



## PRIORITY TOPIC: SUPPLY CHAIN

# CREATING VALUE FROM SOURCE TO SHELF WITH A SUSTAINABLE SUPPLY CHAIN.

We recognize that a sustainable supply chain creates value for our customers, suppliers and us, and minimizes risk to our ongoing business success.

Our program focuses on:

- Social and Environmental Compliance: Working with our mills and key suppliers to meet our standards of performance for human rights, labor rights, employee safety, anti-corruption and environmental protection.
- Risk Management: Ensuring that the products and materials we purchase come from traceable, resilient and sustainable sources; enabling better prediction and prevention of potential business disruptions, e.g. water security.
- Value and Innovation: Driving innovation in sustainability by collaborating with our supply chain partners to create value and resilience for Kimberly-Clark and our customers.

### 2022 GOAL(S)

## LIVE OUR VALUES

through proactive  
environmental and  
social programs.

### HOW IMPACT IS ACHIEVED AND MEASURED

- Water: Invest in water treatment and recycling technologies and partner to support communities in water-stressed areas.
- Corporate Social Compliance: Deploy and improve the social compliance program to monitor facility and key supplier performance to our workplace and human rights standards.
- Environmental, Health and Safety (EHS): Conduct EHS audits to confirm facility performance against safety and environmental standards and to check the health of our EHS Management System.
- Supplier Collaboration: Seek value-adding supply partners to create shared value.

## PRIORITY TOPIC: SUPPLY CHAIN (CONTINUED)



### 2017 PROGRESS

#### Water Security

Water is one of the world's most vital resources and a key input material to our tissue manufacturing processes. In 2015, we conducted a water risk screening assessment to determine which of our operations are at high risk for water stress, identifying 12 requiring focused attention.

Building on our water risk assessment work from prior years, we defined our environmental NGO partners and initiated watershed analyses and target setting for five operations in water-stressed locations.

We will continue to conduct these types of water risk screenings and watershed analyses working towards our 12 water-stressed locations by 2022. In addition to developing water targets customized to the local situations, we recognize that the communities surrounding mills experiencing water stress will have important social needs as well.


Engagement at the local community level is helping to identify appropriate mechanisms to support these needs.

Attention is focused on the global risk of water scarcity due to increased demand and the effects of climate change. To address this, in 2017 we partnered with Deltares, an independent research institute and experts in water, to undertake a study where we operate two manufacturing facilities.

This study, in-conjunction with local community stakeholders and consultation with government authorities, has led to the development of a new innovative web-based tool called WaterLoupe. The tool will monitor local freshwater supplies and consumption trends, and generate actionable insights to mitigate local water risks.

 [Read more about the WaterLoupe tool](#)

Previously, our water security programs focused primarily on water usage, reduction and recycling in our tissue manufacturing facilities. In 2017, in addition to our focus on high risk for water stress, we expanded our program to Personal Care operations. Even with more than 50 new facilities reporting, our total water use was reduced by over two million cubic meters.

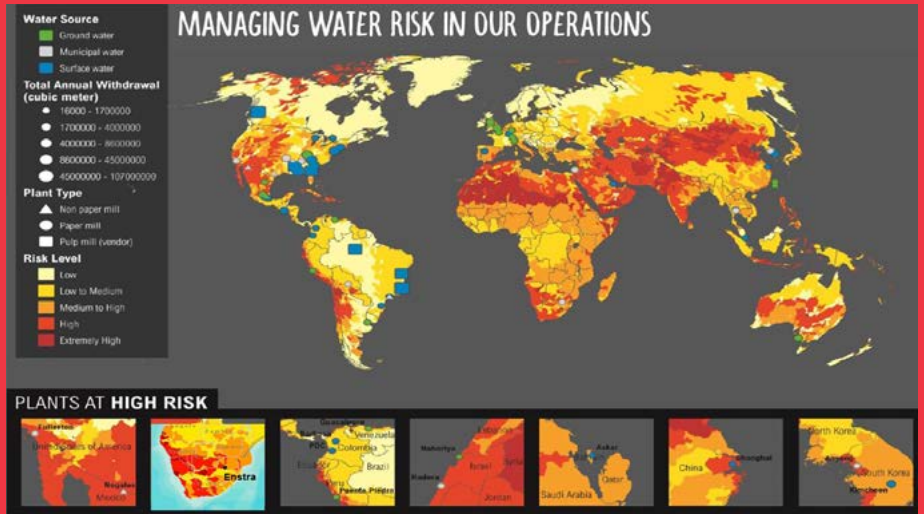
**TOTAL WATER USE  
WAS REDUCED BY**  
**2M**  
CUBIC METERS 

