australia.

We are the first manufacturer in the personal care industry in Australia to implement a RAP. Our RAP outlines how we plan to raise awareness and appreciation of the culture, history and achievements of Aboriginal and Torres Strait Islander Peoples, work on opportunities to improve health equality and hygiene in Indigenous communities and provide greater employment opportunities.

We also work in partnership with the local Tuwharetoa Iwi in Kawerau, New Zealand, to source and purchase geothermal steam. The Iwi then reinvest their profits directly back into the local Ngati Tuwharetoa ki Kawerau, the wider Kawerau community and the Bay of Plenty region.

Occupational Health and Safety

We strive to provide a safe and healthy work environment in our workplaces for our employees, contractors and visitors. We are committed to working every day to build a stronger safety culture across our entire organisation.

In a year shaped by the COVID-19 pandemic, we are proud of our exceptional teams who have demonstrated resilience, commitment, and agility in our response to keep our operations, our community and our people healthy and safe.

In 2020, our Total Injury Frequency Rate (TIFR) and Injury Severity continued to improve and were the lowest recorded in five years. Disappointingly, despite significant investments in safety and injury prevention, our Lost Time Injury Frequency Rate (LTIFR) was slightly higher than 2019, but still significantly lower than the prior three years. When benchmarked against Safe Work Australia's statistics for our industry, we continued to outperform the Safe Work Australia LTIFR benchmarks with comparable industries. We continue to invest in and promote safety and develop our leaders to drive our injury numbers and severity as low as possible.

Asaleo Care's Reportable Injuries use key metrics, two of which are: Total Injury Frequency Rate (TIFR), Lost Time Injury Frequency Rate (LTIFR) and Lost Time Injury Severity. LTIFR is measured by calculating the number of injuries resulting in at least one full workday lost per million hours worked over a 12-month period. TIFR is measured by calculating the number of medical treatment and lost time injuries per million hours worked across a 12-month period. Lost Time Injury Severity is measured by calculating the average number of days lost per Lost Time Injury across a 12-month period.

Other major achievements included the establishment of two new distribution centres (in Victoria and Queensland) with no major incidents and the safe closure of the Te Rapa site with well over 1,000 days LTI free. Our Fijian team also celebrated a historic achievement of six years – or more than 50,000 hours – without a Lost Time Injury.

Our COVID-19 response

Following the global outbreak of COVID-19, Asaleo Care swiftly activated its Crisis Management Team (CMT) and Emergency Management Teams comprised of senior functional leaders to steer our business response across Australia, New Zealand and the Pacific.

Occupational Health and Safety

The CMT was guided by the core principle of ensuring the safety and wellbeing of our people. It implemented a range of health and safety measures in compliance with and in some areas to standards higher than required by regulators to protect the health of employees and ensure the continuity of our operations.

Office-based employees worked from home, with the support and flexibility to help them adapt safely and successfully to a new remote way of working. The CEO and Executive Leadership communicated regularly with employees and remote working was enabled by cloud-based video and collaboration technology.

Asaleo Care was recognised as an essential service and continued its manufacturing and distribution operations in Australia, New Zealand and the Pacific throughout the pandemic to ensure the supply of vital personal care and hygiene products to businesses, and the community was not disrupted.

To prioritise the health, safety and wellbeing of our people working on site, we implemented a variety of measures in response to COVID-19, including:

- reconfiguring our operations to enable physical distancing, and implementing enhanced personal protective equipment (PPE) and hygiene practices, supported by our Tork Professional Hygiene range
- separating shifts to reduce the number of people at any one time on sites
- screening measures for those entering our sites or visiting customer and supplier sites, and working with contractors and visitors to ensure they followed our safety standards
- increasing communication and consultation with employees, including frequent updates on how to stop the spread of COVID-19.

We recorded no instances of the virus being contracted in the workplace, and no positive cases identified in our operations and wider workforce. Our ongoing management of COVID-19 has been praised by regulators and auditors, and our people have confirmed they felt well supported by Asaleo Care throughout the pandemic. An employee sentiment survey conducted during the year indicated that people felt the company had prioritised employees' health and safety during the crisis and felt well informed about the pandemic and how it has affected the business.

Many of our offices in Australia, New Zealand and the Pacific have since reopened in accordance with the latest government and health authority advice, with increased cleaning regimes, social distancing and contact tracing measures in effect.

Critical risk management

We have identified the critical risks that have the potential to cause serious injury or fatality within our operations, and have a program in place to monitor, assess and control these. Continued focus on areas including fire, plant guarding, traffic management and racking has resulted in significant progress across all operations, particularly in integrating our Altona Distribution Centre into the program.

Capital investment

We continued to invest in safety through our Capital Program to eliminate and reduce risk, improving our building, plant, equipment, and processes. We invested more than 16 per cent of our Maintain/Sustain capital expenditure on safety projects. This included:

- ongoing asbestos removal at Kawerau, New Zealand

Occupational Health and Safety

- reduction in fire risk, occupational exposure and work-at-height through an engineering dust control at Kawerau, New Zealand
- plant guarding and energy isolation improvements at Kawerau, Springvale and Fiji
- manual handling risks in Fiji through replacement of older plant equipment.

Our Capital Program targets critical risks, addresses identified hazards from our proactive risk assessment program, reduces occupational illness and potential exposure, as well as implements controls for injuries that have occurred.

OHS Management System certification

We have successfully retained AS4801 OHS Management System certifications during the year and are expanding certification in 2021 to include our new distribution centre in Altona, Victoria. New Zealand also retained the ACC Accredited Employers Programme Audit Tertiary Level Certification.

Sustainability

Setting the bar high to create a more sustainable society

Asaleo Care is proud to lead our industry in environmental and social sustainability performance, and we consistently set the bar high for ourselves to improve year-on-year. Our sustainability goal is to help create a more sustainable society through our products and business operations.

We have been recognised by Dow Jones Sustainability Index (DJSI) Australia in the top 10 for Personal Products companies for five years. Further information about our approach to sustainability is available at www.asaleocare.com/sustainability.

Sustainability achievements in 2020

- Celebrated 10 years of Forest Stewardship Council (FSC®) Certification
- Home composting certification achieved for Handee paper towel
- Second public Modern Slavery Statement published
- Top 10 in the DJSI rankings for the fifth year running
- Awarded grant through National Product Stewardship Investment Fund to explore recycling options for used absorbent products
- Environmental Product Declarations for 10 Tork and Handee products

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:

- Supply chain management, including human rights
- Responsible forestry
- Climate change and resource scarcity
- Sustainable packaging
- Community engagement and partnerships (on page 28)
- Economic performance (discussed in the Financial Statements section of this Report)
- Occupational health and safety performance (on page 16)

Supply chain management and human rights

We recognise our responsibility to respect human rights and workers' rights in our supply chain, and contribute to finding, mitigating, and remediating these issues. Our approach is based on the following internationally recognised declarations, standards, and codes:

- The UN Universal Declaration of Human Rights
- The International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- The UN Guiding Principles on Business and Human Rights
- The Base Code of the Ethical Trading Initiative (ETI)

We have a comprehensive set of relevant policies and procedures for managing risks and instances of modern slavery, broader human rights issues and workers' rights issues within our business and supply chains:

Sustainability

- Code of Conduct
- Ethical Sourcing Policy
- Responsible Forestry and Fibre Policy
- Whistle-blowers and Reporting of Improper Conduct Policy

Asaleo Care identifies, monitors, mitigates, and remediates modern slavery and workers' rights risks through its Responsible Sourcing Program. Suppliers that provide materials or finished goods for our products, or that are contracted above a contracted spend threshold, are required to be covered by the program, and are required to join Sedex and share their full site risk information with Asaleo Care. At the end of 2020, 63.3 per cent of our total procurement spend was covered by our Responsible Sourcing Program, with 110 active suppliers in the program.

We assess site, sector and regional risks and prioritise medium- and high-risk suppliers to provide valid ethical audits on Sedex, and to close out major and critical non-conformances within agreed set timeframes.

In 2020, we conducted ethical audits for our own manufacturing sites to identify areas for improvement in our own operations. We have identified the following risks in our operations and supply chains, and work with our suppliers to mitigate and monitor these risks.

Table S1: Identified Modern Slavery and Workers' Rights Risks

Higher Risk Sectors	**Geographic Risks**		**Human Rights and Workers' Risks**
	Medium Risk	**High Risk**	
Forestry, pulp and paper manufacturing Other raw materials and Chemicals Third-party manufacturing Logistics and shipping Labour hire Outsourced services (cleaning, it, maintenance, security)	Australia/NZ/Pacific North America Europe	Asia South America	Living wage/wages and benefits Recruitment debt Working hours Health and safety Forced labour Freedom of association and collective bargaining Child labour

Asaleo Care welcomed Australia's *Modern Slavery Act 2018* and its reporting requirements. We published a voluntary Preliminary Modern Slavery Statement in 2019, and our first formal statement for 2020. The 2020 Modern Slavery Statement contains more detail about our approach, supply chain detail and Responsible Sourcing Program.

In 2021, we will continue to build the coverage of the Responsible Sourcing Program in our supply chain and work with suppliers to remediate non-compliances that may be identified.

Responsible forestry

Many of our products start their life in a forest, and Asaleo Care has developed its Responsible Forestry Policy and Program to mitigate the environmental and social impacts in this supply chain.

This year marked our 10th year of FSC® Chain of Custody certification (FSC-C101950), and we reported for the first time under the Carbon Disclosure Project (Forests). All our manufacturing facilities and trading operations are covered by our multi-site FSC® Chain of Custody certificate. We also support other credible independent certification and third-party verification of Forest Management and Chain of Custody systems, which address both environmental and social rights risks.

Asaleo Care is the first and only company in our industry committed to prevent fibre sourced from drained tropical peatlands from entering our fibre supply chain. Tropical peatland forests store more carbon than any other natural forests or plantation. When peatlands are drained, they rot and release high levels of greenhouse gases for up to 10 years. Our policy commits us to *No Deforestation, No Peat, No Exploitation*. We will not purchase pulp and paper from controversial sources, including:

- Illegally logged timber
- Timber from High Conservation Value Forests
- Timber from drained tropical peatlands
- Timber from areas where workers' and/or Indigenous land rights are violated.

We conduct source of origin due diligence to map our fibre supply chains and trace the origin of our pulp and paper reel purchases from the country of harvest to the point of purchase from our suppliers. We have implemented an innovative web-based system to help us collect higher quality information from our suppliers and perform faster due diligence. Traceability helps us manage the fibre supply chain and manage each specific risk in an appropriate way, with control measures commensurate with these risks.

At the end of 2020, 38 pulp and paper reel suppliers, covering 82.6 per cent of relevant suppliers, were screened according to our due diligence criteria. We also provided 332 FSC Chain of Custody certified products during this period. 100 per cent of pulp and paper reel purchases met our Responsible Forestry and Fibre Sourcing Policy.

Climate change and resource scarcity

We recognise that resource scarcity and the impact of climate change are material to our operations, and we therefore seek to minimise our impact in all our own operations and in our supply chains.

Energy and greenhouse gas emissions

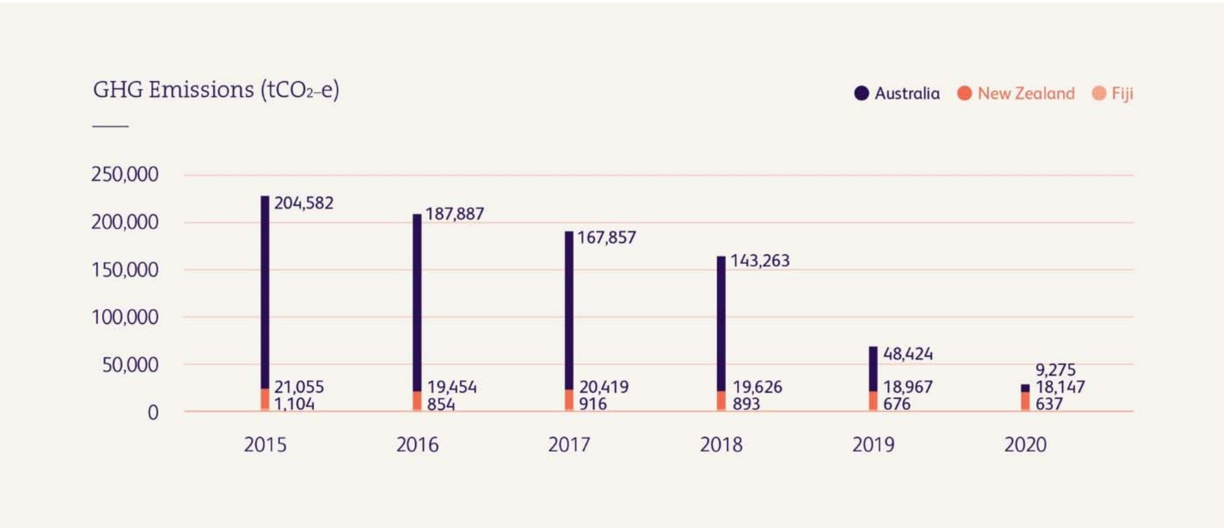
Asaleo Care is a leader in its industry in reducing the greenhouse emissions footprint of tissue products. Our Kawerau site partnered with Tuwharetoa Geothermal Renewable Iwi Energy initiative in 2010, and geothermal steam replaced natural gas, reducing our site emissions by 46 per cent. Since then, the site continues to be a global leader in low-emissions paper production with 72 per cent of the energy used at the site originating from renewable sources.

In 2020, a lighting upgrade was undertaken at Kawerau to further reduce electricity use. Production line energy use monitoring was initiated at our Springvale facility to identify areas of energy efficiency opportunity.

We are targeting a 28 per cent reduction in greenhouse gas emissions (Scope 1 and 2) by 2025 from our 2015 baseline on an ongoing business operations basis. This equates to an absolute emissions target of 26.6 kt CO_2-e by the end of 2025.

In 2021 we will be exploring renewable energy opportunities for our Springvale manufacturing site, which currently relies on the Victorian electricity grid, which has a comparatively high emissions factor and use of fossil fuels.

Sustainability



NOTES:
In 2019, Asaleo Care sold the Australian tissue manufacturing site in Box Hill, resulting in significant reductions in resource use and emissions for the business. We continue to focus on reducing the impacts of our current operations from 2020 onwards.

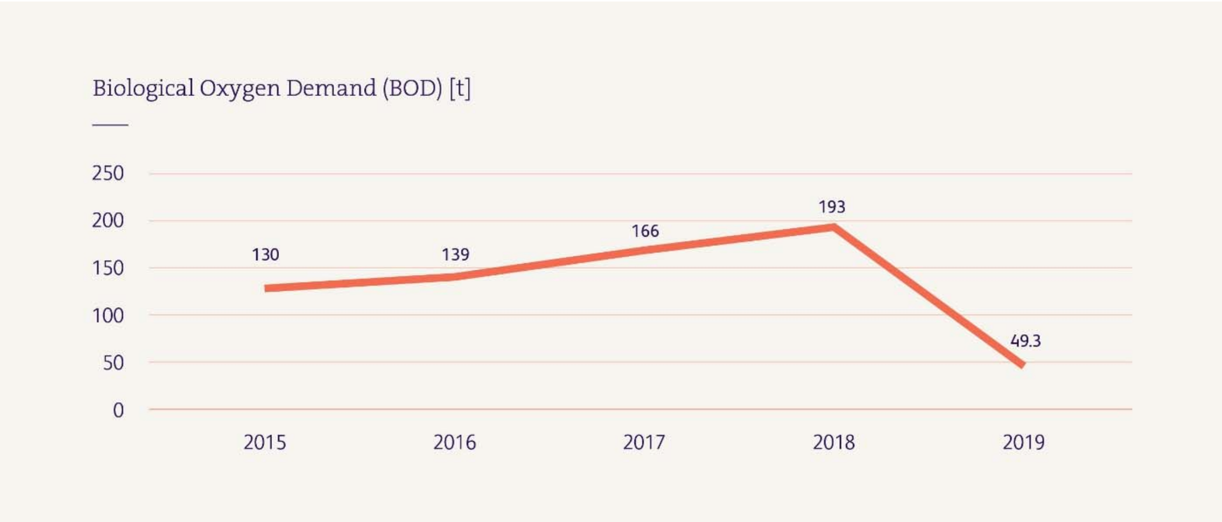
Scope 1 and 2 energy and emissions data excludes third-party logistics transport activities. Global Warming Potentials used for this report are sourced from the Australian National Greenhouse Accounts (NGA) Factors (August 2019), New Zealand's Ministry for the Environment 'Measuring emissions: A guide 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.

Water stewardship

Paper manufacturing is a water-intensive process, and at our Kawerau site water stewardship is a focus through low-impact extraction, efficient use, effective treatment and return of water to the Tarawera River. In 2020, we extracted approximately 4,000 m^3 of fresh water per day at Kawerau, which equates to approximately 30 m^3 per tonne of finished product. We continue to work on water efficiency initiatives and opportunities in our Kawarau operations.

We engage with our industrial neighbours in Kawerau for effluent treatment, accessing their high-performing water treatment process for return of the used water to the river.

Sustainability



NOTE: Fresh water usage is reported for manufacturing sites only i.e. Kawerau, Te Rapa (closed in September 2020), Springvale and Nakasi. BOD is reported for Asaleo Care's paper mills only (i.e. Kawerau and Box Hill sites), and the Box Hill site was sold in 2019, resulting in significant reductions in resource use for the business. We continue to focus on reducing the impacts of our current operations from 2020 onwards.

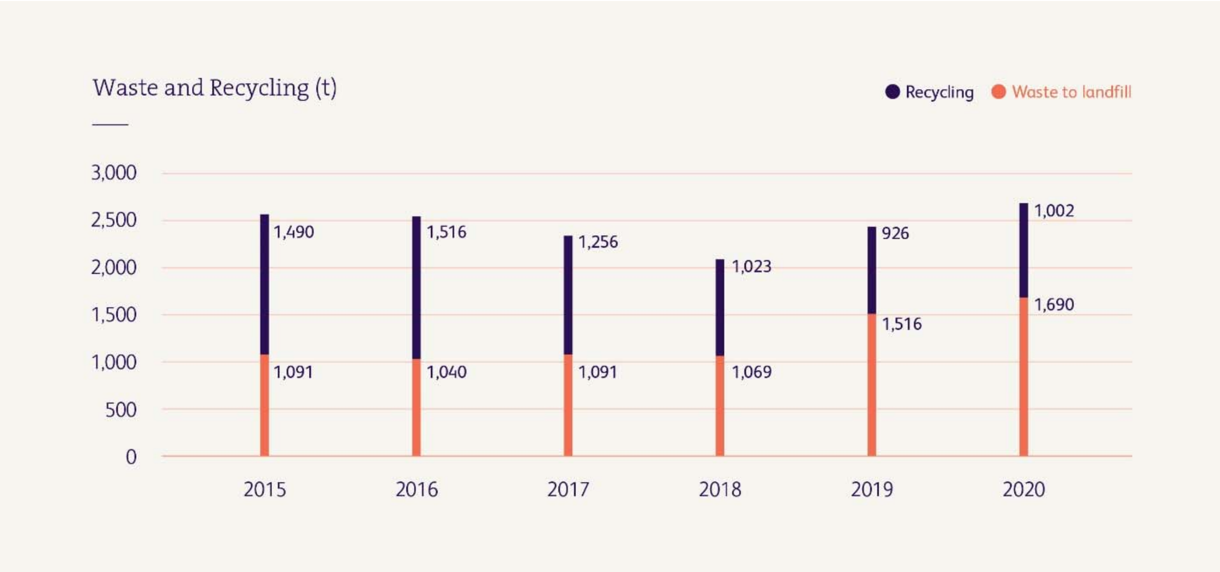
Environmental management

Our manufacturing sites have environmental management systems in place, with ISO14001 accreditation at Kawerau and Springvale. A Green Team is active at Springvale, and in 2020 a Green Team was established at the Kawerau site to engage staff and identify further opportunities.

