



## 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.
- Value and Innovation  
Driving innovation in sustainability by collaborating with our supply chain partners to create value and resiliency for Kimberly-Clark and our customers.

### 2022 GOAL(S)

## LIVE OUR VALUES THROUGH PROACTIVE ENVIRONMENTAL AND SOCIAL PROGRAMS.

### HOW IMPACT IS ACHIEVED AND MEASURED

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

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



**2016 PROGRESS**

**Social Compliance**

We are 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. This commitment is formalized in our **Human Rights in Employment Policy** and our **Code of Conduct**, which guides our interaction with suppliers, partners, customers and consumers worldwide.

In addition, within our Corporate Social Compliance program, key suppliers are identified through a risk-based approach to determine which will be subject to our audit and declaration of compliance 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 and collective bargaining,

occupational safety, child labor and forced labor. All told, since the inception in 2012, the social compliance program has completed more than 600 audits, resulting in improved working conditions for more than 170,000 workers in our external supply chain.

In 2016, we completed a total of 205 social compliance audits in 148 key facilities.

While we missed our supplier compliance target by 1%, there has been significant progress resulting from improved supplier awareness of social compliance requirements and subsequent deployment of corrective actions to close audit findings.

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

**IN 2016, WE  
COMPLETED**

**205**



**SOCIAL COMPLIANCE  
AUDITS IN**

**148**

**KEY FACILITIES**

**SINCE THE INCEPTION IN 2012, THE SOCIAL COMPLIANCE PROGRAM  
HAS COMPLETED MORE THAN 600 AUDITS, RESULTING IN**

**IMPROVED  
WORKING  
CONDITIONS  
FOR MORE THAN**

**170,000**

**WORKERS IN  
OUR EXTERNAL  
SUPPLY CHAIN**

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



<b>SOCIAL COMPLIANCE AUDIT RESULTS</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Number of in-scope suppliers	397	272	<b>302</b>
<b>Facilities Audited</b>			
Kimberly-Clark Branded Audits <sup>1</sup>	62	65	<b>63</b>
Customer Branded Audits <sup>2</sup>	60	67	<b>85</b>
<b>Facilities with Non-Conformance Findings (Requiring Confirmation of Mitigation and Corrective Actions)</b>			
Kimberly-Clark Branded Audited Facilities	41 10.3 percent of in-scope suppliers	42 15.4 percent of in-scope suppliers	<b>45</b> 14.9 percent of in-scope suppliers
<b>Facilities with Non-Conformance Findings:</b>			
K-C Branded Audited Facilities	39 9.8 percent of in-scope suppliers	61 22.4 percent of in-scope suppliers	<b>62</b> 20.5 percent of in-scope suppliers
<b>Non-Conformance Findings by Category (Kimberly-Clark Branded Audits Only):</b>			
Health and Safety	40 facilities (73 total mandatory health and safety findings)	38 facilities (92 total mandatory health and safety findings)	<b>48 facilities</b> (126 total mandatory health and safety findings)
Child Labor	0 facilities (0 total mandatory child labor findings)	0 facilities (0 total mandatory child labor findings)	<b>0 facilities</b> (0 total mandatory child labor findings)
Forced Labor	6 facilities (7 total mandatory forced labor findings)	3 facilities (3 total mandatory forced labor findings)	<b>3 facilities</b> (3 total mandatory forced labor findings)
Freedom of Association	0 facilities (0 total mandatory freedom of association findings)	0 facilities (0 total mandatory freedom of association findings)	<b>0 facilities</b> (0 total mandatory freedom of association findings)
Discrimination	1 facility (1 total mandatory discrimination finding)	0 facilities (0 total mandatory discrimination findings)	<b>1 facility</b> (1 total mandatory 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)



### 2016 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, and 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.
- Deployment of the EHS Audit program. Conformance is verified by first, second or third party audits and corrective measures are tracked to closure.

In 2016, we achieved our targets related to this program with 30 EHS audits conducted and on-time closure of 91% of environmental findings and excursions.

**30**   
**EHS AUDITS  
CONDUCTED**

### 2016 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 to 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 2016, our Total Reportable Incident Rate (TRIR) was 0.23. There were zero fatalities involving Kimberly-Clark employees during 2016; however, regrettably there were three workplace fatalities involving outside contractors in our K-C de Mexico subsidiary. In light of this, contractor safety is a key area of focus with a new contractor safety process being rolled out across the enterprise.