PROCESS FRESH WATER USE (MILLION CUBIC METERS)	2010	2011	2012	2013	2014	2015	2016	2017
Surface	72.6	74.1	46.7	44.5	43.5	44.8	41.4	<b>38.6</b>
% of total	57%	59%	45%	48%	46%	49%	45%	<b>43%</b>
Municipal	36.3	33.0	39.7	31.8	28.3	27.3	30.9	<b>31.2</b>
% of total	29%	26%	38%	34%	30%	30%	34%	<b>35%</b>
Groundwater	17.7	18.0	18.2	17.0	21.9	20.0	19.3	<b>19.6</b>
% of total	14%	14%	17%	18%	23%	22%	21%	<b>22%</b>
<b>Total water use</b>	126.5	125.2	104.6	93.3	93.6	92.1	91.6	<b>89.4</b>
Change from previous year	N/A	-1%	-16%	-11%	0%	-2%	-0.4%	<b>-2.4%</b>

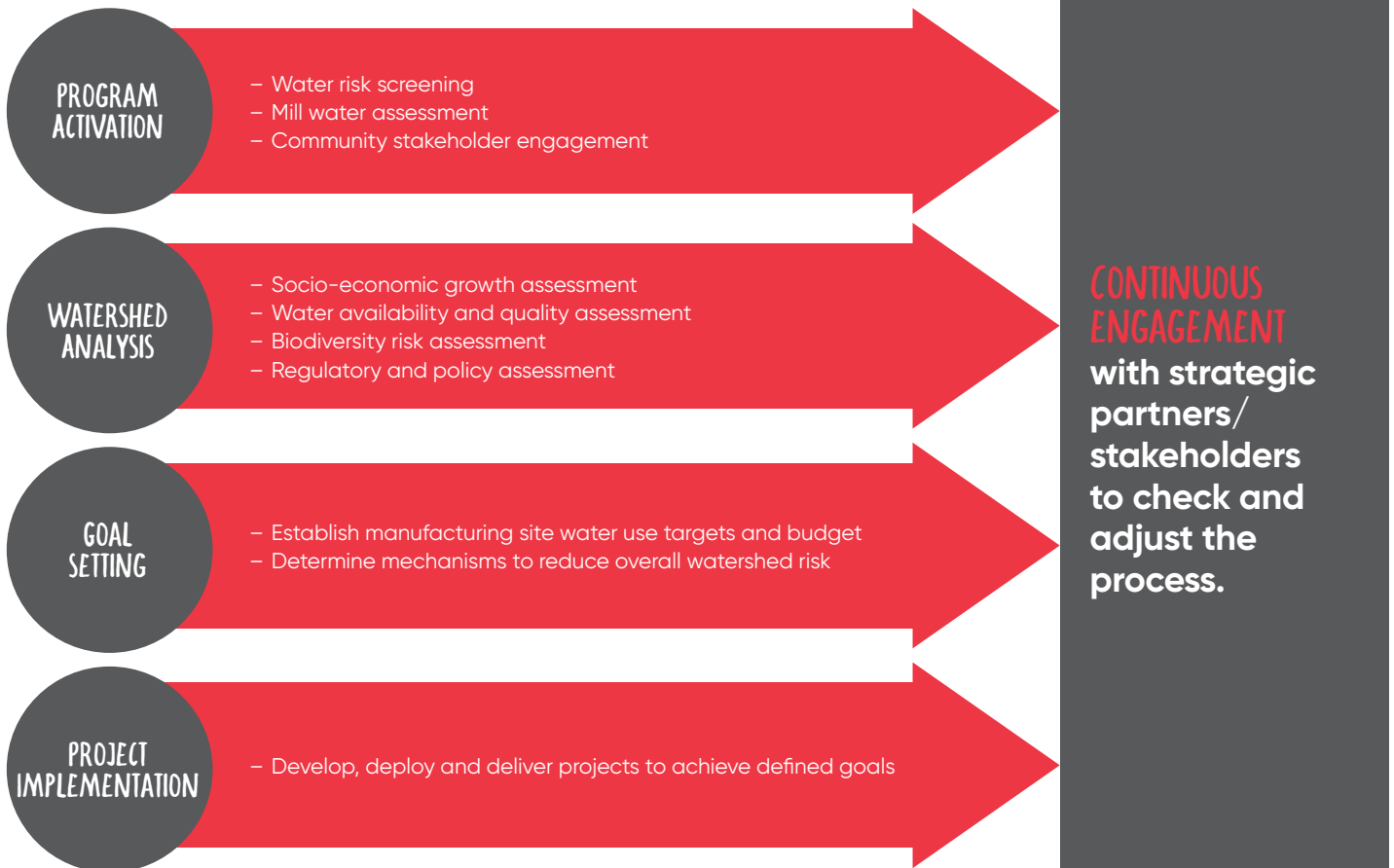
PROCESS EFFLUENT DISCHARGE DESTINATIONS (%)	2010	2011	2012	2013	2014	2015	2016	2017
Surface	87%	87%	88%	83%	88%	89%	88%	<b>88%</b>
Municipal	13%	13%	12%	17%	12%	11%	12%	<b>12%</b>