No breaches of licence conditions or significant environmental incidents occurred at any of our sites in 2020.

Waste reduction and diversion is a focus for our sites. In 2020, recycling market restrictions impacted our ability to recycle some materials. We will continue to actively seek out recycling options for all waste materials from our manufacturing sites.

Sustainability



2020 Statement on Task Force on Climate-related Financial Disclosures

Asaleo Care supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. Building on work that commenced in 2019, Asaleo Care continued its process to review and evaluate the impact of climate change on our business. This TCFD Statement outlines our 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 2020 is found in the Directors' Report. Further information is available in the Corporate Governance Statement at www.asaleocare.com.

The Asaleo Care Climate Change Steering Committee (CCSC) is responsible for deepening our understanding of climate-related risks and opportunities. The CCSC includes representatives from the operations, logistics, OH&S, sustainability and finance teams across our operating regions of Australia, New Zealand and Pacific Islands.

In 2020, the CCSC addressed organisational adaptation to physical climate change risks such as the effects of climate change that are already happening or are emerging. Risk sources could lie in our own operations including manufacturing, DCs and offices, our suppliers' operations and sources of integrated risk such as ports, roads and electricity grids. The risk scenarios considered include:

- more frequent and intense heat waves
- extended fire seasons
- prolonged high ocean temperatures leading to increased cyclonic activity
- drought
- heavy rainfall events
- coastal storm surge inundation.

Climate Adaptation Strategy

In 2015, in accordance with the Australian Securities Exchange Governance Council's recommendations, Asaleo Care identified the key sustainability issues pertinent to its business through a materiality assessment. While the assessment identified climate change, water and responsible forestry as key sustainability issues, they are not considered material business risks 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 Table S2:

Table S2: Asaleo Care's climate risk outlook, potential impacts

Type	Climate-related risk	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 Chronic – Changing weather patterns	Electricity spot market spikes due to supply shortfalls Electricity brown outs leading to disruptions across manufacturing, IT systems and logistics Structural damage to facility and/or damage to equipment, or impact on critical operations, or serious injury/fatality

Potential actions considered in our climate adaptation strategy aim to address these physical risks. They include financial derivatives to address spikes in energy markets, distributed electricity supply, demand response and uninterruptible power supply (UPS) for critical IT systems to address electricity supply disruptions, review and assessment of site damage risks, and development of facility adaptation plans.

Potential opportunities also exist, where changing consumer awareness and preferences align with our sustainable product offerings, such as those produced at our paper mill in Kawerau New Zealand, which uses a high proportion of renewable energy, and for hygiene systems designed to reduce consumption, such as TENA Indentifi and Tork SmartOne.

We aim to reduce operational greenhouse gas emissions through renewable energy and energy efficiency initiatives. In 2010, we reduced Kawerau's greenhouse gas emissions by 46 per cent by accessing naturally occurring, local geothermal steam to produce our paper products. This further reduced the overall greenhouse footprint at the site, which also benefits from the New Zealand low-emissions electricity generation network.

As many of our products start life in a forest, sustainable forestry is a key opportunity for Asaleo Care to influence climate stability. We are committed to responsible forestry and fibre procurement and celebrated 10 years of Forest Stewardship Council (FSC) certification in 2020. We are the first in our industry to make a no tropical peatland commitment.

Risk management
Risk management, including climate-related risk, is integrated into the management of the Asaleo Care business. Our Risk Management Framework is used to identify, evaluate, manage and report on risk, including climate-related risk.

Sustainability

An outline of the materials risks is included in the Directors' Report and our Corporate Governance Statement.

Metrics and targets
We have reported Scope 1 and 2 emissions since 2015, which we have established as our baseline year. 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 and Box Hill site, we reviewed our energy and emissions footprint, our metrics and targets. Post the sale of the site, we no longer meet the Australian National Greenhouse Energy Reporting Scheme (NGERS) reporting threshold.

We are targeting a 28 per cent reduction in greenhouse gas emissions (Scope 1 and 2) by 2025 from our 2015 baseline on an ongoing business operations basis. This equates to an absolute emissions target of 26.6 kt CO_2-e by the end of 2025.

Sustainable packaging

Packaging plays a critical role in delivering our products safely and hygienically to our consumers. However, we aim to ensure our packaging is as sustainable as possible and support the recycling of packaging.

Our goal is to achieve 100 per cent recyclable packaging by 2025, guided by our Sustainable Packaging 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.

In 2020, we focused on packaging reduction and enhanced recyclability. A new line at our Kawerau facility enabled a reduction of 139 tonnes of packaging. We also launched 'plastic free' Sorbent tissues with no inner opening film, increasing the recyclability.

We support soft plastics recycling through REDCycle in Australia and the Soft Plastics Recycling Scheme in New Zealand, which celebrated five years of collections in 2020.

Asaleo Care is a signatory of the Australian Packaging Covenant and we were again recognised as a leading organisation in sustainable packaging through our APCO reporting.

Product sustainability

We aim for our products to be the most sustainable available in the market, backed by validated science. Many of our products are by their nature single use, so our focus is to ensure their entire life cycle is as low impact on the environment as possible.

We have undertaken Life Cycle Assessment (LCA) for 10 of our products produced at our Kawerau site and have developed Environmental Product Declarations to transparently share with our customers the impacts of these products. In 2020, we refreshed the declarations for Tork products made on a new upgraded line at Kawerau. In 2021, we plan to undertake LCAs for products produced at our Springvale manufacturing site.

Sustainability

Based on our sustainable operations and supply chains, we have 44 products in the market in 2020 that meet the strict criteria to carry the Environmental Choice NZ logo.

Product stewardship

Many of our products are inherently single use, so we are working on product end-of-life options that reduce impacts and increase environmental value.

In 2020, we were awarded a Product Stewardship Grant from the Australian Department of Agriculture Water and the Environment to develop and test an end-of-life recycling option for used incontinence and feminine hygiene products. This project will commence in 2021.

In order to support a more sustainable end-of-life solution for our paper towel products, we pursued and received home composting certification for our Handee paper towels.

Community

As a leader in personal care and hygiene, we have a responsibility and an opportunity to improve the wellbeing of the communities in which we operate and to make a positive contribution to society. We employ local people whenever possible, purchase local goods and services, and pay taxes that help support local and regional economies. Many of our employees live and work in the communities near our facilities and contribute to local economies.

Asaleo Care has been a proud supporter of Ronald McDonald House Charities in both Australia and New Zealand for more than two decades. Ronald McDonald House Charities is our major charity partner and aims to keep families together by providing them with a home away from home at their time of need.

In 2020, we were honoured to have been inducted to the Ronald McDonald House Charities Australia Supporter Hall of Fame in recognition of our long-standing support and partnership. Ronald McDonald House Charities' mission to support the ever-changing needs of seriously ill children and their families truly connects to our Purpose of providing care, comfort, and confidence every day.

We supported Ronald McDonald House Charities in several ways, both through financial contributions and in-kind donations to help reduce operational costs.

Although our teams were unable to volunteer in person at Ronald McDonald House Charities due to COVID-19 restrictions, we continued to deliver essential personal hygiene products to chapter houses across Australia. These critical donations, which included Tork toilet paper, paper towels and towel dispensers, ensured the houses stayed well equipped, particularly as the country faced shortages following increased panic buying.

Asaleo Care's brands also partner with other leading charities such as Share the Dignity with Libra and Prostate Cancer Foundation of Australia with TENA. These partnerships aim to raise awareness and provide support, encouraging conversations about periods and incontinence that, to date, have been taboo.

Asaleo Care is also known for providing aid during times of disaster, donating products and funds when our communities need it most, such as during bushfires, floods, earthquakes, and cyclones. In Fiji, we acted quickly in the aftermath of Cyclone Harold to help those in communities that were isolated and vulnerable. This included financial contributions to not-for-profit organisations and product donations to ensure women and girls in communities cut off by storm damage had access to essential personal care items.

Asaleo Care also supported Fiji's fight against COVID-19, donating hygiene supplies and personal protective equipment to hospitals, as well as tents and shelters, to ensure families could adequately maintain social distance without being exposed to the elements.

Financial Review Summary

FY20 Results

A$ million	Continuing Underlying 2020[1]	Continuing Underlying 2019[1]	Change %
Revenue[2]	**419.2**	**409.7**	2.3%
EBITDA	**89.2**	**83.9**	6.3%
Depreciation	**(26.6)**	**(24.2)**	9.9%
EBIT	**62.6**	**59.7**	4.9%
Net Finance Costs[2]	**(8.0)**	**(11.9)**	(32.8%)
Profit Before Tax	**54.6**	**47.8**	14.2%
Tax Expense	**(15.6)**	**(14.0)**	(11.4%)
NPAT	**39.0**	**33.8**	15.4%
Statutory NPAT	**32.3**	**22.1**	46.2%

1. *Refer to page 34 for a reconciliation between the FY20 and FY19 Statutory and Underlying results.*
2. *Revenue excludes interest income, which is recognised within Net Finance Costs.*

Revenue: The Asaleo Care team delivered another year of growth in revenues, up 2.3% over the prior period. A continued focus on customers and consumers, an ongoing commitment to innovation in new products and investment in our brands assisted in delivering this outcome. Revenues were very strong in all Retail and B2B categories, except for the B2B Professional Hygiene category. The Professional Hygiene team delivered a solid result, with revenues is category down only 4%, despite the significant impact of COVID-19 restrictions on “away-from-home” activity, which underpins demand for hygiene products in commercial, hospitality and industrial environments.

Retail

The Retail team delivered strong revenue growth driven by increased brand investment, a strong pipeline of new products and product innovations.

Branded Feminine Care had a strong year of growth with revenue rising 12 per cent, as a result of brand investment, effective marketing campaigns, new packaging and strong execution with key retail accounts. Market share for Libra also increased in the year.

Incontinence Care also realised significant sales growth with a year-on-year lift of 10 per cent because of increased ranging and distribution in Pharmacy and new TENA product launches. Market share also increased in a highly competitive environment.

Consumer Tissue New Zealand had a solid year with revenue growth of 3 per cent. Branded sales were up 7 per cent with market share increasing for the Purex and Handee brands.

Pacific Islands revenues contracted slightly due to the impact of COVID-19 on the Tourism and Leisure sectors, despite new customer wins in export markets.

Financial Review Summary

B2B

Incontinence Healthcare revenue grew strongly, up 9 per cent, due to performance in the community channel and incremental government investment in the National Disability Insurance Scheme (NDIS), which resulted in more consumers opting for “Stay at Home” options over residential aged care. Higher sales also reflected new product introductions in the prior year, fulfilment, and COVID-19 driven demand. Also assisting during the year was Asaleo Care’s partnership with the Victorian Government Schools Feminine Care Initiative which seeks to provide feminine care products across schools in the state. Whilst the initiative was also impacted by COVID-19 restrictions, this initiative is set to broaden in 2021 and beyond.

The B2B division experienced a significant reduction in “Away from Home” demand affecting sales of Professional Hygiene products because of COVID-19 restrictions across Australia and New Zealand throughout the year. Despite this, Professional Hygiene performed solidly, with revenues down only 4%.

EBITDA: Reported Underlying EBITDA increased 6.3% due to:

- Higher revenues through increased brand investment, a strong pipeline of new products and product innovations.
- Favourable input costs through lower pulp and raw material costs.
- Lower cost of imported finished goods.
- Favourable manufacturing benefits through efficiency from the new Kawerau converting machine.
- Partially offset by higher brand investment to support sales growth, and higher admin costs through the partial absorption of Consumer Tissue Australia costs, and the provision of management incentives.

EBIT: EBIT increased due to reasons outlined above, partially offset by an increase in depreciation due to assets acquired.

Net Finance Costs: Average net debt was reduced in 2020 which drove lower net finance costs. The application of proceeds received from the sale of the Australian Consumer Tissue business in the second quarter of 2019 and strong free cash flow in 2020 were the key reasons for lower net debt.

NPAT: Underlying NPAT of $39.0 million was materially up 15.4% on prior year.

Financial Review Summary

Balance Sheet

A$ million	2020	2019	% Change
Cash and cash equivalents	**55.1**	**33.2**	66.0%
Trade Receivables	**8.9**	**23.8**	(62.6%)
Inventories	**95.2**	**104.7**	(9.1%)
Other current assets	**5.6**	**7.5**	(25.3%)
Tax assets	**0.3**	**2.1**	(85.7%)
Property, plant and equipment	**152.2**	**151.9**	0.2%
Right-of-use assets	**22.0**	**23.0**	(4.3%)
Intangible assets	**133.8**	**134.8**	(0.7%)
Total Assets	**473.1**	**481.0**	(1.6%)
Payables and provisions	**76.4**	**79.0**	(3.3%)
Other current liabilities	**7.6**	**2.2**	245.5%
Lease liabilities	**24.2**	**25.5**	(5.1%)
Interest bearing liabilities	**148.9**	**171.3**	(13.1%)
Other non-current liabilities	**0.4**	**0.4**	-
Deferred tax liabilities	**20.5**	**20.5**	-
Total Liabilities	**278.0**	**298.9**	(7.0%)
Net Assets	**195.1**	**182.1**	7.1%

Key balance sheet movements during the year ended 31 December 2020 were:

- **Receivables:** Receivables were lower due to the rectification of customers paying late at 31 December 2019 and strong collections.
- **Inventory:** Inventory was lower due to the exit of the baby category and a focus on inventory holdings.
- **Payables and provisions:** Payables were lower due to lower related party payables because of shipping delays and timing of orders.
- **Interest bearing liabilities:** Lower interest-bearing liabilities were due to the application of free cash flows to reduce debt.
- **Deferred taxes:** Slightly down due to the tax write down of baby related assets offset by movements in provisions.
- **Other current liabilities:** Higher due to the mark-to-market valuation of foreign currency contracts.

Financial Review Summary

Free Cash flow

A$ million	2020	2019	Change %
Underlying EBITDA	**89.2**	**83.9**	6.3%
Discontinued Operations	**(16.0)**	**(17.7)**	9.6%
Changes in working capital	**24.3**	**(42.6)**	157.0%
Consumer Tissue retained net payable	**-**	**(22.7)**	(100.0%)
Maintenance capital expenditure	**(15.2)**	**(11.0)**	(38.2%)
Disposal of PPE	**1.0**	**-**	100.0%
Financing	**(7.0)**	**(11.9)**	41.2%
Lease Payments	**(11.5)**	**(11.3)**	1.8%
Taxation	**(1.9)**	**(7.6)**	75.0%
Other/non-recurring	**(1.9)**	**1.5**	(226.7%)
Free Cash Flow	**61.0**	**(39.4)**	254.8%

Total free cash flow increased by $100.4 million compared with the prior year with key drivers being:

- **EBITDA:** Increase driven by factors outlined earlier.
- **Discontinued Operations:** Included transition costs associated with sale of Consumer Tissue Australia and costs associated with the exit from the baby category.
- **Changes in working capital:** Working capital was lower as a result of inventory reduction (sell through of baby inventory, and shipping delays for finished goods), lower accounts receivable (timing of customer payments and finalisation of Sorbent Paper Company negotiation) and lower accounts payable (finished good inventory).
- **Consumer Tissue retained net payable:** In 2019, terms of the sale of the Australian Consumer tissue business included the retention of all net payable balances at settlement.
- **Maintenance capital expenditure:** Increases due to prior period focus on installation and commissioning the new Kawerau converting machine.
- **Financing:** Lower financing payments were due to lower interest on lower net debt.
- **Taxation:** Lower tax payments relate to a refund received in Australia
- **Other:** Non-recurring expenditure, currency exchange movements on opening foreign cash balances and translation on foreign operations working capital.

Financial Review Summary

Financial Indebtedness

A$ million	2020	2019
Non-current interest bearing liabilities[1]	150.0	172.5
Total debt	150.0	172.5
Cash and cash equivalents	55.1	33.2
Net debt	94.9	139.3
Leverage (Net debt/Underlying EBITDA)	1.21	1.95

1. *Excludes capitalised borrowing costs: 31 December 2020 of $1.1 million and 31 December 2019 of $1.2 million*

Leverage: The 31 December 2020 ratio was 1.2x, comfortably within the Company's target range.

Total debt: In December 2020, two of the Company's facilities were renegotiated and extended. Facility A has a commitment of $70 million, maturing 31 July 2023, Facility B has a commitment of $40 million, maturing 31 July 2023 and Facility C has a commitment of $50 million, maturing 31 July 2024. In addition, the company holds Senior Notes for $90 million. The Series A note for $65 million expires 26 June 2025 and Series B note for $25 million expires 26 June 2028.

Cost of debt: Cost of debt in FY20 was an average of 4.0% compared to FY19 of 4.8%.

Financial Review Summary

Reconciliation Between Continuing Statutory and Underlying Financial Information

Consolidated income statements for the years ended 31 December 2020 and 31 December 2019

	Statutory		Adjustments[1]		Underlying	
A$ million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Revenue[2]	419.2	409.7	-	-	**419.2**	**409.7**
EBITDA	88.0	82.3	1.1	1.6	**89.2**	**83.9**
Depreciation	(26.6)	(27.1)	-	2.9	**(26.6)**	**(24.2)**
EBIT	61.4	55.2	1.1	4.5	**62.6**	**59.7**
Net Finance Costs[2]	(8.0)	(11.9)	-	-	**(8.0)**	**(11.9)**
Profit Before Tax	53.5	43.3	1.1	4.5	**54.6**	**47.8**
Tax Expense	(15.3)	(12.6)	(0.3)	(1.3)	**(15.6)**	**(14.0)**
Net Profit After Tax	38.2	30.6	0.8	3.2	**39.0**	**33.8**

1. *As reported in the Segment Note contained within the Financial Statements (Section 2.1).*
2. *Interest income has been disclosed within 'Net Finance Costs'.*

Adjustments for the Year Ended 31 December 2020

EBITDA: Represents costs related to restructuring and strategic initiatives.

Tax Expense: Tax impact of adjustments recognised within Profit Before Tax.

Adjustments for the Year Ended 31 December 2019

EBITDA: Represents costs associated with the upgrade for the Kawerau site.

Depreciation: Represents accelerated depreciation related to the Kawerau site upgrade.

Tax Expense: Tax impact of adjustments recognised within Profit Before Tax.

Financial Review Summary

Retail Business Segment

	Statutory		Adjustments[1]		Underlying	
A$ million	2020	2019	2020	2019	2020	2019
Revenue	199.8	188.1	-	-	**199.8**	**188.1**
EBITDA	40.8	37.1	0.5	-	**41.3**	**37.1**

1. *Segment commentary below should be read in conjunction with the consolidated income statement section above.*

EBITDA adjustments for the year ended 31 December 2020: Represents allocation of costs related to restructuring and strategic initiatives.

B2B Business Segment

	Statutory		Adjustments[1]		Underlying	
A$ million	2020	2019	2020	2019	2020	2019
Revenue	219.4	221.6	-	-	**219.4**	**221.6**
EBITDA	47.2	45.2	0.6	1.6	**47.8**	**46.8**

1. *Segment commentary below should be read in conjunction with the consolidated income statement section above.*

EBITDA adjustments for the year ended 31 December 2020: Represents allocation of costs related to restructuring and strategic initiatives.

EBITDA adjustments for the year ended 31 December 2019: Represents costs related to the Kawerau site upgrade.

