

2020 SUSTAINABILITY REPORT

**INNOVATION • RESILIENCE  
SUSTAINABLE COMMITMENT**



**Kimberly-Clark** de México



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# SUSTAINABILITY



**Kimberly-Clark** de México





# LETTER FROM THE CHIEF EXECUTIVE OFFICER

102-14

2020 was a year of great challenges. The COVID-19 pandemic had economic, social, environmental and health consequences that provoked unprecedented levels of uncertainty.

In this environment, and in keeping with our values, Kimberly-Clark de México prioritized the health and well-being of our employees and their families at all times, introducing a variety of safety measures and protocols to protect them. In addition, our employees themselves made an extraordinary effort to operate with the efficiency and urgency required by this singular year, qualities that enabled us to keep up a steady supply of our essential products during the pandemic, benefiting Mexican families.

In issues of Social Responsibility, we launched various initiatives to support our stakeholders. We delivered protection kits, cleaning and personal hygiene products to communities neighboring KCM mills. We also extended vital support to institutions, hospitals and front-line medical personnel, to whom we are grateful for their dedication in the unceasing battle against the pandemic.

Furthermore, through our brands and their initiatives we positively impac-





ted millions of consumers, proving once again that our commitment and values always inspire us to give more of ourselves.

In our determined support for environmental, social and governance issues, which are priorities to KCM, we achieved positive results in the evaluations of leading international rating agencies. For the fourth year in a row, we maintained our membership in the British FTSE4Good Index, were once again included in the Dow Jones Sustainability Index (DJSI) MILA Region (Latin American Integrated Market) and, for the first time, we were incorporated into the DJSI Emerging Markets Index, which tracks the performance of sustainability leaders in 25 emerging economies—an index so demanding that only five Mexican companies are included so far. We were also added to the Mexican Stock Exchange’s new S&P/BMV Total Mexico ESG Index and received the evaluations of the Carbon Disclosure Project (CDP), one of the most widely-renowned organizations in terms of sustainability communication, and moved up to leadership level with our Forest Stewardship strategy.



**We maintained three priorities during the public health emergency: guaranteeing the health of our employees and their families, the safety of our stakeholders, and the continuity of our operations.**

In our operations we prioritize participation in a completely circular economy. We improve our water use and reduce greenhouse gas emissions per metric ton produced. Committed to the responsible use of fiber, we maintained EcoLogo and Forest Stewardship Council® (FSC®) License FSC-C140370 and Green Seal certifications for various of our products. And for the tenth year in a row, we monetized 100% of our pulp waste, avoiding sending it to sanitary landfills.

of Mexicans, their communities and the country as a whole.

At Kimberly-Clark de México we are dedicated to making the essential extraordinary, responsibly and sustainably, every day, for a lifetime.



We recognize and are grateful for the dedication and commitment of every one of the people who are part of the KCM family, where we work every day to benefit Mexican families. Today more than ever, we reaffirm our commitment to the planet and to society. This report contains a statement of our 2030 Ambition, detailing our sustainability vision and targets which will allow us to positively impact the lives

**Pablo R. González G.**  
Chief Executive Officer



# 2030 SUSTAINABLE AMBITION

Dedicated to sustainably making the essential extraordinary, *every day, for a lifetime.*

**100%** of our virgin fibers will come from sustainable sources by 2022.

**100%** of our packaging will be either recycled, or recyclable or reusable or compostable by 2030.

**ZERO** waste from our processes sent to landfills by 2025.

**25%** reduction in our water use by 2030.

**50%** reduction in our direct greenhouse gas emissions by 2030.

**50%** reduction in virgin plastic from fossil sources in our packages and products by 2030.

**25 by 25:** positive impact of our direct actions and programed aimed at 25 million Mexicans by 2025.



**We support and contribute to achieving the United Nations Sustainable Development Goals, and we are committed to making the essentials, extraordinary, sustainably and responsibly, everyday, for a lifetime. In the first half of 2021 we will formalize our sustainable goals on which we have been working since 2015.**



# 50% reduction in virgin plastic from fossil fuel in our packages and products by 2030.

## Product and circular economy



### Circular economy

Reducing our environmental footprint

Product strategy	Packaging strategy
<ul style="list-style-type: none"> <li>50% reduction in the use of virgin plastics from fossil fuels by 2030</li> <li>15% reduction in the weight of our products by 2030</li> </ul>	<ul style="list-style-type: none"> <li>100% of our packaging will be recycled or recyclable or compostable by 2023</li> <li>20% of recycled content in our packages by 2025</li> <li>50% reduction in the use of virgin plastics from fossil fuels by 2030</li> </ul>

Dedicated to making the essential, extraordinary in a responsible way, we work to...