**UNDERSTANDING WATER STRESS HELPS US DEVELOP TARGETED PLANS FOR OUR MILLS AND THE SURROUNDING COMMUNITIES.**



**\$2022 WATER STRATEGY – A FOUR-STEP PROCESS**





## WATER SECURITY IN HIGH-STRESS LOCATIONS

### ASIA PACIFIC

Located in a water-stressed region, Kluang, Malaysia Mill experienced a serious drought in 2010 that reduced the river's flow, depleting the community's water supply and causing us to shut down our mill for a prolonged period of time. To do our part in reducing water impacts on the local community, we created a Total Water Solution program.

 [Read more](#)

## PRIORITY TOPIC: SUPPLY CHAIN (CONTINUED)



### 2017 PROGRESS

#### Social Compliance

We are committed through our Social Compliance program to work with suppliers to help improve human rights, labor and safety gaps and build capabilities within our supply chain. We are also committed to ensuring that employees around the world – including those of our suppliers – are treated with respect and that our workplace and human rights standards are met.

Our recently launched **SupplierLINK Portal** provides a clear set of supplier standards and requirements, including our Supplier Social Compliance Standard. This commitment is formalized in our **Human Rights in Employment Policy** and our **Code of Conduct**, which guide our interaction with suppliers, partners, customers and consumers worldwide.

In 2017, there was significant progress resulting from improved supplier awareness of social compliance requirements and subsequent deployment of corrective actions to close audit findings. Buyer training programs on social compliance were expanded to increase awareness of forced labor, working conditions and safety risks in our supply chain.

Within our Corporate Social Compliance program, key suppliers are identified through a risk-based approach to determine which will be subject to our audit requirements. Auditing resources are directed to areas with the most significant risks to identify gaps and opportunities for improvement in areas such as work hours and wages, discrimination, freedom of association, occupational safety, child labor and forced labor.

Through the execution of our auditing program, we identify a number of Major Non-Conformance Findings each year, stated in our Social Compliance Audit Results table. In these situations, our first priority is to work with suppliers to remediate and verify that the non-conformance findings are resolved and therefore improve the conditions for the workers. Since its inception in 2012, the social compliance program has completed more than 866 audits, resulting in improved working conditions for more than 200,000 workers in our external supply chain. Our suppliers play a key role in this commitment.

We regard our standard as a total supply chain initiative, and thus to be compliant, we expect our suppliers to pass these standards down to their suppliers to ensure conformance throughout the supply chain.

**Read more** about how we partner with companies to promote safe and healthy work environments.

IN 2017, WE COMPLETED

238



SOCIAL COMPLIANCE  
AUDITS IN

177

KEY FACILITIES



## TRAINING BUYERS TO SUPPORT SAFE, FAIR WORKING CONDITIONS IN OUR SUPPLY CHAIN

### LATIN AMERICA

We want to make sure all of our employees – including supply chain workers – are treated with respect and fairness and are able to work in a safe, healthy environment. We expanded our buyer training program in Latin America, reaching nearly 50 buyers in Argentina, Brazil, and Colombia.