2021 Outlook

For FY21, the Company is targeting 5-7% revenue growth. This includes a part-year contribution from TOM Organic and a recovery in Professional Hygiene, as COVID-19 impacts begin to ease during the second half of the year. EBITDA is targeted at $90m-$93m with growth moderated by the impact of the final year of absorption of stranded costs from the sale of the Australian Consumer Tissue business and withdrawal from the Baby category in New Zealand, along with rising pulp prices.

Executive Team

Board of Directors

Harry Boon
Independent Non-Executive Chairman

- Harry is Chairman of the Board and the Nomination and Governance Committee, and is a member of the Audit and Risk Committee and the Remuneration and Human Resources Committee.
- He was appointed on 30 May 2014 in preparation for the Company's listing on the ASX.
- Harry has over 40 years broad experience in marketing and sales, manufacturing and product development, including 15 years as Chief Executive Officer and Managing Director of Ansell Limited. He has worked in senior management positions in Australia, Europe and North America.
- Harry is a Director of ASX-listed Tabcorp Limited, and was until late 2017 Chairman of Tatts Group Limited.
- Harry holds a Bachelor of Laws (Honours) and a Bachelor of Commerce from the University of Melbourne.

Sid Takla
Chief Executive Officer and Managing Director

- Sid joined the Company in 2007 and has over 25 years of industry experience. He was appointed Chief Executive Officer and Managing Director on 23 October 2018. Previously, he was Chief Operating Officer from May 2017, Executive General Manager, Business to Business (2015–17) and Executive General Manager, Tork Professional Hygiene and Pacific Islands (2012–15).
- Previously, he held senior operational and finance roles within Carter Holt Harvey Packaging (2000–07) and Amcor Flexible Packaging (1996–2000).
- Sid holds a Bachelor of Commerce (Accounting and Commercial Law) from the University of Western Sydney.

Mats Berencreutz
Non-Executive Director (nominee of Essity)

- Mats is a member of the Remuneration and Human Resources Committee and Nomination and Governance Committee.
- He was appointed as a Director on 14 March 2014.
- Mats is a former Executive Vice President of SCA and Chairman of the Board for SCA Hygiene Products AB, as well as a former member of the board of Uni-Charm Mölnlycke BV.
- He has over 35 years industry experience, having joined SCA in 1981, and has worked in various positions including: Head of R&D Baby, Feminine and Incontinence Care; Technology and Quality Director (based in USA); President Incontinence Care North America; Chief Technology Officer Personal Care Europe; and President Tissue Europe.
- Mats holds a Master of Science in Mechanical Engineering from Luleå University of Technology.

Executive Team

Sue Morphet

Independent Non-Executive Director

- Sue is Chairperson of the Remuneration and Human Resources Committee and is a member of the Audit and Risk Committee and Nomination and Governance Committee.
- She was appointed as a Director on 30 May 2014.
- Sue has over 30 years industry experience and is currently a Non-Executive Director of Mosaic Brands Limited and The Arnott's Group.
- Previously, she was an Executive Director and Chief Executive Officer of Pacific Brands Limited, following a number of senior roles with the company, including Group General Manager of Underwear and Group General Manager of Bonds. Sue also held roles in manufacturing and sales and marketing with Pacific Dunlop and Sheridan Australia.
- Within the past three years she has been a Director of Godfreys Group Limited.
- Sue holds a Bachelor of Science and Education from the University of Melbourne.

Mari-Laure Mahé

Non-Executive Director (nominee of Essity)

- Marie-Laure was appointed as a Director on 20 August 2019 and is a member of the Nomination and Governance Committee.
- She is currently Vice President marketing, ecommerce and Essity Ventures for Essity consumer goods. In this role she has responsibility for developing Essity's business in Europe. Previously, she held the positions of Commercial Director for France and Belgium, and Marketing Director Europe, Toilet paper.
- Prior to joining SCA in 2012, Marie-Laure held senior sales and marketing roles with Georgia Pacific, DAnone and Colgate Palmolive.
- Marie-Laure holds a Bachelor of Commerce from Essec business school in France and an MBA from the University of California, Irvine.

JoAnne Stephenson

Independent Non-Executive Director

- JoAnne is Chairperson of the Audit and Risk Committee and a member of the Remuneration and Human Resources Committee and the Nomination and Governance Committee.
- She was appointed as a Director on 30 May 2014.
- JoAnne has over 29 years experience and is currently a Non-Executive Director of Challenger Ltd and Japara Healthcare Limited. She is currently acting Chair of Myer Holdings Ltd and is Chair of the Victorian Major Transport Infrastructure Board.
- Previously, she worked at KPMG International as Senior Client Partner in the Advisory Division.
- JoAnne holds a Bachelor of Commerce and Bachelor of Laws (Honours) from the University of Queensland.
- She is a member of both the Australian Institute of Company Directors and Chartered Accountants Australia and New Zealand.

Company Secretary

James Orr is the Company's General Counsel and Company Secretary.

Executive Team

Sid Takla
Chief Executive Officer and Managing Director
- Refer to page 36

Andrew Leyden
Chief Financial Officer
- Andrew joined the Company as Chief Financial Officer in November 2020.
- He has more than 30 years of management experience in national and multinational ASX-listed companies, including extensive FMCG, retail and B2B experience both in Australia and internationally.
- Before joining the Company, he was CFO at Vita Group, an ASX-listed consultative retailer. Prior to that, he held senior general management, finance and information technology roles in branded consumer goods companies including Foster's Group and Reckitt Benckiser.
- Andrew is a Graduate of the Australian Institute of Company Directors, a Fellow of the Association of Chartered Certified Accountants and has a bachelor's degree in Business and Finance.

Jody Scaife
Executive General Manager, B2B
- Jody joined Asaleo Care as Executive General Manager B2B in July 2020.
- She has extensive experience in commercial and operational management, strategy, and mergers and acquisitions primarily in agricultural and food manufacturing industries.
- Before joining the Company, Jody was General Manager Commercial Feeds at Ridley Corporation and had a 20-year career with Cargill, holding senior leadership positions, including Director and General Manager, Cargill Malt Asia Pacific; National Sales Leader, Cargill Ag Horizons (USA); and Business Development and Integration Leader, Cargill Australia.
- Jody holds a Bachelor of Chemical Engineering from RMIT University.

David Griss
Executive General Manager, People and Corporate Affairs
- David joined the Company as Executive General Manager Human Resources (HR) in March 2012 and has over 20 years industry experience. In 2015, David's leadership responsibilities expanded to include Corporate Affairs and in 2019 Information Technology.
- Previously, he held various HR director and senior HR roles within the pharmaceutical and healthcare sectors for Hospira (2006–12), Mayne Group (2001–06) and F.H. Faulding & Co. (2000–01).
- David holds a Bachelor of Business from RMIT University and a Graduate Diploma in Risk Management from Swinburne University.

Executive Team

Paul Honey

Executive General Manager, Supply

- Paul joined the Company in March 2013 as General Manager Operations for the Australian Personal Care operations and has over 20 years industry experience.
- In January 2015, Paul was appointed to the role of General Manager Manufacturing Australia, responsible for both the Box Hill Tissue and Springvale Personal Care operations. In December 2016, Paul was appointed Executive General Manager Manufacturing.
- Paul has previously held senior operations roles at Nippon Paper Group's Australian Office division (2005–13) and Amcor Fibre Packaging (1993–2005).
- Paul holds a Bachelor of Mechanical Engineering and a Graduate Diploma in Management, both from Swinburne University.

James Orr

General Counsel and Company Secretary

- James joined the Company in August 2014 as General Counsel and Company Secretary.
- He has extensive industry experience, having held senior legal and secretarial positions in public and large private companies in the resources, energy, pharmaceuticals, and paper industries for over 25 years.
- James holds a Bachelor of Laws and a Bachelor of Commerce from the University of Melbourne.

Caitlin Patterson

Executive General Manager, Retail

- Caitlin has extensive experience in marketing and business strategy gained in multinational and national organisations. She joined the Company as Executive General Manager, Consumer Marketing in June 2017 and in April 2019 she was appointed Executive General Manager Retail.
- Before joining the Company, Caitlin was General Manager, Marketing with National Tiles.
- Caitlin spent more than 10 years with General Mills where she held senior leadership roles including Director, Business Improvement and Strategy, General Manager of Pasta Master and Director, Fresh Meal Solutions for the Latina Brand. Earlier in her career, she held senior Marketing and Brand Management roles with Kraft Foods and Cadbury Schweppes.
- Caitlin holds a Bachelor of Business (Marketing) and a Bachelor of Arts (Psychology) from Monash University.

Directors' Report

The Directors present their report together with the Financial Report of Asaleo Care Limited (the Company) and its controlled entities (the Group) for the year ended 31 December 2019 and the Auditor's Report thereon. See pages 36 to 37 for information about the Directors, including their qualifications and experience.

Directors' Meetings

The following table sets out Board and Board Committee meetings during 2020 and Directors' attendance:

	Board Meetings	Audit & Risk Committee	Nomination & Governance Committee	Remuneration & HR Committee
No of meetings held	**12**	**4**	**2**	**4**
Attendance				
Harry Boon	12	4	2	4
Mats Berencreutz	12	N/A	2	4
Sid Takla	12	N/A	N/A	N/A
Marie-Laure Mahé	12	N/A	1	N/A
Sue Morphet	12	4	2	4
JoAnne Stephenson	12	4	2	4

Directors' Skills and Experience

The following table sets out the relevant skills and experience of the current Directors of the Company:

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

Directors' Report

Principal Activities
The principal activities of the Group are Manufacturing, Marketing, Distribution and Sale of Professional Hygiene, Personal Care and Consumer Tissue products in Australia, New Zealand, Fiji and a number of countries in the Pacific.

Company and Financial Overview
A Company and Financial Overview can be found on pages 29 to 35 of this report.

Significant Changes in State of Affairs
On 25 June 2020, the Company announced its withdrawal from its baby business in New Zealand.

On 17th February 2021, Asaleo Care Limited and Essity entered into a scheme implementation agreement under which it is proposed that Essity will acquire all outstanding ordinary shares in Asaleo not already owned by it. Total value to Asaleo shareholders will be $1.45[2] per share, comprising $1.40 in cash per ordinary share in consideration provided in accordance with a scheme of arrangement ("Scheme") plus $0.05 per share of permitted dividends.

A scheme booklet containing information relating to the Scheme, including an independent expert's report and details of the Scheme meeting, is expected to be sent to shareholders in May 2021. Shareholders will have the opportunity to vote on the Scheme at a Court-convened meeting, expected to be held in June 2021. Subject to shareholder approval and other conditions of the Scheme being satisfied, it is expected to be implemented in June 2021.

On 29 January 2021, Asaleo Care acquired TOM Organic, a leading Australian organic feminine care business, for $12.75m.

Environmental Regulation and Performance
In 2020, there were no material breaches by the Company of the significant environmental legislation and regulations that applied to its Australian operations.

Asaleo Care Limited no longer meets the threshold for regulatory reporting under the Australian *National Greenhouse and Energy Reporting Act 2007* for its Australian operations, so no report was made during the period.

Due diligence, including source of origin and traceability, was performed on all applicable timber-based products imported into Australia according to the requirements of the *Illegal Logging Prohibition Act 2012*.

Principal Risks
The following are material risks that could adversely affect the Company's prospects in future years. More generic risks, which affect most companies, have not been included. Additional risks not currently known or detailed below may adversely affect future performance.

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[2] Subject to being a shareholder on the respective dividend record dates and the Asaleo Board determining, at its absolute discretion, payment of the special dividend.

Risk	Risk Description	Management of Risk
Key retail customers have significant market power	Asaleo Care generates a significant portion of its revenue from major supermarkets. Key retail customers could use their commercial leverage to push for lower prices and demand higher trade discounts, as well as impose additional commercial and operational conditions relating to safety, environment, social and other sustainability issues.	The Company has a diversified product range and customer channels to mitigate the consequence of a single customer being disruptive. Currently over half of the Group's profit is derived from its B2B business. The Company actively and continuously engages with customers to retain competitive margins that satisfy Asaleo Care and the customers. The Company is maximising brand loyalty to ensure high demand for Asaleo Care products to minimise risk of retail customer disruption.
Competition may increase	Asaleo Care's market share may decline due to competitor activity, new competitors entering the market or if competitors release more advanced products that result in reduced market share.	The Company is well placed to leverage its local manufacturing footprint, regional experience and partnership with our cornerstone shareholder Essity to ensure a competitive advantage. Further, the Company's innovation program is active and provides market-leading products.
Brand names may diminish in reputation or value	Asaleo Care is reliant on the reputation of its key brands. Any factors or events that diminish the reputation of the Company, its key brands or related trademarks or intellectual property may adversely affect the operating and financial performance of the Company.	Brand health is actively monitored by reviewing market performance data, investing in consumer and market research to identify issues and trends and internal quality control procedures. These findings form the Company's monitoring activity and drive the marketing strategy and areas of brand investment. The Company has significantly increased its investment in key brands during 2020 and will continue to do so in 2021.
Increases in prices for raw materials, supplies and services	Asaleo Care relies on various procurement relationships for the supply of pulp, transport and logistics, packaging, engineering, marketing, energy and utilities services. The Company is exposed to risks associated with the availability/price of raw materials and inputs, some of which have been subject to price volatility in the past.	The Company has a dedicated procurement team responsible for fostering strong supply relationships, negotiating to minimise costs with suppliers without impacting quality, and identifying and performing due diligence over alternate sources of supply.

Risk	Risk Description	Management of Risk
Adverse movements in exchange rates may occur	Asaleo Care's financial reports are prepared in Australian dollars. However, a portion of the Company's sales revenue, expenditures and cash flows are generated in, and assets and liabilities are denominated in New Zealand and Fijian dollars. Asaleo Care also sources raw materials and finished goods in other currencies, primarily Euros and US dollars.	The Company's Treasury function implements a hedging policy for the foreign exchange purchases exposure, which operates on a 12-month rolling basis. The hedging of future foreign exchange cash flows protects the Company from sudden impacts on its cost base.
Disruptions to the Company's manufacturing capacity	Asaleo Care manufactures its products at three sites across Australia, New Zealand and Fiji. A disruption at any of these facilities could adversely affect production capacity and earnings. Approximately 48% of Asaleo Care's employees are covered by enterprise bargaining agreements and other workplace agreements, which periodically require renegotiation and renewal. Disputes may emerge out of the renegotiation and renewal process.	The Company has a robust maintenance program for all manufacturing sites. The Company identifies and tests alternate suppliers to manufacture products. The Company actively manages stock levels to ensure adequate cover. The Company implements an employee relations strategy, which includes management of relationships with employees and unions, and agreement renewal planning in order to minimise risk of disputes.
Product recalls and liability	Poor product quality, contamination or an extortion threat on the basis of alleged or actual contamination of one or more of the Company's products may lead to product recalls or liabilities to consumers.	The Company has procedures and policies in place to ensure compliance with quality standards and to ensure its products are free from contamination. Quality specifications are documented and regularly tested. Employees are trained in their roles and responsibilities for product quality. Further, the Company monitors customer feedback and investigates and addresses quality issues where appropriate.

Risk	Risk Description	Management of Risk
Essity may not renew its Licensing Agreement or Supply Agreement with Asaleo Care	Asaleo Care has a number of commercial agreements with Essity, including a Trademark and Technology Licence Agreement (TMTLA) and a Supply Agreement. Under the TMTLA, Asaleo Care pays Essity a royalty for the exclusive licence to use certain brands (including Tork and TENA) and technology in Australia, New Zealand, and specified countries in the Pacific region. This agreement has an expiry date of 2027. However, there is an option to extend it to 2032 by mutual agreement. The Supply Agreement captures the supply of key products from Essity. The Supply Agreement terminates if the TMTLA expires or is terminated.	The Company maintains a strong connection and relationship with Essity and strives to maximise sales of Tork and TENA products in Australia, New Zealand, and specified countries in the Pacific region. There are regular meetings between the companies covering a range of subject matters. The Company continues to explore opportunities to maximise its 'in-house' capability.

Likely Developments

This report sets out the business activities and strategies for the Group, including likely developments and prospects for future financial years. Information has not been included to the extent that it would be materially prejudicial to the Group to disclose such information; for example, if matters are commercially sensitive.

Subsequent Events

On 17th February 2021, Asaleo Care Limited and Essity entered into a scheme implementation agreement under which it is proposed that Essity will acquire all outstanding ordinary shares in Asaleo not already owned by it. Total value to Asaleo shareholders will be $1.45[3] per share, comprising $1.40 in cash per ordinary share in consideration provided in accordance with a scheme of arrangement ("Scheme") plus $0.05 per share of permitted dividends.

A scheme booklet containing information relating to the Scheme, including an independent expert's report and details of the Scheme meeting, is expected to be sent to shareholders in May 2021. Shareholders will have the opportunity to vote on the Scheme at a Court-convened meeting, expected to be held in June 2021. Subject to shareholder approval and other conditions of the Scheme being satisfied, it is expected to be implemented in June 2021.

On 29 January 2021, Asaleo Care acquired TOM Organic, a leading Australian organic feminine hygiene business, for $12.75m.

[3] Subject to being a shareholder on the respective dividend record dates and the Asaleo Board determining, at its absolute discretion, payment of the special dividend.

Proceedings on Behalf of Company
No proceedings have been brought or intervened in on behalf of the Company under Section 237 of the *Corporations Act 2001*.

Dividends
Subsequent to the end of the 2020 financial year, Directors declared a final fully franked ordinary dividend of $16.3 million (3.0 cents per ordinary share) to be paid on 31 March 2021, for the year ended 31 December 2020 out of the Asaleo Care Ltd Dividend Appropriation Reserve.

Depending on available profits and the financial position of the Company, Directors intend to pay out surplus cash to shareholders. The intention is that the final dividend in each calendar year will be greater than 50% of the total dividend paid during the year.

Share Options
There are no unissued ordinary shares under options as at the reporting date.

Indemnification and Insurance of Officers
During the financial year, the Company paid a premium in respect of a contract, insuring Directors and officers of the Company against liabilities that are permitted to be insured under the *Corporations Act 2001*. It is a condition of the contract that the premium, nature of liability and indemnity levels are not disclosed.

The Company has indemnified Directors and officers against all liabilities incurred in or arising out of the discharge of their duties, and all reasonable legal costs relating to such liability, to the maximum extent permitted by law (including certain statutory restrictions) and the Company's constitution and excluding any liabilities that are subject to a third-party indemnity or insurance policy.

Loans to Executives and Directors
No loans were made to Executives or Non-Executive Directors during the year ended 31 December 2020.

Corporate Governance Statement
The Company's Corporate Governance Statement discloses how the Company complies with the recommendation of the *ASX Corporate Governance Council* (4th edition) and sets out the Company's main corporate governance practices. This Statement has been approved by the Board and is current as of 16 February 2021. The Statement is available on the Company's website at www.asaleocare.com.

Indemnification of Auditors
The Company's auditor is PricewaterhouseCoopers (PwC). No payment has been made to indemnify PwC during or since the financial year. No premium has been paid by the Company in respect of any insurance for PwC. No officers of the Company were partners or Directors of PwC while PwC undertook an audit of the Company.

Non-Audit Services

The following non-audit services were provided by the Company's auditor PwC during the financial year:

	2020 $	2019 $
Other assurance services	**6,000**	16,000
Taxation services		
Tax compliance services and review of Company income tax returns	**142,715**	66,050
Tax assistance with transaction	**3,175**	453,874
Other tax services	**-**	407,521
Total remuneration for taxation services	**145,890**	927,445
Other services		
Consulting services	**20,000**	211,000
Network firms of PricewaterhouseCoopers Australia		
Taxation services		
Tax compliance services and review of Company income tax returns	**62,026**	33,524
Other services		
Consulting services	**-**	33,122

Directors are satisfied that the provision of these services is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that instrument, amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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 outlines the remuneration framework and outcomes of the Company's Key Management Personnel (KMP) for the year ended 31 December 2020.