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

**91%** 

**ON-TIME CLOSURE  
OF ENVIRONMENTAL  
FINDINGS AND EXCURSIONS**

**TOTAL REPORTABLE  
INCIDENT RATE (TRIR)**

**0.23**

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



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

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.

**PRIORITY TOPIC:  
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**2016 Progress  
Water Risk Management**

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 Kimberly-Clark operations are at high risk for water stress, identifying 12 requiring focused attention.

We will continue to invest in reducing our absolute water use in these operations with water targets customized to the local situations, but we also 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.

Building on our water risk assessment work from 2015, we defined our environmental NGO partners and initiated watershed analyses and target setting for three operations in water stressed locations.

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

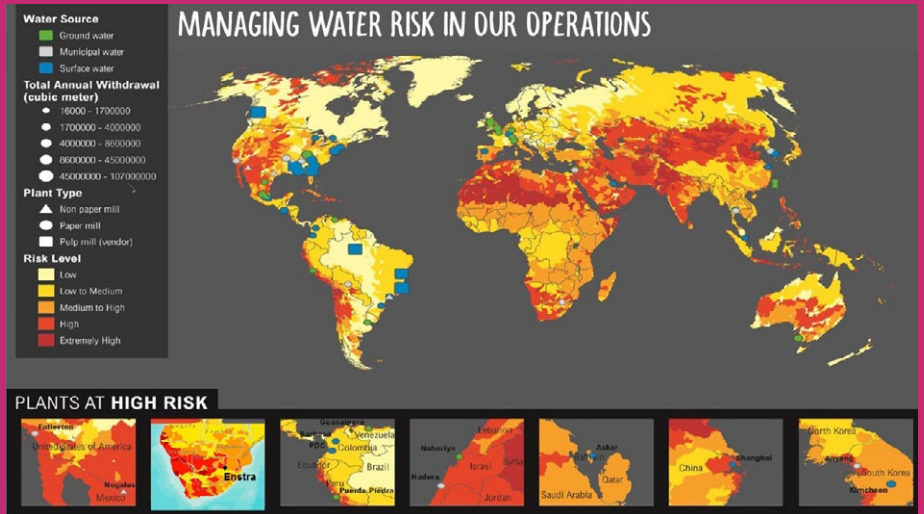
PROCESS EFFLUENT DISCHARGE DESTINATIONS (%) <sup>1</sup>	2010	2011	2012	2013	2014	2015	2016
Surface	87%	87%	88%	83%	88%	89%	<b>88%</b>
Municipal	13%	13%	12%	17%	12%	11%	<b>12%</b>

(1) In 2016, previous effluent discharge ratios were revised to reflect the latest system data.