Read more



**PRIORITY TOPIC:**  
**SUPPLY CHAIN (CONTINUED)**



<b>SOCIAL COMPLIANCE AUDIT RESULTS</b>	2014	2015	2016	2017
Number of in-scope suppliers	397	272	302	<b>391</b>
<b>Facilities Audited</b>				
Kimberly-Clark Branded Audits <sup>1</sup>	62	65	63	<b>94</b>
Customer Branded Audits <sup>2</sup>	60	67	85	<b>83</b>
<b>Kimberly-Clark Branded Audited Facilities</b>				
Audited Facilities with Major Non-Conformance Findings Requiring Corrective Action	41 10.3% of in-scope suppliers	42 15.4% of in-scope suppliers	45 14.9% of in-scope suppliers	<b>56</b> 14.3% of in-scope suppliers
Audited Facilities with Minor and Major Non-Conformance Findings, Total	39 9.8% of in-scope suppliers	61 22.4% of in-scope suppliers	62 20.5% of in-scope suppliers	<b>84</b> 21.5% of in-scope suppliers
<b>Non-Conformance Findings by Category (Kimberly-Clark Branded Audits Only):</b>				
Health and Safety	40 facilities (73 total major health and safety findings)	38 facilities (92 total major health and safety findings)	48 facilities (126 total major health and safety findings)	<b>56 facilities</b> (202 total major health and safety findings)
Child Labor	0 facilities (0 total major child labor findings)	0 facilities (0 total major child labor findings)	0 facilities (0 total major child labor findings)	<b>0 facilities</b> (0 total major child labor findings)
Forced Labor	6 facilities (7 total major forced labor findings)	3 facilities (3 total major forced labor findings)	3 facilities (3 total major forced labor findings)	<b>7 facilities</b> (7 total major forced labor findings)
Freedom of Association	0 facilities (0 total major freedom of association findings)	0 facilities (0 total major freedom of association findings)	0 facilities (0 total major freedom of association findings)	<b>0 facilities</b> (0 total major freedom of association findings)
Discrimination	1 facility (1 total major discrimination finding)	0 facilities (0 total major discrimination findings)	1 facility (1 total major discrimination finding)	<b>1 facility</b> (1 total major discrimination finding)

(1) Kimberly-Clark branded audits refer to audits measured against Kimberly-Clark compliance standards.

(2) Customer branded audits refer to audits measured against customer-specific compliance standards.

**PRIORITY TOPIC:**  
**SUPPLY CHAIN (CONTINUED)**



**2017 PROGRESS**


**Environmental Compliance**

Environmental team members from around the world collaborate to build capabilities, continuously improve our systems and standards and assess performance gaps in areas including air emissions, chemical management, water and wastewater treatment, waste management and beyond.

Elements of the environmental compliance program include:

- Optimizing the implementation of our Environmental, Health and Safety (EHS) Management System and its policy, organization, planning and implementation elements.
- Modeling our EHS Management System with the ISO 14001 Standard.
- Deployment of the EHS Audit program. Conformance is verified by first, second or third party audits and corrective measures are tracked to closure.

In 2017, we achieved our targets related to this program with 16 EHS audits conducted and on-time closure of more than 96% of environmental findings.

**96%** 

**ON-TIME CLOSURE  
OF ENVIRONMENTAL  
FINDINGS**

**16** 

**EHS AUDITS  
CONDUCTED**

**2017 PROGRESS**

**Occupational Safety**

Our safety vision is to realize an incident free workplace. While we are proud to have industry-leading performance in safety, we aspire to do better. Continuing to improve requires that we continue to check and adjust our approach and this year we introduced six key imperatives for the next phase of our REAL safety strategy and transformation.

**The Six Safety Imperatives:**

- 1** Address inconsistent safety leadership: Define leadership safety expectations so that all leaders model behavior that inspires the organization.
- 2** Focus on positive safety interactions: Increase the frequency of authentic, caring safety interactions, role model behaviors and reinforce conformance to standards.
- 3** Reduce risk tolerance: Improve knowledge and awareness to ensure that our team members make the right safety decisions every time.
- 4** Empower employees and contractors to have safety impact: Provide employees and contractors with the knowledge and tools to own safety in their environment.
- 5** Address inconsistent critical safety work practices: Ensure and check compliance with requirements so that every employee and contractor follows critical work practices every time.
- 6** Align incentives and metrics: Utilize simple metrics and incentives to create focus and drive desired behaviors and choices.