Structure of this report

The Remuneration Report is divided into the following sections:

1. Key Management Personnel
2. Remuneration strategy and governance framework
3. Executive remuneration
4. 2020 KMP remuneration disclosure
5. Company performance over the last five years
6. KMP employment agreements
7. Additional information

Since listing, and including 2019, the Company's Remuneration Reports have achieved approval votes in excess of 99 per cent at respective Annual General Meetings.

1. Key Management Personnel

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

They include the Chief Executive Officer and Managing Director (CEO), KMP Executives and Non-Executive Directors (NED) as set out in Table 1.

Table 1: Key Management Personnel

KMP	Position	Term as KMP
	CEO	
Sid Takla	Chief Executive Officer and Managing Director	Full year
	KMP Executives	
Andrew Leyden	Chief Financial Officer (CFO)	Part year (appointed 2 November 2020)
Caitlin Patterson	Executive General Manager (EGM) Retail	Full year
Jody Scaife	Executive General Manager (EGM) Business to Business (B2B)	Part year (appointed 13 July 2020)
	Former KMP Executives	
Rob Graham	Executive General Manager (EGM) Business to Business (B2B)	Ceased to be KMP 6 July 2020
Campbell Richards	Chief Financial Officer (CFO)	Ceased to be KMP 30 October 2020
	Non-Executive Directors	
Harry Boon	NED – Chairman	Full year
Sue Morphet	NED	Full year
JoAnne Stephenson	NED	Full year
Mats Berencreutz[1]	NED	Full year
Marie-Laure Mahé[2]	NED	Full year

[1] Mats Berencreutz is a nominee of Essity.Aktiebolag (publ) on the Asaleo Care Ltd Board. Essity is the ultimate parent entity in its investment in Asaleo Care Ltd.

[2] Marie-Laure Mahé is an employee and nominee of Essity.Aktiebolag (publ) on the Asaleo Care Ltd Board. Essity is the ultimate parent entity in its investment in Asaleo Care Ltd.

2. Remuneration strategy and governance framework

Remuneration strategy

Asaleo Care's remuneration framework is designed to attract, retain and motivate high-performing talent. Our reward philosophy is to drive the achievement of outstanding results through a market-competitive remuneration framework that incentivises exceptional performance. Our remuneration objectives enable a focus on the achievement of short-term results and long-term value creation for shareholders.

There are four guiding principles that underpin our approach to executive remuneration whilst always ensuring compliance with relevant legal and regulatory provisions:

MOTIVATING EXECUTIVE LEADERSHIP TO PURSUE THE COMPANY'S LONG-TERM GROWTH AND SUCCESS

DEMONSTRATING A CLEAR **RELATIONSHIP BETWEEN THE COMPANY'S PERFORMANCE AND EXECUTIVES' REMUNERATION**

ALIGNING INTERESTS OF EXECUTIVES WITH THE CREATION OF VALUE FOR SHAREHOLDERS

REWARDING PERFORMANCE ALIGNED TO THE COMPANY'S PURPOSE AND VALUES

Since listing, Executives have been rewarded in line with our executive remuneration strategy and policy. From 2016 to 2019, KMP were not rewarded incentives, as the Performance Gateway for the incentive payments was not achieved. For the 2020 performance year, the Company achieved the Performance Gateway for the EIP rewards. Consequently, KMP were rewarded 2020 incentives and details of the payments are outlined in Table 5.

Remuneration Report

Remuneration governance framework

Responsibility for the Company's executive remuneration policies and strategy rests with the Board of Directors (the Board), supported by the Remuneration and Human Resources Committee (the Committee). The Committee consists of independent Non-Executive Directors, and it met four times during 2020.

Overview of our remuneration governance framework

Board

The Board is accountable for oversight of the Company's remuneration policies and strategy. The Board approves actual total remuneration for the CEO and CFO and makes decisions on the CEO's and Executives' performance assessment and incentive payments.

Remuneration and Human Resources Committee

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 primary accountabilities of the Committee are:

- Reviewing and recommending to the Board for approval Asaleo Care's remuneration policies and practices to attract and retain Executives, Directors, and all other employees.
- Recommending to the Board fair and equitable remuneration outcomes and incentive payments for Executives based on the performance of the Company, its Purpose and values, the performance of the Executives and external market benchmarks.
- Approving the CEO's recommendations on Executive appointments and their actual total remuneration (except for the CEO and CFO) in accordance with Board's approved Remuneration policy.

CEO

Making recommendations to the Committee on matters including (but not limited to): Executive appointments (except for the CEO) and their total actual remuneration, succession plans, human resources policies, Executive remuneration reviews, incentive assessment, and outcomes.

External Advisers[1]

The Committee may seek advice from independent consultants on market practice, insights and trends in relation to Executive remuneration structure and practices.

[1] During 2020 no external remuneration consultant was engaged for advice on executive remuneration.

3. Executive remuneration

Overview

Our approach to Executive remuneration is implemented through fixed and variable components. Measures for fixed and variable reward may vary year-on-year based on factors relevant to improving the Company's performance.

Fixed remuneration is designed to provide a base level of remuneration.

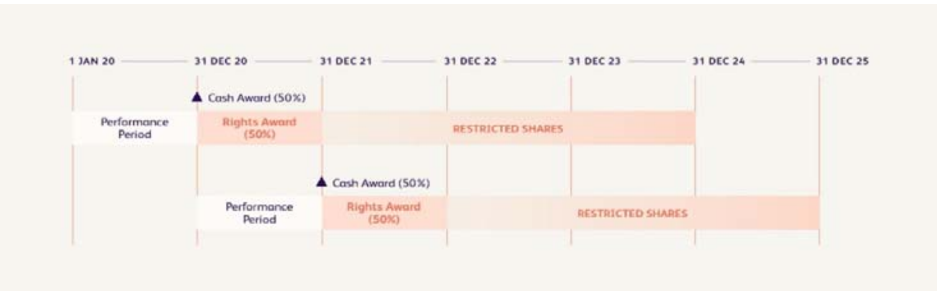
Variable remuneration includes a cash incentive and an equity incentive in the form of four-year deferred shares. It is based on predetermined performance measures at different performance levels over a one-year period. These are important for business growth and value creation for shareholders.

Remuneration Report

	Fixed Component	Variable Component
	Total Fixed Remuneration (TFR)	Executive Incentive Plan (EIP)
Purpose	Market-competitive ongoing remuneration in recognition of day-to-day accountabilities, designed to attract and retain key talent to deliver our strategic objectives	Performance-based remuneration that aligns Executives' interests with shareholders' interests, incentivising the delivery of sustainable business growth
Delivery[2]	Cash	Cash and Equity
		Calculated as a percentage of the Executives' TFR on 31 December of the performance period if certain performance conditions are met. The performance period is 12 months starting from 1 January each year.
Structure	TFR is determined on an individual basis taking into consideration the size of the organisation, the scope and complexity of the role, the experience and performance of the individual Executive, as well as internal relativities and external benchmarking. It consists of base salary and superannuation. TFR is reviewed annually based on Company performance, individual performance, market conditions and the individual's contribution to achieving Company objectives.[1]	The EIP award is based on the achievements of specific performance targets, which are aligned to the Company's short-term and long-term performance objectives. It includes a combination of cash and equity reward potential. ▪ 50 per cent of EIP award is paid in cash as soon as practicable after release of the Company's full year financial results to the ASX for the relevant performance period. ▪ 50 per cent of EIP award is rewarded 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 are not able to sell, transfer or otherwise dispose of or deal in these shares. However, they do have the rights of holders of ordinary shares, including being entitled to receive dividends and vote.

[1] Following the annual salary review process, which commenced in January 2020, considering market benchmarks for Executives' relevant positions, the Company and individual performance, Executives did not receive any TFR increase in 2020.
[2] *Under the EIP rules, the Board has discretion in exceptional circumstances to approve delivery of awards in any combination of cash and share rights and to vary delivery dates of EIP awards.*

The structure of the EIP award is illustrated as follows:



Remuneration Report

Executive remuneration mix

The following graphs illustrate the remuneration mix at target for the CEO and KMP Executives for 2020. Target and maximum performance levels are explained in the '2020 EIP Performance Measures' section.

Additional information on EIP

Clawback

The Board has the authority to cancel or 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 have occurred in the three financial years prior to award of those rights and/or ordinary shares. 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 will result in forfeiture of share rights and restricted ordinary shares.

Any termination without cause 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.

2020 EIP performance measures and rewards

2020 EIP 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, safety and operational metrics.

The EIP covers both short-term and long-term KPIs for the performance period and includes a Performance Gateway as well as Target and Maximum performance measures. The 2020 Performance Gateway was set at the budgeted NPAT for the 2020 performance year (Target NPAT). If the Performance 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 per cent of the maximum entitlement. 'Target performance' was set at 100 per cent for Target NPAT and 'Maximum performance' at 110 per cent of Target NPAT.

Table 2 sets out the 2020 EIP reward potentials for the CEO and KMP Executives at different performance levels.

Table 2: 2020 EIP Reward Potentials

Position	2020 EIP Reward Potential (% of TFR)	
	Target	Maximum
CEO	100	150
CFO	60	90
Other KMP Executives	55	80

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 2020 EIP plan, the performance measures and weightings for the CEO and KMP Executives are outlined in Table 3.

Table 3: Performance Measures and Weightings

Name Position	Group underlying NPAT[1] %	Group ROIC[2] %	Group OCF[3] %	WCIR[4]	Group SV[5] %	Business unit underlying EBITDA[6] %	Business unit SV %	Operational KPIs %	Safety %	Total weighting %
Sid Takla CEO	50	20	10	–	10	–	–	–	10	100
Caitlin Patterson EGM Retail	30	–	–	10	–	20	30	–	10	100
Jody Scaife EGM B2B	30	–	–	10	–	20	30	–	10	100
Campbell Richards Ex-CFO	50	20	10	–	–	–	–	10	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] WCIR working capital inventory reduction
[5] SV: sales value.
[6] EBITDA: earnings before interest, tax, depreciation and amortisation.

Andrew Leyden was appointed on 2 November 2020 and did not participate in the 2020 EIP plan. Campbell Richards ended employment with the Company as a ‘good leaver’ on 30 October 2020 and remained eligible for an EIP reward.

Remuneration Report

Below is an explanation of why each measure was chosen.

Financial KPIs	• **Underlying NPAT and EBITDA:** Reflect the operating performance excluding non-recurring income and expenditure. • **ROIC**: 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**: Measures the Company's cash generation capability. • **WCIR**: Ensures a focus on reducing inventory to optimise supply chain performance. • **SV:** Aligns EBITDA with sales targets and is critical to ensure a balance between margin retention and sustainable growth. • **EBITDA**: Measures profitability at the business unit level and includes key strategic, growth and market share initiatives. The underlying financial KPIs for the above measures in 2020 for each EIP reward level were defined as follows (assuming achievement of the Performance Gateway): • **Target performance** for individuals was set at 100 per cent of their relevant financial KPIs. • **Maximum performance** was set at 110 per cent of the relevant target KPIs. Rewards for performance 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, production quality and customer service. Specific functional Operational KPIs for 2020 were set by the CEO with Executives as part of annual objective setting. Reward payments for achievement of these non-financial measures are adjusted in accordance with the Company's NPAT result against budget.
Safety	Our Safety KPIs reflect the Company's commitment to providing a safe workplace for all employees, contractors and visitors. Safety measures including Lost Time Injury Frequency Rate (LTIFR) and Total Injury Frequency Rate (TIFR) were set at the same or improved levels to 2019 performance. If achieved, reward payments for achievement of safety measures are adjusted in accordance with the Company's NPAT result against budget.

Remuneration Report

2020 EIP rewards

For the 2020 performance year, the Company achieved the Performance Gateway for the EIP rewards. Consequently, 2020 EIP payments are made and details are outlined in Table 5.

2021 EIP rewards

For 2021, the Board has established EIP performance measures to focus Executives on achieving financial and safety outcomes that support the creation of value for shareholders.

Table 4: 2021 EIP Performance Measures

Name Position	Group underlying NPAT %	Group ROIC %	Group SV %	Business Unit underlying EBITDA %	Business Unit SV %	Safety %	Total Weighting %
Sid Takla CEO	50	20	20	–	–	10	100
Andrew Leyden CFO	50	20	20	–	–	10	100
Caitlin Patterson EGM Retail	–	20	–	50	20	10	100
Jody Scaife EGM B2B	–	20	–	50	20	10	100

For 2021, Maximum Performance remains at 110% of the target for NPAT/EBITDA and the resulting ROIC outcome. For NSV, Maximum Performance is set at 105% of Target Performance (being the budgeted NSV for Asaleo Care and the Business Units) to appropriately incentivise stretch performance.

Remuneration Report

4. 2020 KMP remuneration disclosure

Tables 5A and 5B have prepared in accordance with Section 300A of the *Corporations Act 2001* to detail KMP remuneration for the year ended 31 December 2020. For comparison, remuneration for the year ended 31 December 2019 is also provided.

Table 5A: 2020 KMP Remuneration Disclosure

The table below presents the value of remuneration granted in relation to the financial year ended 31 December 2020 as required by Accounting Standards and the Corporations Act 2001.

Name Position	Year	Fixed Remuneration				Variable Remuneration[1]		Total Remuneration
		Cash salary/Fee $	Superannuation $	Termination $	Total $	EIP (Cash) $	Deferred Incentive[2] $	$
CEO and KMP Executives								
Sid Takla	2020	875,000	25,000	-	900,000	641,651	320,826	1,862,477
CEO	2019	825,000	25,000	-	850,000	-	-	850,000
Andrew Leyden	2020	88,051	3,616	-	91,667	-	20,833	112,500
CFO	-	-	-	-	-	-	-	-
Caitlin Patterson	2020	353,365	25,000	-	378,365	126,255	63,127	567,747
EGM Retail	2019	338,623	25,000	-	363,623	-	-	363,623
Jody Scaife	2020	179,452	10,847	-	190,299	20,796	10,398	221,493
EGM B2B	-	-	-	-	-	-	-	-
Campbell Richards	2020	344,538	33,488	247,012	625,038	173,582	-	798,620
Ex CFO	2019	229,767	25,000	-	254,767	-	-	254,767
Rob Graham	2020	193,746	17,924	182,461	394,131	-	-	394,131
Ex EGM B2B	2019	344,487	25,000	-	369,487	-	-	369,487
Former disclosed executives	2019	74,116	6,250	-	80,366	-	-	80,366
Subtotal	2020	2,034,152	115,875	429,473	2,579,500	962,284	415,184	3,956,968
	2019	1,811,993	106,250	-	1,918,243	-	-	1,918,243
Harry Boon	2020	294,576	5,424	-	300,000	-	-	300,000
	2019	279,233	20,767	-	300,000	-	-	300,000
Sue Morphet	2020	109,469	20,531	-	130,000	-	-	130,000
	2019	109,469	20,531	-	130,000	-	-	130,000
JoAnne Stephenson	2020	118,721	11,279	-	130,000	-	-	130,000
	2019	118,721	11,279	-	130,000	-	-	130,000
Mats Berencreutz	2020	110,000	-	-	110,000	-	-	110,000
	2019	110,000	-	-	110,000	-	-	110,000
Marie-Laure Mahé	2020	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-
Subtotal	**2020**	**632,766**	**37,234**	**-**	**670,000**	**-**	**-**	**670,000**
	2019	**617,423**	**52,577**	**-**	**670,000**	**-**	**-**	**670,000**

[1] *2020 EIP payments are made in accordance with the 2020 EIP rules. As Campbell Richards was a "good leaver", the Board used its discretion under the EIP rules to deliver his total EIP award including the deferred incentive in 2021.*

[2] *The deferred incentive represents KMP's deferred cash incentive achieved for the 2020 performance year except for Andrew Leyden. Upon commencement, Andrew received a sign-on incentive in the form of share rights to the value of $125,000. The share rights will become exercisable into restricted ordinary shares on the first-year anniversary of his commencement date.*

Remuneration Report

Table 5B: CEO and KMP Executives remuneration outcomes for the 2020 performance year (unaudited and non-IFRS)

The table below presents the remuneration paid or payable for the CEO and KMP Executives for the 2020 performance year.

Name Position	Total Fixed Remuneration	Total EIP (cash and deferred incentive)				Total Remuneration
		Total Opportunity	Awarded	Forfeited	Total Incentive Achieved[1]	
	$	$	%	%	$	$
Sid Takla CEO	900,000	1,350,000	95.06	4.94	1,283,302	2,183,302
Caitlin Patterson EGM Retail	378,365	320,000	78.90	21.10	252,509	630,874
Jody Scaife EGM B2B	190,299	320,000	13.00	87.00	41,593	231,892
Campbell Richards Ex CFO	625,038	369,000	47.04	52.96	173,582	798,620

[1] The total incentive achieved value is unaudited and different from and additional to that required by Accounting Standards and statutory requirements which is presented in Table 5A. It represents the total cash and deferred cash incentives achieved for the 2020 performance year and does not represent the value of the remuneration granted in relation to the financial year ended 31 December 2020.

5. Company performance over the last five years

Table 6: The table below shows key measures of the company's financial performance over the last five years. These measures are not always consistent with the measures used to determine the variable remuneration that may be awarded to KMP. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2020 Underlying[1]	2019 Underlying[1]	2018 Underlying[1]	2017 Underlying[1]	2016 Underlying[1]
Revenue ($m)	419.2	409.7	407.8	585.8	605.9
EBITDA ($m)	89.2	83.9	80.6	124.3	130.7
NPAT ($m)[2]	38.4	33.8	29.2	59.4	64.6
Net cash flow before financing, taxation and shareholder returns ($m)	76.2	151.6	66.0	104.4	79.0
Workplace Health and Safety (TIFR)[3]	8.15	8.59	11.60	11.05	16.61
Dividend Payments ($'000s)	10,862	0	32,588	54,480	56,394
Increase (decrease) in share price	27.4%	15.8%	(39.0%)	1.4%	(7.2%)

[1] Underlying 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.

[2] For 2020, management NPAT of $39.0m adjusted for specific non-recurring items.

[3] Occupational health and safety measures including targets with respect to injury rates aim to provide a safe workplace for all employees, contractors and visitors.

6. KMP employment agreements

CEO's and KMP Executives' employment agreements

The key employment agreements for the CEO and KMP Executives are provided in Table 7.

Table 7: CEO's and KMP Executives' Employment Agreements

Name Position	Employment Start Date	Employment Term	Notice Period (employer-initiated termination)[1]	Notice Period (employee-initiated termination)	Redundancy Payment
Sid Takla CEO	12 February 2007	Permanent Full-time	12 months	6 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Andrew Leyden[2] CFO	2 November 2020	Permanent Full-time	12 months	6 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Caitlin Patterson EGM Retail	13 June 2017	Permanent Full-time	12 months	6 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Jody Scaife EGM B2B	13 July 2020	Permanent Full-time	12 months	6 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Rob Graham[3] Ex-EGM B2B	2 May 2016	Permanent Full-time	6 months	6 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Campbell Richards[4] Ex-CFO	29 April 2019	Permanent Full-time	9 months	6 months	Notice period plus redundancy payment under the *Fair Work Act 2009*

[1] The employer-initiated termination notice periods for Andrew Leyden, Caitlin Patterson and Jody Scaife remain in place until 30 June 2022. From 1 July 2022, their employer-initiated termination notice periods will be 6 months.