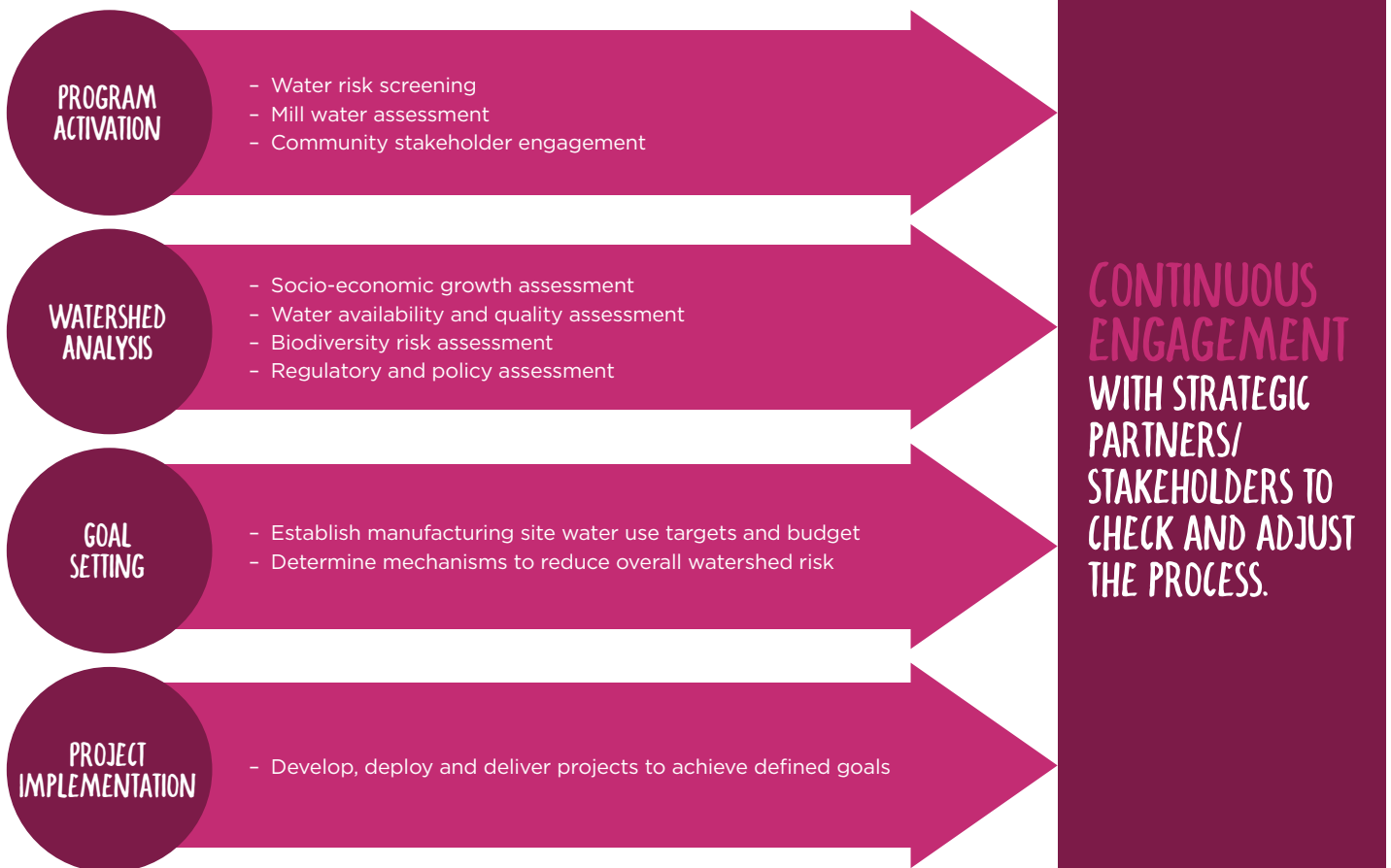
TISSUE MANUFACTURING WATER USE EFFICIENCY (M <sup>3</sup> /MT OF PRODUCTION)	2010	2011	2012	2013	2014	2015	2016
Actual	44.2	46.2	41.1	35.9	35.3	35.0	<b>35.2</b>



UNDERSTANDING WATER STRESS HELPS US TO DEVELOP TARGETED PLANS TO HELP OUR MILLS AND THE SURROUNDING COMMUNITIES.



## \$2022 WATER STRATEGY – A 4 STEP PROCESS



## PRIORITY TOPIC: SUPPLY CHAIN (CONTINUED)



### 2016 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.

Also in 2016, we created a set of Stewardship Standards for Suppliers, now posted on [Kimberly-Clark.com](http://Kimberly-Clark.com), 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.

### 2016 Progress

#### Supplier Collaboration

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 plan to use 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.

Through these activities, we'll deliver business value in the form of reduced risk of supply disruption, ensure our policies are met by contract workers in our facilities and achieve built-in resiliency at the point of supplier selection.



## WASTEWATER NOT WASTED WATER.

In 2016, Tuas Mill invested in a modularized Waste Water Treatment Plant (WWTP) to treat and recycle waste water generated from the wet wipes process. The project helps the mill recycle up to 75% of the waste water it generates annually for non-domestic uses, such as cooling towers and landscaping, contributing to Singapore's long-term water sustainability strategy.

 **Watch** – Video of this solution created by our Tuas employee team

## REFORESTATION AND STRESS RELIEF

As part of our risk management strategy to mitigate water stress, in 2016 our Barbosa Mill in Colombia reached out to the local administration of Barbosa City to design a joint strategy to execute activities of reforestation and awareness to protect the water resources of the area. The plan also included protection of one particular critically endangered species of tree called "Jacaré", and the reforestation of specific areas of Santa Rosa creek that supplies water to our mill.

 **Read** – 'Reforestation and Stress Relief' story