In 2017, our Total Reportable Incident Rate (TRIR) was 0.19. Our TRIR improved by 17%. This is a clear indication that our focus on leading safety indicators and proactive risk reduction is helping us improve our incident rate performance.

Regrettably, there was one fatality in 2017 involving a K-C de Mexico employee, as well as another fatality involving an external contractor in Asia Pacific. In light of this, as part of our Safety Imperatives Process, additional safety improvement initiatives are being launched in order to:

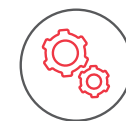
- 1) achieve consistent safety leadership across the enterprise;
- 2) reduce risk tolerance; and
- 3) promote contractor safety.

**REAL STRATEGY**  
RISK MITIGATION  
EHS MANAGEMENT SYSTEMS  
ACCOUNTABILITY FOR SAFETY  
LEADERSHIP IN SAFETY

**TOTAL REPORTABLE  
INCIDENT RATE (TRIR)**

**0.19**

**PRIORITY TOPIC:**  
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<b>KIMBERLY-CLARK EMPLOYEE SAFETY</b>	2010	2011	2012	2013	2014 <sup>4</sup>	2015 <sup>4</sup>	2016 <sup>4</sup>	2017
Fatalities	0	0	0	0 <sup>1</sup>	0	0	0 <sup>2</sup>	1 <sup>5</sup>
Permanently disabling injuries	14	8	9	2	2	5	4	2
<b>Total Reportable Incident Rate (TRIR)</b>	0.44	0.40	0.31	0.27	0.23	0.21	0.23	<b>0.19</b>
North America	0.59	0.44	0.33	0.30	0.24	0.22	0.22	<b>0.32</b>
Latin America	0.40	0.40	0.39	0.41	0.21	0.19	0.24	<b>0.19</b>
Europe (EMEA starting in 2015) <sup>3</sup>	0.71	0.71	0.39	0.80	0.37	0.34	0.33	<b>0.34</b>
Middle East and Africa <sup>3</sup>	1.01	0.53	0.76	0.33	0.48	N/A	N/A	N/A
Asia/Pacific	0.32	0.23	0.14	0.20	0.17	0.17	0.15	<b>0.13</b>
<b>Lost-time Reportable Incident Rate (LTRIR)</b>	0.30	0.27	0.19	0.17	0.15	0.17	0.15	<b>0.14</b>
North America	0.39	0.22	0.20	0.15	0.14	0.15	0.12	<b>0.20</b>
Latin America	0.31	0.36	0.21	0.25	0.16	0.18	0.17	<b>0.16</b>
Europe (EMEA starting in 2015) <sup>3</sup>	0.45	0.59	0.29	0.40	0.25	0.24	0.24	<b>0.28</b>
Middle East and Africa <sup>3</sup>	0.82	0.37	0.52	0.14	0.29	N/A	N/A	N/A
Asia/Pacific	0.21	0.14	0.08	0.13	0.11	0.12	0.09	<b>0.09</b>
<b>Sentinel Events Reporting Rate (SERR)</b>	1.70	1.53	1.54	1.66	2.00	4.44	4.62	<b>4.28</b>
Safety compliance penalties	\$110,955	\$4,800	\$23,000	\$1,000	\$25,000	\$4,500	\$20,040	<b>\$18,000</b>

(1) In 2013, a motor vehicle fatality occurred in the trucking operations of Kimberly-Clark de Mexico, an unconsolidated affiliate.

(2) In 2016, there were zero fatalities involving Kimberly-Clark employees, however there were three fatalities involving contractors at a subsidiary of the partly-owned Kimberly-Clark de Mexico. One incident where an outside roofer suffered a fatal fall, another involving a contract security guard, and one where a third-party trucker was involved in a vehicle accident.

(3) In 2015, the data for Europe was combined for reporting purposes as Europe, Middle East and Africa (EMEA).

(4) In 2016, Kimberly-Clark Professional (KCP) reporting was combined into regional data. Therefore data was revised for 2014 and 2015 as it was previously reported out separately.

(5) One fatality involving a K-C de Mexico employee. Note there was one additional fatality of a contractor (non-K-C employee) in Asia Pacific.

TRIR: Work-related events that result in fatalities, temporary or permanently disabling injuries, or illnesses, per 200,000 hours worked per annum.