[2] Upon commencement, Andrew received a sign-on incentive in the form of share rights to the value of $125,000 in addition to his standard employment terms and conditions. The share rights are unlisted rights over the ordinary shares in the Asaleo Care Limited and become exercisable into restricted ordinary shares on the first-year anniversary of his commencement date. Once those rights are exercised, the restricted ordinary shares will be subject to disposal restrictions (holding lock) for a further three years. The conditions regarding these share rights and restricted ordinary shares upon exercise are the same as those for share rights and restricted ordinary shares as set out in the 2020 EIP rules.

[3] Terminated effective 6 July 2020

[4] Terminated effective 30 October 2020

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 Company may dismiss the CEO and/or KMP Executives immediately without notice or payment in lieu of notice for cause.

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 Director engagement

On appointment to the Board, NEDs enter 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 considers the size of the Company as well as the complexity of the business. All fees are inclusive of statutory superannuation and are paid monthly. Directors are not paid a commission on, or a percentage of, profits or operating revenue.

There was no change to NED fees in 2020. NEDs have not received any fee increases since the Company listed in 2014. The 2020 NED annual fees are set out in Table 8.

Table 8: 2020 NED Annual Fees

Name	Position	Annual Board Fee $	Annual Committee Chair Fee $
Harry Boon	Chairman Chair of Nomination and Governance Committee	300,000 –	– –
Sue Morphet	Board Member Chairperson of Remuneration and Human Resources Committee	110,000 –	– 20,000
JoAnne Stephenson	Board Member Chairperson of Audit and Risk Committee	110,000 –	– 20,000
Mats Berencreutz	Board Member	110,000	–
Marie-Laure Mahé[1]	Board Member	–	–

[1] *Marie-Laure Mahé is an employee and nominee of Essity Aktiebolag (publ) on the Asaleo Care Ltd Board. She is remunerated by Essity Aktiebolag (publ) pursuant to her employment arrangements with that entity and receives no remuneration from any Asaleo Care Group Company for her directorship of Asaleo Care Ltd.*

7. 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 NEDs 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.

Table 9 details the number of Asaleo Care shares held by KMP, either directly, indirectly, or beneficially, and movements during the year ended 31 December 2020.

Remuneration Report

Table 9: KMP Shareholdings

Name Position	Registered holding	Balance at 31/12/2019	Purchased/ allotted	Sold	Balance at 31/12/2020
Sid Takla CEO	NIDO D'ORO PTY LTD AS TRUSTEE FOR THE NIDO D'ORO TRUST	611,601	–	–	611,601
Andrew Leyden[1] CFO		–	–	–	–
Caitlin Patterson EGM Retail		–	–	–	–
Jody Scaife[2] EGM B2B		–	–	–	–
Rob Graham[3] Ex-EGM B2B		-	-	-	-
Campbell Richards[4] Ex-CFO		-	-	-	-
Harry Boon NED	BOND STREET CUSTODIANS LIMITED <BKOHN – D04982 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		–	66,868[5]	–	66,868
Marie-Laure Mahé NED		–	–	–	–

[1] Appointed effective 2 November 2020.
[2] Appointed effective 13 July 2020.
[3] Terminated effective 6 July 2020.
[4] Terminated effective 30 October 2020.
[5] Purchased on market on 21 August 2020.

Remuneration Report

Policy on trading in Asaleo Care's shares

The Company's Securities Trading Policy applies to all Directors, Executives, and other specified employees. 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.

Harry Boon, Chairman
Dated this 17th day of February 2021

Auditor's Independence Declaration

As lead auditor for the audit of Asaleo Care Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Asaleo Care Limited and the entities it controlled during the period.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
17 February 2021

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Financial Report

Introduction

This is the Financial Report of Asaleo Care Ltd (the Company) and its subsidiaries (together referred to as 'the Group'). Asaleo Care Ltd is a for-profit entity for the purpose of preparing this Financial Report. Accounting policies and critical accounting judgements applied to the preparation of the Report have been highlighted with the following symbol:

Information is only included in the Financial Report to the extent it has been considered material and relevant to the understanding of the financial statements. Disclosure is considered material and relevant if, for example:

- The value of an item is significant in size (quantitative factor).
- The item is significant by nature (qualitative factor).
- The Group's results cannot be understood without the specific disclosure (qualitative factor),
- Its inclusion is critical in allowing users to understand the impact of significant changes in the Group's business during the period (qualitative factor),
- The item relates to an aspect of the Group's operations that is important to its future performance.

The financial results for business operations ceased or disposed of during the year are classified as held for sale and disclosed separately as discontinued operations in the statement of comprehensive income.

Contents

Consolidated Statement of Profit or Loss

For the Year Ended 31 December 2020

	Notes	2020 $'000	Restated 2019 $'000
Revenue from operations			
Sale of goods	2.1	**419,157**	409,694
Other revenue from ordinary activities		**866**	617
		420,023	410,311
Expenses			
Cost of goods sold		**(243,105)**	(254,359)
Other expenses from ordinary activities			
Distribution		**(48,387)**	(42,909)
Sales and administration		**(61,349)**	(48,121)
Other	2.1	**(5,515)**	(9,382)
Finance costs	4.1	**(8,212)**	(12,287)
Profit before income tax		**53,455**	43,253
Income tax expense	2.2	**(15,269)**	(12,731)
Profit from continuing operations		**38,186**	30,522
(Loss) from discontinued operation	1.2	**(5,890)**	(8,434)
Profit for the period		**32,296**	22,088

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	2.3	**5.9**	4.1
Diluted earnings per share	2.3	**5.9**	4.1

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	2.3	**7.0**	5.2
Diluted earnings per share	2.3	**7.0**	5.2

The Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying Notes. Prior year has been restated for discontinued operations, refer to Section 1.

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2020

	Notes	2020 $'000	2019 $'000
Profit for the period		**32,296**	22,088
Item that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges of continuing operations	4.5	**(3,746)**	(4,696)
Exchange differences on translation of foreign operations	4.5	**(5,079)**	1,079
Income tax relating to these items	4.5	**353**	1,136
Other comprehensive (loss) for the period, net of tax		**(8,472)**	(2,481)
Total comprehensive income for the period		**23,824**	19,607
Total comprehensive income for the period is attributable to:			
Owners of Asaleo Care Ltd		**23,824**	19,607

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

Consolidated Balance Sheet

As at 31 December 2020

	Notes	**2020**	2019
		$'000	$'000
ASSETS			
Current assets			
Cash and cash equivalents	4.1	**55,122**	33,169
Trade receivables	3.1	**8,884**	23,841
Inventories	3.1	**95,159**	104,663
Derivative financial instruments	4.3	**1,382**	561
Current tax receivable		**324**	2,123
Other current assets	3.1	**4,159**	6,905
Total current assets		**165,030**	171,262
Non-current assets			
Property, plant and equipment	3.2	**152,234**	151,946
Right-of-use assets	3.3	**22,011**	22,992
Intangible assets	3.4	**133,837**	134,773
Total non-current assets		**308,082**	309,711
Total assets		**473,112**	480,973
LIABILITIES			
Current liabilities			
Trade payables	3.1	**43,359**	48,618
Other payables	3.1	**17,919**	16,510
Lease liabilities	3.3	**10,913**	9,297
Current tax payable		**3,224**	3,025
Derivative financial instruments	4.3	**7,611**	2,189
Employee provisions	3.1	**11,935**	10,864
Total current liabilities		**94,961**	90,503
Non-current liabilities			
Borrowings	4.1	**148,880**	171,263
Lease liabilities	3.3	**13,287**	16,175
Deferred tax liabilities	2.2	**20,509**	20,502
Employee provisions	3.1	**367**	405
Total non-current liabilities		**183,043**	208,345
Total liabilities		**278,004**	298,848
Net assets		**195,108**	182,125
EQUITY			
Contributed equity	4.4	**260,815**	260,815
Other reserves	4.5	**28,178**	36,629
Retained losses		**(93,885)**	(115,319)
Total equity		**195,108**	182,125

The Consolidated Balance Sheet should be read in conjunction with the accompanying Notes.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2020

		Attributable to owners of Asaleo Care Ltd			
	Notes	Contributed equity $'000	Reserves $'000	Retained earnings / (losses) $'000	Total equity $'000
Balance at 1 January 2019		**260,815**	**39,110**	**(137,407)**	**162,518**
Profit for the period		-	-	22,088	22,088
Other comprehensive (loss)		-	(2,481)	-	(2,481)
Total comprehensive income for the period		**-**	**9,636**	**22,088**	**19,607**
Balance at 31 December 2019		**260,815**	**36,629**	**(115,319)**	**182,125**
Balance at 1 January 2020		**260,815**	**36,629**	**(115,319)**	**182,125**
Profit for the period		-	-	32,296	32,296
Other comprehensive income (loss)		-	(8,472)	-	(8,472)
Total comprehensive income for the period		**260,815**	**28,157**	**(83,023)**	**205,949**
Transactions with owners in their capacity as owners:					
Share based payments	4.5	-	21	**-**	21
Dividends paid	2.4	-	-	(10,862)	(10,862)
Balance at 31 December 2020		**260,815**	**28,178**	**(93,885)**	**195,108**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**478,873**	482,976
Payments to suppliers and employees (inclusive of goods and services tax)		**(382,743)**	(473,383)
		96,130	9,593
Income taxes paid		**(1,951)**	(7,588)
Interest received		**212**	373
Interest paid		**(7,258)**	(12,280)
Net cash inflow/(outflow) from operating activities	4.1	**87,133**	(9,902)
Cash flows from investing activities			
Payments for property, plant, and equipment		**(20,505)**	(32,794)
Proceeds from sale of property, plant, and equipment		**1,007**	83
Proceeds from the sale of Consumer Tissue Australia	1.1	**-**	182,667
Payments related to sale of business transaction		**-**	(8,148)
Net cash (outflow)/ inflow from investing activities		**(19,498)**	141,808
Cash flows from financing activities			
Proceeds from borrowings	4.1	**30,000**	40,000
Repayment of borrowings	4.1	**(52,500)**	(195,000)
Payment of principal elements of lease		**(11,491)**	(11,328)
Dividends paid to company's shareholders	2.4	**(10,862)**	-
Transaction costs for debt refinance		**(406)**	-
Net cash (outflow) from financing activities		**(45,259)**	(166,328)
Net increase/(decrease) in cash and cash equivalents		**22,376**	(34,422)
Cash and cash equivalents at the beginning of the financial year		**33,169**	67,355
Effects of exchange rate changes on cash and cash equivalents		**(423)**	236
Cash and cash equivalents at end of period		**55,122**	33,169

The Consolidated Statement of Cash flows includes both continuing and discontinued operations. Amounts related to discontinued operations are disclosed in section 1.1.

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

Notes to the Consolidated Financial Statements

Section 1: Discontinued Operations

In this section

This section provides insight into discontinued operations, disclosing separately the financial performance and net cash flows, assets and liabilities of operations either disposed of, or classified as held for sale.

1.1 Description

The Baby Diaper business in New Zealand, comprising the Treasures brand and the Te Rapa manufacturing site, ceased operating on 25 June 2020 and is reported in the financial as a discontinued operation.

The Australian Consumer Tissue business was sold on 29 March 2019. Costs related to the sale and transition to new owners were incurred for the year ended 31 December 2020 and have also been disclosed as a discontinued operation.

1.2 Financial Performance and Cash Flow Information

Discontinued Baby Diaper operations	**31 December 2020 $'000**	31 December 2019 $'000
Revenue from operations	**7,042**	10,504
Expenses	**(18,370)**	(13,350)
(Loss) before income tax	**(11,328)**	(2,846)
Income tax benefit	**1,447**	795
(Loss) after income tax of discontinued Baby Diaper operations	**(9,881)**	(2,051)

Australian Consumer Tissue business		
Revenue from operations	**-**	34,260
Expenses	**(4,658)**	(50,428)
(Loss) before income tax	**(4,658)**	(16,168)
Income tax benefit/(expense)	**8,649**	(1,934)
Profit/(Loss) after income tax of discontinued Australian Consumer Tissue operations	**3,991**	(18,102)
Gain on sale of subsidiary	**-**	11,719
Profit/(Loss) after income tax of discontinued Australian Consumer Tissue operations	**3,991**	(6,383)
(Loss) from total discontinued operations	**(5,890)**	(8,434)

1.2 Financial Performance and Cash Flow Information (continued)

	31 December 2020	31 December 2019
Discontinued Baby Diaper operations	**$'000**	$'000
Statement of Cash Flows for discontinued Baby Diaper operations		
Net cash (outflow) from operating activities	**(5,357)**	(4,432)
Net cash inflow from investing activities	**1,007**	(523)
Net cash (outflow) from financing activities	**(761)**	(811)
Net (decrease) in cash generated by discontinued operations	**(5,111)**	(5,766)

Statement of Cash Flows for discontinued Australian Consumer Tissue operations		
Net cash (outflow) from operating activities	**(2,447)**	(38,676)
Net cash (outflow)/inflow from investing activities	**(209)**	173,517
Net cash (outflow) from financing activities	**-**	(1,669)
Net (decrease)/increase in cash generated by discontinued operations	**(2,656)**	133,517

(Loss) per share from discontinued operations attributable to the ordinary equity holders of the Company	**Cents**	Cents
Basic (loss) per share	**(1.1)**	(1.6)
Diluted (loss) per share	**(1.1)**	(1.6)

1.3 Details of the Sale of Subsidiary

	2019 $'000
Consideration:	
Cash	**182,667**
Consideration receivable	**3,393**
Total disposal consideration	**186,060**
Carrying amount of net assets sold	**(165,512)**
Sale of business costs	**(8,829)**
Gain on sale of subsidiary*	**11,719**

The Australian Consumer Tissue business was sold for $186.1 million including a favourable working capital adjustment, of which $2.7 million was received prior to 31 December 2019. All outstanding amounts were settled after 31 December 2020, with a receivable relating to the working capital adjustment recognised at 31 December 2020.

The carrying amounts of assets and liabilities as at the date of sale were:

	29 March 2019 $'000
Property, plant, and equipment	**123,116**
Prepayments	**2,591**
Inventories	**47,965**
Total assets	**173,672**
Employee benefit obligations	**8,160**
Total liabilities	**8,160**
Net assets	**165,512**

*

Key judgements and estimates

An environmental indemnity granted by the Group in favour of the purchaser in respect of the Box Hill site, is subject to a limit of $9 million. At the date of this report, the amount of the indemnity had not been determined. Based on a preliminary assessment, an amount of $0.16 million has been recognised.

Section 2: Our Performance

In this section
This section provides insight into current year Group performance, delivering results of:
- Underlying EBITDA from continuing operations of $89.2 million
- Statutory NPAT from continuing operations of $38.2 million
- Statutory EPS from continuing operations of 7.0 cents per share

2.1 Segment Information

(a) Description of segments

Asaleo Care is a leading Personal Care and Hygiene Company that sells and manufactures essential everyday consumer products across the Feminine Care, Incontinence Care, Consumer Tissue and Professional Hygiene product categories. The Chief Executive Officer and Managing Director examines the performance of the Group from a reporting segments perspective.

The consolidated entity is organised into the following reporting segments:

Reporting Segment	Description
Retail	This segment includes the sales, distribution, and manufacture of toilet and facial tissue, wipes, paper towels, napkins, disposable tableware, personal hygiene products for feminine care and incontinence to retail customers within Australia, New Zealand, and the Pacific Islands.
B2B	This segment includes the sales, distribution, and manufacture of tissue and personal hygiene products including hand towels, napkins, soaps, facial and toilet tissue through a distributor network to business end users including schools, restaurants, shopping centres, airports, industrial companies, aged care facilities and hospitals within Australia and New Zealand. Incontinence products and support services are provided to healthcare professionals in residential aged care and community care facilities, and hospitals.

(b) Segment information

Reportable segment information for the year ended 31 December 2020 is as follows:

2020	**Retail**	**B2B**	**Total Continuing Operations**
	$'000	**$'000**	**$'000**
Revenue from operations	**199,769**	**219,388**	**419,157**
Underlying EBITDA	**41,345**	**47,836**	**89,181**
Total segment assets	**200,737**	**215,547**	**416,284**
Total segment liabilities	**47,257**	**47,467**	**94,724**

2.1 Segment Information (continued)

Reportable segment information restated for the year ended 31 December 2019 is as follows:

2019	Retail $'000	B2B $'000	Total Continuing Operations $'000
Revenue from operations	188,062	221,632	409,694
Underlying EBITDA	37,087	46,775	83,862
Total segment assets	227,423	217,697	445,120
Total segment liabilities	48,699	49,725	98,424

(c) Segment revenue

Revenue is measured at the fair value of the consideration received or receivable, which is generally the amount on the sales invoice. Revenue is recognised net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised when control of goods has transferred to customers.

(i) Sale of goods

Revenue is recognised when the customer obtains control over the goods. Depending on customer terms, this can be at the time of dispatch, delivery or upon formal customer acceptance.

The Company is domiciled in Australia. The amount of its revenue from continuing operations from external customers in Australia is $260.1 million (2019: $248.3 million), in New Zealand $136.5 million (2019: $137.4 million) and in other countries $22.6 million (2019: $24.1 million). Segment revenues are allocated based on the country in which the sale is made.

Revenues from continuing operations of approximately $90.0 million (2019: $85.8 million) were derived from three external customers in the retail segment.

(ii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the carrying amount is reduced to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(iv) Inter-segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation.

(d) Underlying EBITDA

The Chief Executive Officer and Managing Director assesses the performance of the operating segments based on a measure of EBITDA, excluding the effects of non-recurring income and expenditure. Interest income and expenditure are not allocated to segments, as this type of activity is managed centrally.

A reconciliation of EBITDA to operating profit before income tax is provided as follows:

	2020 $'000	2019 $'000
Underlying EBITDA from continuing operations	**89,181**	83,862
New Zealand manufacturing upgrade*	**-**	(1,590)
Restructuring and strategy costs	**(1,140)**	-
EBITDA	**88,041**	82,272
Finance costs	**(8,212)**	(12,287)
Interest received	**211**	373
Depreciation	**(26,566)**	(24,183)
Accelerated depreciation**	**-**	(2,902)
Amortisation	**(19)**	(20)
Profit before income tax from continuing operations	**53,455**	43,253

** These expenses are included in other expenses in the Consolidated Income Statement and Statement of Other Comprehensive Income with the remaining mostly representing royalties, noted in 6.4, and FX losses.*

*** Relates to New Zealand manufacturing upgrade*

(e) Segment Assets

Segment assets are allocated based on the operations and physical location of the asset. All assets are allocated to reportable segments except for derivative financial instruments, cash, and tax assets.

Total non-current assets relating to continuing operations, other than financial instruments located in Australia, is $157.1 million (2019: $152.1 million), in New Zealand $145.3 million (2019: $151.8 million) and in other countries $5.7 million (2019: $5.8 million).

(f) Segment Liabilities

Reportable segment liabilities for continuing operations are reconciled to total liabilities as follows:

	2020 $'000	2019 $'000
Segment liabilities	**94,724**	98,424
Unallocated:		
Current tax liabilities	**3,224**	3,025
Accrued interest on borrowings – current	**283**	706
GST Payable	**2,773**	2,739
Derivative financial instruments	**7,611**	2,189
Deferred tax liabilities	**20,509**	20,502
Borrowings – non current	**148,880**	171,263
Total liabilities as per the Consolidated Balance Sheet	**278,004**	298,848

2.2 Income Taxes

(a) Income tax

Income tax expense:

- comprises current and deferred tax
- is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses
- relating to items recognised directly in other comprehensive equity is also recorded in other comprehensive income

Key judgements and estimates

The Group is subject to income taxes in Australia and foreign jurisdictions. The calculation of the Group's tax charge involves a degree of estimation and judgement. There are transactions and calculations for which the ultimate tax determination is uncertain. Changes in tax legislation or the interpretation of tax laws by tax authorities may affect the amount of provision for income taxes and deferred tax balances recognised.

The group has not recognised deferred tax assets relating to New Zealand carried forward tax losses due to the uncertainty of recoverability. The assumptions regarding realisation of deferred tax assets may be revised if circumstances are to change in the outlook period.

(i) Current income tax

The current income tax charge is measured based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, based on amounts expected to be paid to tax authorities.

(ii) Deferred income tax

Deferred income tax is:

- provided on temporary differences arising at the reporting date between the tax bases of assets and liabilities and their carrying amounts.
- determined using tax rates (and laws) enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability settled.

(iii) Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised on all deductible and taxable temporary differences respectively, except:

- if they arise from the initial recognition of goodwill.
- if they arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affect neither accounting nor taxable profit or loss.
- deferred tax liabilities in relation to investment property which is measured at fair value.
- for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company can control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets:

- are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.
- carrying values are reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.
- that are unrecognised are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
- are offset against deferred tax liabilities when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(b) Reconciliation of income tax expense to prima facie tax payable

	2020	2019
	$'000	$'000
Profit before income tax expense	**53,455**	43,253
Tax at the Australian tax rate of 30.0% (2019: 30.0%)	**16,037**	12,976
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	**(373)**	-
	15,664	12,976
Difference in overseas tax rates	**(280)**	(136)
Adjustments for current tax of prior periods	**(115)**	(109)
Income tax expense	**15,269**	12,731
Comprising of:		
Current tax	**15,730**	12,970
Deferred tax	**(346)**	(130)
Adjustments for current tax of prior periods	**(115)**	(109)
	15,269	12,731

(c) Deferred tax liabilities

	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:		
Property, plant, and equipment	**5,104**	(61)
Intangible assets	**27,386**	27,573
Employee benefits	**(3,370)**	(3,094)
Redundancy provision	**(85)**	-
Provisions for customer claims	**(7,099)**	(2,593)
Inventories	**771**	(850)
Cash flow hedges	**212**	(37)
Net leased assets	**(634)**	(706)
Other	**(1,776)**	270
	20,509	20,502
Deferred tax (assets)/liabilities expected to be settled within 12 months	**(11,348)**	(8,033)
Deferred tax liabilities expected to be settled after 12 months	**31,857**	28,536
	20,509	20,502
Movements:		
Opening balance	**20,502**	20,291
Charged/credited for continuing operations:		
- profit or loss	**(346)**	(925)
- to other comprehensive income	**353**	1,136
	20,509	20,502

(d) Tax consolidation legislation

Asaleo Care Limited and its wholly owned Australian controlled entities are part of a tax consolidated group. The head entity, Asaleo Care Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These amounts are measured as if each entity continues to be a standalone taxpayer. Consequently, these entities are taxed as a single entity and the deferred tax assets and liabilities are set off in the consolidated financial statements.

Asaleo Care Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered tax funding and sharing agreements under which:

- the wholly owned entities fully compensate Asaleo Care Ltd for any current tax payable assumed and are compensated by Asaleo Care Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or tax credits that are transferred under the tax consolidation legislation.
- funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.
- amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.
- assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.
- any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Amounts receivable of $1.4 million (2019: $2.6 million) to Asaleo Care Ltd under the tax funding arrangements are due in the next financial year upon final settlement of the current payable for the consolidated group.

2.3 Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to consider:
- the post income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The calculation of earnings per share was based on the information as follows:

(a) Earnings per share

Earnings per share for profit attributable to the ordinary equity holders of the Company:	**2020 Cents**	2019 Cents
Basic earnings per share	**5.9**	4.1
Diluted earnings per share	**5.9**	4.1

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:	**2020 Cents**	2019 Cents
Basic earnings per share	**7.0**	5.2
Diluted earnings per share	**7.0**	5.2

For earnings per share for profit from discontinued operations attributable to the ordinary equity holders of the Company, refer to section 1.2.

(b) Weighted average number of shares used as denominator

	2020 Number	2019 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**543,122,491**	543,122,491
Adjustments for calculation of diluted earnings per share:		
Share rights	**128,336**	-
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**543,250,827**	543,122,491

2.4 Dividends

Provision is made for any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

	Cents per share	Total amount $'000	Franked/unfranked	Date of payment
2020				
Final 2020 ordinary	**2.0**	**10,862**	**Franked**	**31 March 2021**
Total amount		10,862		
2019				
Final 2019 ordinary	2.0	10,862	Unfranked	3 April 2020
Total amount		10,862		

Since the end of the financial year, the Directors declared a fully franked final dividend of 3.0 cents per fully paid ordinary share. The aggregate amount of the dividend to be paid on 31 March 2021 out of the dividend appropriation reserve at 31 December 2020, but not recognised as a liability at period end, is $16.294 million.

The Group dividend policy is to distribute between 70-80% of statutory Net Profit After Tax.

(a) Franked dividends

(i) Franking account

Franking credits are available to shareholders at the corporate tax rate. The final dividend for 2020 is franked (2019: unfranked). At 31 December 2020, there were $0.02 million of franking credits (2019: $0.1 million) available to shareholders.

The dividend franking account at year end is adjusted for:

- franking credits that will arise from the payment of the current tax liability.
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end; and
- franking credits that the Company may be prevented from distributing in subsequent financial years.

The ability to utilise the franking account credits is dependent upon the ability to declare dividends.

(ii) Imputation Account

As the Company has significant operations in New Zealand and in-turn shareholders who are New Zealand based, the Company has elected to be part of the Australian and New Zealand Government's Trans-Tasman Imputation System to allow access for New Zealand based shareholders to the New Zealand source imputation credits of the Company. The head of the Imputation Group in New Zealand is Asaleo Care Limited (New Zealand). The balance of the imputation credits available as at 31 December 2020 is NZ$4.0 million (2019: NZ$5.7 million).

(iii) Conduit Foreign Income Account

For Australian tax purposes, non-resident shareholder dividends will not be subject to Australian withholding tax to the extent they are franked or sourced from the Company's Conduit Foreign Income Account. For the 2020 year, no interim dividend was paid, and it was declared that the 2020 final dividend payment be franked. The balance of the Conduit Foreign Income Account as at 31 December 2020 is $0.01 million (2019: $0.1 million).

Section 3: Our Operating Asset Base

In this section
This section highlights current year drivers of the Group's cash flows, as well as the asset base used to support generation of profits

3.1 Working Capital

	2020	2019
	$'000	$'000
Inventories	**95,159**	104,663
Trade receivables	**8,884**	23,841
Other current assets	**4,159**	6,905
Trade payables	**(43,359)**	(48,618)
Other payables	**(17,919)**	(16,510)
Employee provisions – current*	**(11,935)**	(10,864)
Employee provisions - non-current*	**(367)**	(405)
Total working capital	**34,622**	59,012

** Employee provisions are detailed in section 5.3*

(a) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs incurred in bringing each product to its existing location and condition are accounted for as follows:

- raw materials - purchase cost on a weighted average cost formula
- manufactured finished goods and work in progress - cost of direct material and labour and an appropriate proportion of production overheads incurred in the normal course of business.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory.

	2020	2019
	$'000	$'000
Raw materials and stores	**27,789**	27,073
Work in progress	**4,920**	5,958
Finished goods	**62,450**	71,632
	95,159	104,663

Inventory expense

Inventories recognised as expense during the year ended 31 December 2020 amounted to $265.2 million (2019: $306.6 million). These were included in cost of goods sold.

Write-downs of inventories amounted to $0.5 million (2019: $0.4 million), recognised as an expense during the year and included in 'cost of goods sold' in the consolidated statement of profit or loss.

(b) Trade receivables

Trade receivables are:

- recognised initially at fair value, which is generally invoice amount, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.
- generally due for settlement within 30 days.
- presented as current assets unless collection is not expected for more than 12 months after reporting date.

	2020	2019
	$'000	$'000
Trade receivables	**8,897**	23,880
Provision for impairment of receivables	**(13)**	(39)
	8,884	23,841

*

Key judgements and estimates

Trade receivables are disclosed net of rebates payable. The Group has the legal right to offset such balances with the same customers.

Judgement is applied to accruals for customer rebates based on the timing and extent to which temporary promotional activity has occurred. Customer rebates consist of customer pricing allowances and promotional allowances, which are governed by agreements with trade customers (retailers and distributors). Accruals are recognised under the terms of these agreements, to reflect expected promotional activity and historical experience.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all the trade receivables. At 31 December 2020, the amount of provision for doubtful debts was $12,871 (2019: $39,970).

(c) Trade payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year that remain unpaid. Amounts are unsecured and are paid on average within 45 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

	2020	2019
	$'000	$'000
Trade payables	**30,753**	31,473
Amounts due to related parties	**12,606**	17,145
	43,359	48,618

Carrying amounts of trade payables are assumed to be the same as their fair value due to their short-term nature.

(d) Other payables

	2020	2019
	$'000	$'000
Accrued interest on borrowings	**283**	706
Accrued expenses	**11,243**	10,400
Payroll tax and other statutory liabilities	**3,916**	3,203
Other payables	**2,477**	2,201
	17,919	16,510

The carrying amounts of accruals and other payables are assumed to be the same as their fair value due to their short-term nature.

3.2 Property, Plant and Equipment and Capital Commitments

Property, plant, and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises expenditure directly attributable to the acquisition of the item and subsequent costs incurred to replace parts that are eligible for capitalisation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset except land which is not depreciated.

Residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. Gains and losses on disposal are determined by comparing proceeds with the carrying amount of the disposed asset. These amounts are included in profit or loss.

	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Depreciation Policy	**Nil**	**5%-33%**	**5%-33%**	**Nil**	
Year ended 31 December 2019					
Opening net book amount	2,551	11,030	112,893	12,090	138,564
Exchange differences	17	69	705	84	875
Reclassification of asset class	-	155	8,730	(8,885)	-
Additions	-	68	21,369	12,996	34,433
Disposals	-	(14)	(510)	(3,046)	(3,570)
Depreciation charge*	-	(838)	(14,616)	-	(15,454)
Accelerated depreciation	-	-	(2,902)	-	(2,902)
Closing net book amount	2,568	10,470	125,669	13,239	151,946
Year ended 31 December 2020					
Opening net book amount	**2,568**	**10,470**	**125,669**	**13,239**	**151,946**
Exchange differences	**(80)**	**(312)**	**(2,502)**	**(249)**	**(3,143)**
Reclassification of asset class	**-**	**284**	**12,122**	**(12,406)**	**-**
Additions	**-**	**-**	**6,628**	**13,877**	**20,505**
Disposals	**-**	**-**	**(629)**	**-**	**(629)**
Depreciation charge*	**-**	**(827)**	**(15,618)**	**-**	**(16,445)**
Closing net book amount	**2,488**	**9,615**	**125,670**	**14,461**	**152,234**

***** Amount in 2020 relating to discontinued operations includes depreciation of $0.9 million (2019: $0.12 million)

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2020 $'000	2019 $'000
Property, plant and equipment	**1,136**	4,624

3.3 Lease Assets and Liabilities

The group leases various offices, warehouses, equipment, and vehicles. Rental contracts are typically established for fixed periods of 6 months to 8 years. Extension periods can apply but are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease agreements do not impose any covenants other than the security interests in the leased assets held by the lessor. Leased assets may not be used as security for borrowing purposes.

3.3 Lease Assets and Liabilities (continued)

Right-of-use assets

Leased assets are capitalised at the commencement date of the lease and comprise the initial lease liability amount, direct costs incurred when entering the lease less any lease incentives received. An impairment review is undertaken for any right of use lease assets which show indicators of impairment and an impairment loss recognised against any right of use lease asset.

	Property	Machinery	Motor Vehicle	Office Equipment	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2019	30,239	4,518	1,205	972	36,934
Exchange differences	92	(24)	-	-	67
Additions	7,158	347	582	14	8,102
Transfers to Assets classified held for sale	(10,089)	(1,727)	(291)	-	(12,107)
Depreciation charge for the year*	(8,269)	(976)	(491)	(268)	(10,004)
Balance at 31 December 2019	**19,131**	**2,138**	**1,005**	**718**	**22,992**
Balance at 1 January 2020	19,131	2,138	1,005	718	22,992
Exchange differences	65	215	73	56	409
Additions	8,880	296	326	361	9,863
Disposals	(638)	(127)	-	-	(765)
Depreciation charge for the year*	(8,323)	(1,225)	(594)	(346)	(10,488)
Balance at 31 December 2020	**19,115**	**1,297**	**810**	**789**	**22,011**

* Amount in 2020 relating to discontinued operations includes depreciation of $0.28 million (2019: $1.2 million)

Lease Liabilities

Lease liabilities are measured at the present value of lease payments net of incentives not paid at the balance sheet date. Lease payments are apportioned between finance charges and reduction of the lease liability using the implicit rate, and if not available, the incremental borrowing rate in the lease to achieve a constant rate of interest on the remaining balance. Lease payments for buildings exclude service fees.

	2020	2019
	$'000	$'000
Opening Balance	25,472	40,492
Exchange differences	(256)	46
Additions	9,863	8,102
Disposals	(495)	-
Transfers to liabilities directly associated with assets classified as held for sale	-	(11,297)
Interest incurred	1,162	1,194
Payments on lease liabilities	(11,546)	(13,065)
Closing Balance	**24,200**	**25,472**
Of which are:		
Current lease liabilities	10,913	9,297
Non-current liabilities	13,287	16,175
	24,200	**25,472**

3.4 Intangible Assets

The Group's intangible assets comprise goodwill, brands, and other intangible assets.

Goodwill represents the excess consideration paid in acquiring a business over the fair value of the net assets acquired. Goodwill is carried at cost less accumulated impairment and is considered as having an indefinite useful economic life.

Management has determined that the Group's brands have indefinite useful lives. These assets have no legal or contractual expiry date and are integral to future revenue generation. Management intends to continue to promote, maintain and defend the brands to the extent necessary to maintain their value.

Goodwill and brands are not amortised but are tested for impairment annually or more frequently if events or changes in circumstances indicate impairment and are carried at cost less accumulated impairment losses.

Other intangible assets include trademarks, product development and management agreements.

*

Key judgements and estimates

Assessment of the recoverable value of an intangible asset and the assessment that an asset has an indefinite life require management judgement and are reassessed at each reporting date.

Consolidated entity	**Goodwill $'000**	**Brands and other intangibles $'000**	**Total $'000**
At 1 January 2019			
Cost	70,207	119,419	189,626
Accumulated depreciation and impairment	(29,147)	(25,937)	(55,084)
	41,060	93,482	134,542
Year ended 31 December 2019			
Opening net book amount	41,060	93,482	134,542
Exchange differences	82	169	251
Amortisation charge	-	(20)	(20)
Closing net book amount as at 31 December 2019	41,142	93,631	134,773
Year ended 31 December 2020			
Opening net book amount	**41,142**	**93,631**	**134,773**
Exchange differences	**(304)**	**(613)**	**(917)**
Amortisation charge	**-**	**(19)**	**(19)**
Closing net book amount as at 31 December 2020	**40,838**	**92,999**	**133,837**

3.4 Intangible Assets (continued)

Impairment testing

For the purposes of assessing impairment:

- assets are grouped at the lowest level for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).
- non-financial assets other than goodwill which suffered impairment are reviewed for possible reversal of impairment at the end of each reporting period.
- goodwill is allocated to cash-generating units (CGUs) expected to benefit from the business combination in which the goodwill arose.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value-in-use.

Impairment review

No factors have been identified in the period which would alter the assumption of indefinite useful life for brands.

For value-in-use calculations, cash flow projections based on the company's corporate plans and business forecasts are prepared by management and approved by the Board. The forecasts are adjusted to exclude the costs and benefits of expansion capital, on the understanding that actual outcomes may differ from the assumptions used. Cash flows beyond the five-year corporate plan period are extrapolated using estimated growth rates, taking into consideration historical performance as well as expected long-term operating conditions. Growth rates do not exceed consensus forecasts of the long-term average growth rate for the industry in which the CGU operates.

Discount rates are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs, risk adjusted where necessary. Other assumptions are determined with reference to external sources of information for variables such as terminal cash flow multiples. Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values.

A CGU-level summary of the goodwill and brands allocation is presented below:

2019	**Retail AU**	**Retail NZ**	**B2B**	**Total**
	$'000	$'000	$'000	$'000
Goodwill	16,066	3,334	21,742	41,142
Brands	70,800	22,831	-	93,631
				134,773
2020				
Goodwill	16,066	3,244	21,528	40,838
Brands	70,800	22,199	-	92,999
				133,837

3.4 Intangible Assets (continued)

Key Assumptions

Valuations used to support the carrying amounts of intangible assets are based on forward looking key assumptions that are, by nature, uncertain. The nature and basis of the key assumptions used to estimate future cash flows and the discount rates used in the projections, when determining the recoverable amount of each CGU are set out below:

- operating cash flows are extracted from the most recent approved corporate plan. For each CGU, the cash flow projections have been determined based on expectations of future performance. Key assumptions in the cash flows include sales volume growth and costs of goods sold. These assumptions are based on expectations of market demand and operational performance.
- the terminal growth rates used for all CGUs is 2%. Cash flows beyond five-year periods are extrapolated using terminal growth rates.
- the discount rate is based on the weighted average cost of capital for the Group equal to a pre-tax rate of 9.8% to 10.2%.

The Group believes that any reasonable possible change in key assumptions applied would not cause the carrying value of assets to exceed their recoverable amount and result in material impairment based on current economic conditions and performance of the B2B or Retail Au CGUs.

The Retail NZ CGU had limited headroom of $11.8 million and its recoverable amount is sensitive to forecast EBITDA and the discount rate. For the recoverable amount to reduce to a level equal to the carrying value, either the discount rate would need to increase by 1.3% or forecast EBITDA reduce by 9.5% in each of the 5 years in the outlook period.

*

Key judgements and estimates

The determination of impairment involves the use of judgements and estimates that include, but are not limited to, the cause, timing and measurement of impairment.

Management is required to make judgements concerning future cash flows, including changes in competitive positions, expectations of growth, cost of capital and the determination of fair values when assessing the recoverable amount of assets. Inputs into these valuations require assumptions to be made about forecast earnings before interest and tax and related future cash flows, growth rates, applicable discount rates, useful lives and residual values.

Section 4: Funding

In this section
This section includes information relating to: - dividends - leverage - investments The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and ensure the funding structure enhances, protects, and balances financial flexibility whilst minimising the cost of capital. The Group is also exposed to market risks and this section outlines how these key risks are managed.

4.1 Debt

Net debt	**2020** **$'000**	2019 $'000
Borrowings	**150,000**	172,500
Cash and cash equivalents	**(55,122)**	(33,169)
Total net debt	**94,878**	139,331

(a) Borrowings

	2020 **$'000**	2019 $'000
Unsecured		
Bank loans	**60,000**	82,500
Senior Notes	**90,000**	90,000
Capitalised debt establishment cost	**(1,120)**	(1,237)
Total unsecured non-current borrowings	**148,880**	171,263

(i) Secured liabilities and assets pledged as security

Group members have provided an unsecured guarantee for the borrowings of the group.

(ii) Financial undertakings and refinancing

The Company renegotiated and extended the maturity of its Facility A and C revolving financing facilities in December 2020.