LTRIR: Reportable injuries/illnesses that result in time away from work or restricted work, per 200,000 hours worked per annum.

SERR: Number of Sentinel Events reported per 200,000 hours worked per annum.





## SAFETY MADE ESSENTIAL

GLOBAL – KCP

Sustainability is a key part of our commitment to create Exceptional Workplaces that are healthier, safer and more productive. All employees should be able to work safely, every day, and return home to their families.

 [Read more](#)



### 2017 PROGRESS

#### Product Quality and Safety

Ensuring quality is an essential part of Kimberly-Clark's business strategy, and a culture of quality is the foundation for meeting our customer and consumer expectations. It is the policy of Kimberly-Clark to design, manufacture and deliver products that meet or exceed customer and consumer expectations for quality performance and value.

Each Kimberly-Clark business, function and facility is charged with aligning to enterprise standards and maintaining quality systems that support these expectations. From design and sourcing to manufacturing, commercialization, transportation, distribution and sales, quality is an important part of our entire process.

External regulations and industry best practices, as well as internally developed standards, define our quality criteria. Programs are established to measure compliance with these and report results to senior management. These quality standards and established quality system processes drive the continuous improvement activities that ensure Kimberly-Clark products are safe and effective for consumers.

Since the safety and wellbeing of those families that use our products is most important, we've set a goal of reducing or eliminating ingredients of concern, and finding alternatives through our research and development efforts. **Our Ingredient Transparency approach** provides detailed ingredient information for our personal care products through our consumer care teams, and is also provided on our website for our North American brands. This information is accessible to all our stakeholders, including government, non-profit organizations, retailers and consumers.

Our Product Stewardship Council continues to ensure new and existing products continue to meet or exceed safety, environmental, quality and sustainability requirements globally, while also meeting or exceeding consumer and customer expectations. This cross-functional group consists of colleagues from a variety of disciplines including sustainability, regulatory affairs, product safety, legal, engineering, government relations, global communications and our operating units.

We created a set of **Stewardship Standards for Suppliers**, to clearly communicate our expectations to suppliers. Our expectation is for full material disclosure, so that we can maintain safety and regulatory compliance and proactively respond to emerging regulations and public concerns regarding the ingredients used in our products.

## PRIORITY TOPIC: SUPPLY CHAIN (CONTINUED)



### 2017 PROGRESS

#### Supplier Collaboration

We believe that long-term strategic supplier relationships are key to driving innovative solutions that meet our consumer and customer needs. Through our Supplier Collaboration Program, we are committed to becoming a "Customer of Choice" and partnering with key strategic suppliers. By working together, we are accelerating efforts to create value from source to shelf across our supply chain.

To further enable collaboration with our external suppliers and other partners around sustainability, we:

- Expanded access to our sustainability data management system and worked closely with suppliers to begin the process of collecting performance data. We used this to collaborate for mutual benefits in areas including reducing Scope 3 greenhouse gas emissions, reducing the impacts of water stress on operations and communities, improving social compliance, and other areas of impact.

- Conducted sustainability risk assessments for global and regionally purchased materials and services.

In deploying this activity, we've identified actions in the areas of increased chemical transparency, expanded social compliance scope for labor categories, and expanded upon supplier risk assessment in due diligence processes.

One example of supplier collaboration can best be demonstrated through our fiber supply chain and sourcing partner Fibria in Brazil. With much of the world's tissue and wood pulp production supplied by major global manufacturers, it is easy to assume the same is true for the supplying forests.

While many forests are held by major companies or countries, smallholders, which are individual land owners, manage a significant amount of forest resources and their involvement in our supply chain is critical. Smallholders face challenges in achieving forest certifications, like FSC.

This may be due to lack of knowledge about certification or lack of skills, tools and financial resources to achieve it. Both Kimberly-Clark and Fibria are working with NGOs like FSC and WWF to provide these resources and help develop a path to certification for smallholders that extends the reach of sustainable forestry.



### SPOTLIGHT ON KIMBERLY-CLARK'S EUCALYPTUS PULP SUPPLY CHAIN

As large partners, Kimberly-Clark and Fibria recognize the future of sustainable forestry cannot leave smallholders out and the importance of maintaining a working forest for ongoing economic benefits and our supply chain. To illustrate our shared eucalyptus pulp supply chain, we have created an interactive map.



Read more and access the interactive map.