Facility	Facility limit	Maturity at 31 December 2020
Facility A	$70 million	31 July 2023
Facility B	$40 million	31 July 2023
Facility C	$50 million	31 July 2024
Series A Note	$65 million	26 June 2025
Series B Note	$25 million	26 June 2028

At 31 December 2020, the Group was compliant with all financial undertakings of the revolving cash and Senior Notes facilities. The Group targets a leverage range between 1.0X to 2.0X EBITDA.

4.1 Debt (continued)

Recognition and measurement

Borrowings are initially recognised at fair value, net of debt establishment costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(b) Cash flow information

	2020	2019
	$'000	$'000
Profit for the period	**32,296**	22,088
Depreciation and amortisation	**26,952**	25,478
Accelerated depreciation of property, plant and equipment	**-**	2,902
Net loss/(gain) on sale of non-current assets	**69**	(54)
Change in operating assets and liabilities:		
Decrease/(Increase) in tax balances	**1,598**	(7,201)
Decrease/(Increase) in trade debtors and other receivables	**17,933**	(14,236)
Decrease in inventories	**9,504**	2,614
(Decrease) in trade creditors and other provisions	**(1,219)**	(41,493)
Net cash inflow/(outflow) from operating activities	**87,133**	(9,902)

Cash flow information includes both continuing and discontinued operations in the current year and in the 2019 comparative period. Amounts related to discontinued operations are disclosed in section 1.1.

Reconciliation of movement in Net Debt

2019	**Cash/Bank $'000**	**Borrowings due after 1 year $'000**	**Total $'000**
Net debt as at 1 January 2019	67,355	(327,500)	(260,145)
Cash flows	(34,422)	155,000	120,578
Foreign exchange adjustments	236	-	236
Net debt as at 31 December 2019	33,169	(172,500)	(139,331)

2020	**Cash/Bank $'000**	**Borrowings due after 1 year $'000**	**Total $'000**
Net debt as at 1 January 2020	**33,169**	**(172,500)**	**(139,331)**
Cash flows	**22,376**	**22,500**	**44,876**
Foreign exchange adjustments	**(423)**	**-**	**(423)**
Net debt as at 31 December 2020	**55,122**	**(150,000)**	**(94,878)**

Recognition and measurement

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less which are readily convertible to cash and subject to an insignificant risk of changes in value, and bank overdrafts.

(c) Financing costs

	2020	2019
	$'000	$'000
Interest and finance charges paid / payable	**6,080**	10,437
Debt establishment cost amortisation	**523**	523
Facility fees	**488**	329
Leases	**1,121**	998
Total finance costs	**8,212**	12,287

4.2 Financial Risk Management

The financial information included in this note relates to both continuing and discontinued operations. The principal financial risks to which the Group is exposed are:

- foreign exchange risk
- interest rate risk
- credit risk
- liquidity risk

The Group's risk management program seeks to minimise potential adverse effects of financial risks on the performance of the Group. The Group uses derivative instruments such as foreign exchange contracts and interest rate swaps to hedge exposures. Risk management is carried out in accordance with policies approved by the Board.

(a) Management of foreign exchange risk

The Group operates within Australia, New Zealand, and Fiji. Inventory is sourced both locally and internationally with exposure to foreign exchange risk arising from currency, primarily the US dollar (US$), New Zealand dollar (NZ$), Fijian dollar (FJ$), Canadian dollar (CA$) and Euro (EUR).

Foreign currency transactions are translated into the respective functional currency using the exchange rates on the date of the transaction. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as a qualifying cash flow hedge.

The Group's foreign exchange risk management policy is to hedge the anticipated cash flows of the US$, EUR, CA$ and NZD, both in terms of size and term related to:

- approved investment projects (100%); and
- inventory purchases denominated in foreign currencies (75%-100%).

Forward contracts are used and regularly reassessed to ensure they comply with the limits under the policy.

Exposure

The Group's exposure to foreign currencies at the end of the reporting period, expressed in AUD, was as follows:

	USD	**NZD**	**CAD**	**EUR**
At 31 December 2020	**$'000**	**$'000**	**$'000**	**$'000**
Trade payables	**1,132**	**7,247**	**455**	**1,837**
Foreign currency forwards (notional amount)	**61,888**	**20,197**	**3,390**	**47,501**

	USD	NZD	CAD	EUR
At 31 December 2019	$'000	$'000	$'000	$'000
Trade payables	3,803	2,626	118	1,906
Foreign currency forwards (notional amount)	49,586	-	5,173	37,346

Effects of hedge accounting on the financial position and performance

The effects of foreign currency related hedging instruments on the group's financial position and performance were as follows:

AUD/EUR	**2020 $'000**	2019 $'000
Foreign currency forwards		
Carrying amount (liabilities)	**(1,584)**	(312)
Notional amount	**39,457**	27,861
Maturity date	**Jan 2021 – Oct 2021**	Jan 2020 – Aug 2020
Hedge ratio	**1.1**	1:1
Change in discounted spot value of outstanding hedging instruments since 1 January	**(1,584)**	(312)
Change in value of hedged item used to determine hedge effectiveness	**(1,584)**	(312)
Weighted average hedge rate for the year (including forward points)	**EUR$0.5924: AUD$1**	EUR$0.6143: AUD$1

NZD/EUR	**2020 $'000**	2019 $'000
Foreign currency forwards		
Carrying amount (liabilities)	**(92)**	112
Notional amount	**8,044**	9,485
Maturity date	**Jan 2021 – Jun 2021**	Jan 2020 – Apr 2020
Hedge ratio	**1.1**	1:1
Change in discounted spot value of outstanding hedging instruments since 1 January	**(92)**	112
Change in value of hedged item used to determine hedge effectiveness	**(92)**	112
Weighted average hedge rate for the year (including forward points)	**EUR$0.5717: NZD$1**	EUR$0.5793: NZD$1

AUD/USD	**2020 $'000**	2019 $'000
Foreign currency forwards		
Carrying amount (liabilities)	**(1,324)**	274
Notional amount	**18,375**	10,380
Maturity date	**Jan 2021 – Sep 2021**	Jan 2020 – Aug 2020
Hedge ratio	**1.1**	1:1
Change in discounted spot value of outstanding hedging instruments since 1 January	**(1,324)**	274
Change in value of hedged item used to determine hedge effectiveness	**(1,324)**	274
Weighted average hedge rate for the year (including forward points)	**USD$0.6775: AUD$1**	USD$0.7207: AUD$1

Effects of hedge accounting on the financial position and performance (continued)

NZD/USD	**2020 $'000**	2019 $'000
Foreign currency forwards		
Carrying amount (liabilities)	**(2,344)**	(981)
Notional amount	**43,513**	39,206
Maturity date	**Jan 2021 – Oct 2021**	Jan 2020 – June 2020
Hedge ratio	**1.1**	1:1
Change in discounted spot value of outstanding hedging instruments since 1 January	**(2,344)**	(981)
Change in value of hedged item used to determine hedge effectiveness	**(2,344)**	(981)
Weighted average hedge rate for the year (including forward points)	**USD$0.6472: NZD$1**	USD$0.6570: NZD$1

AUD/NZD	**2020 $'000**	2019 $'000
Foreign currency forwards		
Carrying amount (liabilities)	**71**	-
Notional amount	**17,182**	-
Maturity date	**Jan 2021 – Aug 2021**	-
Hedge ratio	**1.1**	-
Change in discounted spot value of outstanding hedging instruments since 1 January	**71**	-
Change in value of hedged item used to determine hedge effectiveness	**71**	-
Weighted average hedge rate for the year (including forward points)	**NZD$0.4631: AUD$1**	-

NZD/AUD	**2020 $'000**	2019 $'000
Foreign currency forwards		
Carrying amount (liabilities)	**(26)**	-
Notional amount	**3,015**	-
Maturity date	**Jan 2021 – Jul 2021**	-
Hedge ratio	**1.1**	-
Change in discounted spot value of outstanding hedging instruments since 1 January	**(26)**	-
Change in value of hedged item used to determine hedge effectiveness	**(26)**	-
Weighted average hedge rate for the year (including forward points)	**AUD$0.9291: NZD$1**	-

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from the below denominated financial instruments. The impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges.

	Impact on post tax profit		Impact on other components of equity	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
EUR/AUD exchange rate – increase 10% (2019:10%)	**4,053**	3,303	**111**	21
EUR/AUD exchange rate – decrease 10% (2019:10%)	**(4,053)**	(3,303)	**(111)**	(21)
EUR/NZD exchange rate – increase 10% (2019:10%)	**872**	1,073	**6**	8
EUR/NZD exchange rate – decrease 10% (2019:10%)	**(872)**	(1,073)	**(6)**	(8)
USD/AUD exchange rate – increase 10% (2019:10%)	**1,727**	2,718	**102**	18
USD/AUD exchange rate – decrease 10% (2019:10%)	**(1,727)**	(2,718)	**(102)**	(18)
USD/NZD exchange rate – increase 10% (2019:10%)	**4,525**	3,806	**182**	74
USD/NZD exchange rate – decrease 10% (2019:10%)	**(4,525)**	(3,806)	**(183)**	(74)
NZD/AUD exchange rate – increase 10% (2019:10%)	**3,275**	-	**5**	-
NZD/AUD exchange rate – decrease 10% (2019:10%)	**(3,275)**	-	**(5)**	-
AUD/NZD exchange rate – increase 10% (2019:10%)	**1,301**	-	**2**	-
AUD/NZD exchange rate – decrease 10% (2019:10%)	**(1,301)**	-	**(2)**	-

(b) Management of interest rate risk

Bank loans are issued at variable rates whilst Series Notes are issued at fixed rates. Borrowings issued at variable rates expose the Group to interest rate risk.

Given the proportion of fixed debt compared with variable rate debt, the Group did not enter into interest rate swap contracts at 31 December 2020.

Previously, the Group entered interest rate swap contracts under which it received interest at variable rates and paid interest at fixed rates. This protected the Group's borrowings from exposure to fluctuations in interest rates, as required by the Group's financial risk management policy.

As at the end of the reporting period, the weighted average interest rate for the Group was 1.7% (2019: 2.4%). As 31 December 2019 the Group had $15 million interest rate swap with a weighted average interest rate of 2.1%.

The interest rate and term are determined at the date of each drawdown. The weighted average interest rate for variable rate borrowings for the year ended 31 December 2020 was 2.3% (2019: 3.8%). If the weighted average interest rate of the facility had increased by 10 basis points or decreased by 10 basis points, interest expense would increase/decrease by $0.2 million (2019: $0.5 million). There would be an associated impact to equity of $0.1 million (2019: $0.4 million).

(c) Management of credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Credit risk arises from the potential default on the Group's trade and other receivables as well as the institutions in which the Group's cash and cash equivalents are deposited, and derivative instruments are traded with, with a maximum exposure equal to the carrying amounts of these assets. Further details on the group's trade receivables are included in section 3.1.

For trade and other receivables, the Group does not hold any credit derivatives or collateral to offset its credit exposure. Due to the short-term nature of these receivables, their carrying amount is assumed to be fair value.

Credit risk is managed in the following ways:

- the provision of credit is covered by a risk assessment process for all customers (e.g., appropriate credit history, credit limits, experience).
- regular monitoring of exposures against credit limits and assessing the overall financial stability and competitive strength of the counterparty on an ongoing basis.
- utilisation of systems of approval.

The Group does not have any material credit exposure to any single receivable or group of receivables under financial instruments entered by the Group.

The Group has policies in place to ensure that sales are only made to customers with an appropriate credit profile or where appropriate security is held. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the credit quality of the customer is assessed, considering its financial position, experience and other factors.

Expected credit losses on financial assets are recorded either on a 12-month or lifetime basis. The Group has applied the simplified approach and records lifetime expected credit losses on all eligible trade and other receivables. Refer to section 3.1(b) and 6.7(b) for more details.

(d) Management of liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations relating to financial liabilities.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2020 **$'000**	2019 $'000
Floating rate		
- Expiring beyond one year (core facility)	**83,500**	61,000
- Expiring beyond one year (working capital facility)	**15,877**	13,977
	99,377	74,977

In addition, the Group has accounts receivable securitisation facilities. The undrawn amount at the end of the reporting period was $6.2 million (2019: $16.2 million). Subject to continuance of meeting certain financial covenants, bank loan facilities may be drawn down and repaid at any time.

Maturities of financial liabilities

The table below outlines the Group's financial liabilities into relevant maturity groupings:

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

31 December 2020	**Less than 6 months $'000**	**6 - 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 10 years $'000**	**Total Contractual Cash Flows $'000**	**Carrying Amount (Assets)/ Liabilities $'000**
Non-derivatives						
Trade payables	**43,359**	**-**	**-**	**-**	**43,359**	**43,359**
Other payables	**17,919**	**-**	**-**	**-**	**17,919**	**17,919**
Borrowings	**2,647**	**2,692**	**5,014**	**165,481**	**175,834**	**150,000**
Capitalised debt establishment costs	**(333)**	**(333)**	**(143)**	**(311)**	**(1,120)**	**(1,120)**
Lease liabilities	**5,682**	**5,579**	**7,976**	**6,764**	**26,001**	**24,200**
Total non-derivatives	**69,274**	**7,938**	**12,847**	**171,934**	**261,993**	**234,358**
Derivatives						
Other hedging instruments	**512**	**312**	**40**	**-**	**864**	**864**
	512	**312**	**40**	**-**	**864**	**864**
Gross settled (forward foreign exchange contracts -cash flow hedges)						
- (inflow)	**(72,484)**	**(6,813)**	**-**	**-**	**(79,297)**	**-**
- outflow	**104,811**	**21,028**	**-**	**-**	**125,839**	**(7,093)**
	32,327	**14,215**	**-**	**-**	**46,542**	**(7,093)**
31 December 2019						
Non-derivatives						
Trade payables	48,618	-	-	-	48,618	48,618
Other payables	16,510	-	-	-	16,510	16,510
Borrowings	3,110	3,161	6,269	190,910	203,450	172,500
Capitalised debt establishment costs	(261)	(261)	(523)	(192)	(1,237)	(1,237)
Lease liabilities	4,838	6,408	8,484	9,708	29,438	25,472
Total non-derivatives	72,815	9,308	14,230	200,426	296,779	261,863
Derivatives						
Net settled (interest rate swaps)	12	-	-	-	12	12
Other hedging instruments	(50)	(153)	(74)	(1)	(278)	(278)
	(38)	(153)	(74)	(1)	(266)	(266)
Gross settled (forward foreign exchange contracts - cash flow hedges)						
- (inflow)	(69,289)	(17,179)	-	-	(86,468)	-
- outflow	65,850	21,628	-	-	87,478	(1,338)
	(3,439)	4,449	-	-	1,010	(1,338)

4.3 Derivative financial instruments

	2020 **$'000**	2019 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	**518**	561
Other hedging instruments	**864**	-
Total current derivative financial instrument assets	**1,382**	561
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	**(7,611)**	(1,899)
Interest rate swap contracts - cash flow hedges	**-**	(12)
Other hedging instruments	**-**	(278)
Total current derivative financial instrument liabilities	**(7,611)**	(2,189)
	(6,229)	(1,628)

Forward exchange contracts - cash flow hedges

The Group purchases inventory from the United States, Canada, Chile, New Zealand, Europe and Australia. To protect against exchange rate movements, the Group has entered forward exchange contracts to purchase US dollars, Euros and Canadian dollars.

These contracts hedge highly probable forecast purchases for the ensuing financial year. The contracts are timed to mature when payments for major purchases are scheduled to be made.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by reclassifying the related amount from other comprehensive income.

(a) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The Group:

- designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).
- documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.
- documents its assessment, both at hedge inception and ongoing, of whether the derivatives used in hedging transactions have been and will continue to be effective in offsetting changes in fair values or cash flows of hedged items.

(a) Derivatives and hedging activities (continued)

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast purchase that is hedged is recorded in cost of sales). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. When the forecast transaction hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Hedging Reserves

The group’s hedging reserves disclosed in Section 4.5 relate to the following hedging instruments

Cash flow hedge reserve

2020	**Spot component of currency forwards $’000**	**Interest rate swaps $’000**	**Energy Hedges $’000**	**Total hedges Reserves $’000**
Opening balance 1 January 2020	**(959)**	**(8)**	**(200)**	**(1,167)**
Add: revaluation gross	**(4,898)**	**11**	**1,141**	**(3,746)**
Less: Deferred tax	**(85)**	**(3)**	**(319)**	**(407)**
Closing balance 31 December 2020	**(5,942)**	**-**	**622**	**(5,320)**

2019	Spot component of currency forwards $’000	Interest rate swaps $’000	Energy Hedges $’000	Total hedges Reserves $’000
Opening balance 1 January 2019	1,816	3	359	2,178
Add: revaluation gross	(3,904)	(15)	(777)	(4,696)
Less: Deferred tax	1,129	4	218	1,351
Closing balance 31 December 2019	(959)	(8)	(200)	(1,167)

There were no reclassifications from the cash flow hedge reserve to profit or loss during the period in relation to the foreign currency forwards and options.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The group enters hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of Australia or the derivative counterparty.

The group enters interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities, and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

There was no ineffectiveness during 2020 or 2019 in relation to the interest rate swaps.

(b) Fair value measurements

The Group discloses fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of level 2 financial derivatives is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

At 31 December 2020 and 2019, the Group's derivative instruments were all level 2:

- derivative financial assets $1,382,000 (2019 $561,000)
- derivative financial liabilities $7,611,000 (2019: $2,189,000)

4.4 Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to capital are shown in equity as a deduction, net of tax, from the proceeds.

Date	Details	Number of shares	$'000
1 January 2019	Opening balance	543,122,491	260,815
31 December 2019	**Balance**	**543,122,491**	**260,815**
31 December 2020	**Closing balance**	**543,122,491**	**260,815**

4.5 Reserves

	2020 $'000	2019 $'000
Movements:		
Cash flow hedges		
Opening balance	**(1,167)**	2,178
Revaluation – gross	**(3,746)**	(4,696)
Deferred tax	**(407)**	1,351
Closing Balance	**(5,320)**	(1,167)
Share-based payments		
Opening balance	**15,861**	15,861
Share plan expense	**21**	-
Closing Balance	**15,882**	15,861
Foreign currency translation		
Opening balance	**21,935**	21,071
Currency translation differences arising during the year	**(5,079)**	1,079
Deferred tax	**760**	(215)
Closing Balance	**17,616**	21,935
Total Closing Balance	**28,178**	36,629

(*i*) *Cash flow hedges*

The hedging reserve is used to record gains or losses on an instrument in cash flow hedges which are recognised in other comprehensive income, as described in section 4.3(a). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(*ii*) *Share-based payments*

The share-based payments reserve is used to recognise:
- the grant date fair value of shares issued to employees.
- the grant date fair value of deferred shares granted to employees but not yet vested.
- the issue of shares held by the Employee Share Trust to employees.

(*iii*) *Foreign currency translation*

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Section 5: Employee Reward and Recognition

In this section
This section provides insight into employee reward and recognition used to create a high-performance culture and to attract and retain talent. This section should be read in conjunction with the Remuneration Report as set out in the Directors' Report. Superannuation expense included in operating expenses was $4.3 million (2019: $3.7 million). The Group contributes to an accumulation fund on behalf of qualifying employees

5.1 Key Management Personnel Disclosures

Key Management Personnel Compensation

	2020	2019
	$	$
Short-term employee benefits	**3,629,202**	2,429,416
Post-employment benefits	**582,582**	158,727
Deferred incentives	**415,184**	-
	4,626,968	2,588,143

5.2 Share-Based Payments

Share-based compensation benefits are provided to employees via the Executive Incentive Plan (EIP) as discussed below.

(a) Executive Incentive Plan (EIP)

Maximum annual incentive entitlement is awarded for achievement of Key Performance Indicators which reflect significant stretch. A third of the maximum annual incentive entitlement is awarded for Threshold performance while two-thirds of the maximum annual incentive entitlement is awarded for Target performance.

The EIP award is delivered in a combination of cash, share rights and restricted ordinary shares:

- 50% of EIP award will be paid in cash as soon as practicable after submission of the Company's full year financial results for the relevant performance period to the Australian Securities Exchange (ASX).
- 50% of EIP award will be awarded by means of share rights. These share rights are unlisted rights over the ordinary shares in the Company and become exercisable into restricted ordinary shares at the end of the year following the 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 their shares. They will have all the rights of holders of ordinary shares including being entitled to receive dividends in cash and vote during the holding lock period.

(b) Expenses arising from share-based payment transactions

Expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense was $20,833 (2019: nil).

5.3 Employee Provisions

Recognition and measurement

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave are presented as employee provisions in the balance sheet. All other short-term employee benefit obligations are presented as other payables (refer section 3.1(d)).

(ii) Long-term obligations

The liability for long service leave and annual leave, which are not expected to be settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

For the provision presented as current of $11.9 million (2019: $10.9 million), it is not expected, based on experience, that $7.0 million (2019: $6.5 million) will be settled within 12 months after the reporting period. However, the whole amount has been classified as current as the Group does not have an unconditional right to defer settlement for these obligations.

Section 6: Other Disclosures

In this section
This section includes additional information required by accounting standards and *Corporations Act 2001*.

6.1 Subsidiaries

The consolidated financial statements incorporate 100% of the assets, liabilities and results of the following wholly owned subsidiaries:

Australia	New Zealand	Fiji
AHACS Pty Ltd*	Asaleo Care Ltd (NZ)	Asaleo Holdings Fiji Ltd
Asaleo Holdings Australia Pty Ltd*	Asaleo Holdings New Zealand Ltd	Asaleo Care Fiji Ltd
Australasia Health Services Pty Ltd	Asaleo Care New Zealand Ltd	
Asaleo Tissue Australia Pty Ltd*		
Asaleo Personal Care Holdings Pty Ltd*		
Asaleo Personal Care Pty Ltd*		

** These subsidiaries have entered an approved deed for the cross guarantee of debts with the parent Asaleo Care Limited. Refer section 6.2.*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

6.2 Deed of Cross Guarantee

The companies noted in section 6.1 are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. These companies represent a 'closed group' for the purposes of the Class Order, as there are no other parties to the deed of cross guarantee controlled by Asaleo Care Ltd.

By entering the deed, the wholly owned entities have been relieved from the requirement to prepare a Financial and Directors' report under ASIC Corporations (Wholly owned companies) Instrument 2016/785.

(a) Consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

Set out below is a Consolidated Income Statement, a Consolidated Statement of Profit or Loss and Other Comprehensive Income and a summary of movements in consolidated retained earnings for the year ended 31 December 2020 of the closed group.

	2020	2019
	$'000	$'000
Revenue	**274,166**	299,831
Other revenue from ordinary activities	**4,188**	15,310
Other income	**-**	1,042
Cost of sales of goods	**(160,739)**	(202,471)
Distribution expenses	**(22,620)**	(26,507)
Sales and administration expenses	**(41,091)**	(36,104)
Other expenses	**(13,209)**	(8,766)
Finance costs	**(7,845)**	(11,754)
(Loss)/Profit before income tax	**32,850**	30,581
Income tax expense	**(2,729)**	(11,204)
(Loss)/Profit for the period	**30,121**	19,377
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**(2,664)**	(2,071)
Income tax relating to these items	**1,795**	621
Other comprehensive income/(loss) for the period, net of tax	**(869)**	(1,450)
Total comprehensive (loss)/income for the period	**29,252**	17,927
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	**(114,359)**	(133,121)
(Loss)/Profit for the year	**30,121**	19,377
Impact of change in accounting policy	**-**	(615)
Dividends paid	**(10,862)**	-
Accumulated losses at the end of the financial year	**(95,100)**	(114,359)

The information above includes both continuing and discontinued operations.

(b) Consolidated Balance Sheet

Set out below is a Consolidated Balance Sheet as at 31 December 2020 of the closed group.

	2020	2019
	$'000	$'000
Current assets		
Cash and cash equivalents	**30,020**	17,990
Trade receivables	**2,394**	13,279
Related parties receivables	**108,939**	103,101
Inventories	**49,633**	55,146
Derivatives financial instruments	**406**	702
Current tax assets	**-**	1,991
Other current assets	**3,167**	6,231
Total current assets	**194,559**	198,440
Non-current assets		
Other financial assets	**10,126**	10,126
Property, plant and equipment	**40,205**	38,007
Right-of-use assets	**16,206**	13,449
Intangible assets	**158,879**	158,881
Total non-current assets	**225,416**	220,463
Total assets	**419,975**	418,903
Current liabilities		
Trade payables	**27,416**	30,998
Other payables	**17,790**	15,524
Lease liabilities	**6,046**	3,552
Borrowings	**1,295**	-
Derivative financial instruments	**3,529**	785
Employee provisions	**6,945**	6,070
Current tax liabilities	**3,225**	-
Total current liabilities	**66,246**	56,929
Non-current liabilities		
Borrowings	**148,880**	171,263
Lease liabilities	**11,242**	10,554
Deferred tax liabilities	**12,632**	17,543
Employee provisions	**300**	351
Total non-current liabilities	**173,054**	199,711
Total liabilities	**239,300**	256,640
Net assets	**180,675**	162,263
Equity		
Contributed equity	**260,815**	260,815
Other reserves	**14,960**	15,807
Accumulated losses	**(95,100)**	(114,359)
Total equity	**180,675**	162,263

The information above includes both continuing and discontinued operations.

6.3 Asaleo Care Ltd - Parent Entity

(a) Summary financial information

The parent entity of the Group is Asaleo Care Ltd.

The financial information for the company has been prepared on the same basis as the consolidated financial statements, except as set out below:

- investments in subsidiaries are accounted for at cost in the financial statements of Asaleo Care Ltd. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.
- where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.
- the grant by the Company of its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The individual financial statements for the parent entity show the following aggregate amounts:

	2020 **$'000**	2019 $'000
Balance sheet		
Current assets	**264,366**	288,196
Non-current assets	**141,586**	141,569
Total assets	**405,952**	429,765
Current liabilities	**134,615**	141,118
Non-current liabilities	**-**	12,067
Total liabilities	**134,615**	153,185
Net assets	**271,337**	276,580
Shareholders' equity		
Issued capital	**260,815**	260,815
Reserves		
Dividend appropriation reserve	**24,668**	35,530
Share-based payments	**15,882**	15,861
Accumulated losses	**(30,028)**	(35,626)
Total equity	**271,337**	276,580
Profit for the period	**5,598**	4,698
Total comprehensive income	**5,598**	4,698

(b) Other parent entity information

The parent entity:

- has not provided financial guarantees at 31 December 2020 or 31 December 2019;
- did not have any contingent liabilities at 31 December 2020 or 31 December 2019; and
- has no contractual commitments for the acquisition of property, plant or equipment at 31 December 2020 or 31 December 2019.

Asaleo Care Ltd holds an investment in AHACS Pty Ltd and its subsidiaries to the value of $141,585,767 (2019: $141,569,252).

6.4 Related Party Transactions

The following transactions occurred with related parties:

	2020	2019
	$	$
Purchases of goods		
Purchases of materials and goods from other related parties	**62,549,451**	64,613,748
Other transactions		
Royalties - Essity Hygiene and Health Aktiebolag	**4,374,419**	5,454,112

All transactions with related parties were made at normal commercial terms and conditions and at market rates.

For amounts due to related parties, refer to section 3.1(c).

6.5 Remuneration of Auditors

During the period, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) PricewaterhouseCoopers Australia

	2020	2019
	$	$
Audit and other assurance services		
Audit and review of financial statements	**396,100**	418,800
Other assurance services	**6,000**	16,000
Total remuneration for audit and other assurance services	**402,100**	434,800
Taxation services		
Tax compliance services and review of company income tax returns	**142,715**	66,050
Tax assistance with transaction	**3,175**	453,874
Other tax services	**-**	407,521
Total remuneration for taxation services	**145,890**	927,445
Other services		
Consulting services	**20,000**	211,000
Total remuneration for other services	**20,000**	211,000
Total remuneration of PricewaterhouseCoopers Australia	**567,990**	1,573,245

(b) Network firms of PricewaterhouseCoopers Australia

Audit and other assurance services		
Audit and review of financial statements	**17,000**	17,000
Taxation services		
Tax compliance services and review of company income tax returns	**62,026**	33,524
Other Services		
Consulting services	**-**	33,122
Total remuneration of network firms of PricewaterhouseCoopers Australia	**79,026**	83,646

6.6 Contingent Liabilities

The Group had no contingent liabilities at 31 December 2020 (2019: nil).

6.7 Basis of Preparation and Compliance

The principal accounting policies adopted in the preparation of these consolidated financial statements have been set out throughout the document. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

These financial statements:

- are general purpose financial statements.
- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AASBs) and Interpretations issued by the Australian Accounting Standards Board. These financial statements also comply with International Financial Reporting Standards (AASB) and Interpretations as issued by the International Accounting Standards Board.
- have been prepared on a going concern basis using historical cost conventions except for financial instruments measured at fair value.
- are presented in Australian dollars, with all values rounded to the nearest thousand dollars or where the amount is $500 or less, zero, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Director's Report) Instrument 2016/191.
- present reclassified comparative information where required for consistency with the current year's presentation.
- adopt all new and amended AASBs and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 January 2020.
- do not early adopt any AASBs and Interpretations that have been issued or amended but are not yet effective.
- have all intercompany balances, income and expenses, unrealised gains and losses and dividends resulting from intercompany transactions eliminated in full.

Financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, the Groups functional and presentation currency.

The results and financial position of foreign operations (none of which involve currencies of hyperinflationary economies) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not reasonable)
- approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- all resulting exchange differences are recognised in other comprehensive income.

6.7 Basis of Preparation and Compliance (continued)

Goods and Services Tax (GST) is recognised in these financial statements as follows:

- revenues, expenses, and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority.
- receivables and payables are stated inclusive of the amount of GST receivable or payable.
- the net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.
- cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities are presented as operating cash flows.
- commitments are disclosed net of GST.

(b) New accounting standards and interpretations

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

6.8 Subsequent Events

On 17th February 2021, Asaleo Care Limited and Essity entered into a scheme implementation agreement under which it is proposed that Essity will acquire all outstanding ordinary shares in Asaleo not already owned by it. Total value to Asaleo shareholders will be $1.45[1] per share, comprising $1.40 in cash per ordinary share in consideration provided in accordance with a scheme of arrangement ("Scheme") plus $0.05 per share of permitted dividends.

A scheme booklet containing information relating to the Scheme, including an independent expert's report and details of the Scheme meeting, is expected to be sent to shareholders in May 2021. Shareholders will have the opportunity to vote on the Scheme at a Court-convened meeting, expected to be held in June 2021. Subject to shareholder approval and other conditions of the Scheme being satisfied, it is expected to be implemented in June 2021.

Asaleo Care announced on 22 December 2020 that it was to acquire Tom Organic Pty Ltd for $12.75 million in cash. The acquisition was completed on 29 January 2021.

[1] Subject to being a shareholder on the respective dividend record dates and the Asaleo Board determining, at its absolute discretion, payment of the special dividend.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 63 to 108 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in section 6.2 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in section 6.2.

Section 6.7(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

Harry Boon
Director

Dated this 17th day of February 2021

Independent auditor's report

To the members of Asaleo Care Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Asaleo Care Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2020
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

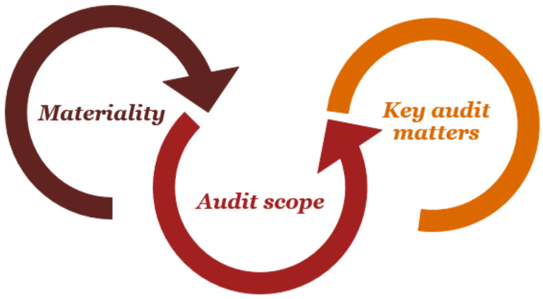
Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of $2.7 million, which represents approximately 5% of the Group's profit before tax from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured and is a generally accepted benchmark.
- We selected a 5% threshold based on our professional judgement, noting that it is within the range of commonly acceptable profit related thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We conducted an audit of the Australian and New Zealand operations, including the discontinued operations, given their financial significance to the Group as described in note 1.1 of the financial report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Presentation of the New Zealand Baby business and the Australian Consumer Tissue business as discontinued operations *(Refer to section 1)*	
The Baby Diaper business in New Zealand ceased operating from 25 June 2020 and is reported in the financial statements as a discontinued operation. Additionally, the Australian Consumer Tissue business was sold on 2 March 2019 and continues to be disclosed as a discontinued operation. The accounting for discontinued operations was a key audit matter because the transactions are complex and involve key judgements by the Group related to the environmental indemnity for the Australian Consumer Tissue business.	In relation to the cessation of the Baby Diaper business, we performed the following procedures amongst others: • Evaluated the presentation of the results of Baby Diaper business as discontinued operations, the allocated income and expenses. • Assessed the carrying value of the assets and liabilities related to the Baby Diaper business. In relation to the Australian Consumer Tissue business, we performed the following procedures amongst others: • Read the terms of the Sale Agreement. • Evaluated selected evidence in relation to the environmental indemnity. We evaluated whether the discontinued operations disclosures were consistent with the requirements of Australian Accounting Standards
Carrying value of goodwill and indefinite-lived intangible assets *(Refer to note 3.4)*	
The Group holds total intangible assets of $133.8m which have been assessed as having indefinite useful lives and therefore under Australian Accounting Standards are required to be tested for impairment annually. For the year ended 31 December 2020, the Group identified three cash generating units (CGUs), being Retail Australia, Retail New Zealand and Business-to-Business (B2B). The intangible assets are allocated across these CGUs. In order to assess the recoverability of the assets for each of the three CGU, the Group prepared financial models to determine if the carrying values were supported by forecast future cash flows, discounted to present value. The Group did not identify any impairment for the CGUs. The Group performed sensitivity analysis and determined that the Retail New Zealand impairment assessment was sensitive to a possible change in the discount rate and forecast cash flows. The impact of the changes in these assumptions is disclosed in note 3.4 The assessment of the carrying value of goodwill and indefinite-lived intangibles was a key audit matter as the balance is material and there is significant judgement involved in estimating future cash flows and other key assumptions, particularly with respect to determining	We performed the following procedures amongst others: • Assessed whether the Group's determination of CGUs was appropriate under the requirements of Australian Accounting Standards and was consistent with our knowledge of the Group's operations and internal Group reporting. • Assessed the allocation of assets, liabilities and cash flows to each CGU and found them to be attributable to the individual CGUs, and an allocation of corporate assets. • Tested the mathematical accuracy of the calculations in the financial models used to assess impairment ("the models") • Compared the forecast cash flows used in the impairment assessments with the budget formally approved by the Board. • Assessed whether the forecast growth rate assumptions used in the models were appropriate with reference to our understanding of underlying drivers for growth in the context of the Group's future plans. • Evaluated the Group's ability to forecast future cash flows by comparing historical budgets with reported actual results for each CGU for the past 3 years. • With the assistance of PwC valuation experts, assessed whether the discount rates used in the models were appropriate by comparing them to market data, comparable companies and industry research. • Compared the terminal growth rates in the models to historical growth rates and economic forecasts. We evaluated the sensitivity analysis for each CGU and noted that the Retail New Zealand CGU assessment is sensitive to reasonably

Key audit matter	*How our audit addressed the key audit matter*
appropriate: • Discount rates • Terminal growth rates We specifically focused on the Retail New Zealand CGU given the limited headroom and because the impairment assessment is sensitive to reasonably possible changes in key assumptions.	possible changes in key assumptions. We evaluated whether the disclosure made in note 3.4 were consistent with the requirements of Australian Accounting Standards
Adequacy of trade spend accruals for retail promotional activity *(Refer to note 3.1)*	
As is industry practice in Australia and New Zealand, there are numerous pricing arrangements ("trade spend" or "rebates") with retail customers (such as supermarkets) which relate to the retailer selling Asaleo Care products on promotion. The Group is required to estimate and accrue for these rebates (variable trade spend obligations) at each reporting date to the extent they relate to sales made by the Group in the financial year. We considered these variable trade spend accruals a key audit matter due to the value of these accruals and the level of judgement required by the Group in estimating the amount payable to retail customers	As part of our audit procedures we performed the following procedures, amongst others, on a sample basis: • Understood the Group's processes and controls over the recording of variable trade spend and rebates. • Inspected rebates claimed by retail customers after the balance date and assessed that where these claims related to sales made by the Group before year end they were adequately accrued. • Where no subsequent claims had been received, we recalculated the year-end trade spend accruals by comparing the number of units sold by the retail customers and/or the Group during the promotional period to the Group's estimate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 47 to 61 of the directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of Asaleo Care Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Alison Tait

Alison Tait
Partner

Melbourne
17 February 2021

Shareholder Information

Additional information required by the Australian Securities Exchange Listing Rules not elsewhere disclosed in this report.

The Shareholder Information set out below was applicable as at 1 February 2021.

Distribution of Shareholders

Range	Investors	Securities	% of issued capital
100,001 and Over	39	528,121,729	97.24
10,001 to 100,000	391	9,006,315	1.66
5,001 to 10,000	414	3,128,065	0.58
1,001 to 5,000	917	2,499,546	0.46
1 to 1,000	694	366,836	0.07
Total	**2,455**	**543,122,491**	**100.00**

There were 233 holders with less than a marketable parcel of ordinary shares. Each ordinary share is entitled to one vote.

Substantial Shareholders

Based on the Substantial Holder notices lodged with the ASX, the following shareholders had a greater than 5% beneficial interest in the Company.

Name	Number of Shares	% of issued shares
ESSITY GROUP HOLDING BV	196,396,028	36.16
ALLAN GRAY AUSTRALIA	99,030,345	18.23
SPHERIA ASSET MANAGEMENT	44,348,541	8.17
MARATHON ASSET MANAGEMENT	37,988,846	6.99

Twenty largest registered Shareholders

The names of the 20 largest registered shareholders are listed below.

Name	Ordinary Shares	% of units
ESSITY GROUP HOLDING BV	196,396,028	36.16
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	129,061,138	23.76
CITICORP NOMINEES PTY LIMITED	73,628,925	13.56
J P MORGAN NOMINEES AUSTRALIA LIMITED	62,286,321	11.47
NATIONAL NOMINEES LIMITED	40,541,656	7.46
BNP PARIBAS NOMS PTY LTD	9,016,754	1.66
BNP PARIBAS NOMINEES PTY LTD	7,793,796	1.43
CITICORP NOMINEES PTY LIMITED	1,464,487	0.27
CS THIRD NOMINEES PTY LIMITED	947,966	0.17
ECAPITAL NOMINEES PTY LIMITED	678,628	0.12
CS FOURTH NOMINEES PTY LIMITED	662,434	0.12
NIDO D'ORO PTY LTD	563,134	0.10
PANTHER TRADING PTY LTD	500,000	0.09
BRISPOT NOMINEES PTY LTD	493,693	0.09
PACIFIC CUSTODIANS PTY LIMITED	381,099	0.07
ICONIC INVESTMENTS LTD	303,000	0.06
D GRISS NOMINEES PTY LTD	241,567	0.04
COLENEW PTY LIMITED	218,181	0.04
AMP LIFE LIMITED	217,080	0.04
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	201,611	0.04
Total	525,597,498	96.77
Balance of register	17,524,993	3.23
Grand total	543,122,491	100.00