Improve Mexicans' quality of life through innovation, product technology and creative solutions.



Positively impact 25 million people through initiatives, direct actions and programs and through our brands toward 2025.

## Transparency

Increased commitment to product safety



Decisions based on scientific testing	Increased transparency	Better formulas
Internal and independent safety assessments.	Share our practices, showing the consumer clear and reliable information on ingredients and materials.	Use ingredients and materials preferred by the consumer.

## Environment

### Operation



Water	Fiber	Climate change	Waste
25% reduction in our water use for 2030.	100% of our virgin fibers will come from sustainable sources by 2022.	50% reduction in our direct Greenhouse Gas emissions by 2030.	Zero waste sent to landfills from our processes by 2025.

Note: the base year for all our targets is 2015.

We aspire to use the safest materials, based on innovation and scientific research, and to share clear and transparent information about our ingredients.





102-13

## Community

Committed to Mexico and the world, we directly contribute to 13 of the United Nations Sustainable Development Goals through KCM programs, actions and brands, with the goal of positively impacting the lives of 25 million people by the year 2025.

SDG	What	How (Social programs)
 <b>Zero Hunger</b>	End hunger, achieve food security and better nutrition, and promote sustainable farming.	<ul style="list-style-type: none"> <li>▪ KCM Inspirando, Educando, Impulsando</li> </ul>
 <b>Good Health and Well-being</b>	Guarantee healthy lifestyles and promote wellness in all stages of life.	<ul style="list-style-type: none"> <li>▪ Kotex® por Todas</li> <li>▪ Depend® Contigo Siempre</li> <li>▪ KleenBebé® Apapchos de Vida</li> <li>▪ KCM Inspirando, Educando, Impulsando</li> </ul>
 <b>Quality Education</b>	Guarantee inclusive, equitable quality education and promote opportunities for continuous learning by all.	<ul style="list-style-type: none"> <li>▪ Abrazando su Desarrollo by Huggies®</li> <li>▪ KCM Jóvenes Construyendo el Futuro</li> <li>▪ KCM Inspirando, Educando, Impulsando</li> </ul>
 <b>Gender Equality</b>	Achieve gender equality and empower all women and girls.	<ul style="list-style-type: none"> <li>▪ Abrazando su Desarrollo by Huggies®</li> <li>▪ Jóvenes Construyendo el Futuro</li> <li>▪ KCM Inspirando, Educando, Impulsando</li> </ul>
 <b>Clean Water and Sanitation</b>	Guarantee the availability and sustainable management of water and sanitation for all.	<ul style="list-style-type: none"> <li>▪ Escudo® Antibacterial en Acción por tu Protección</li> </ul>
 <b>Decent Work and Economic Growth</b>	Promote steady, inclusive and sustainable economic growth, full and productive employment and decent jobs for all.	<ul style="list-style-type: none"> <li>▪ KCM Code of Ethics</li> <li>▪ KCM Bienestar</li> <li>▪ KCM Kuida tu Salud</li> </ul>
 <b>Reduced Inequality</b>	Reduce inequality in and between countries.	<ul style="list-style-type: none"> <li>▪ KCM Committee on Equity, Diversity and Inclusion</li> </ul>
 <b>Sustainable Cities and Communities</b>	Make cities and human settlements more inclusive, safe, resilient and sustainable.	<ul style="list-style-type: none"> <li>▪ Jabones Kleenex®</li> <li>▪ KCM por México</li> </ul>
 <b>Responsible Consumption and Production</b>	Guarantee sustainable modes of consumption and production.	<ul style="list-style-type: none"> <li>▪ KCM Jabones (Kleenex Escudo)</li> <li>▪ Huggies Eco Protect®</li> <li>▪ Huggies Natural Touch®</li> <li>▪ Servilletas Marli®</li> </ul>
 <b>Peace and Justice Strong Institutions</b>	Promote peaceful and inclusive societies for sustainable development, facilitate access to justice for all and build effective, inclusive and accountable institutions at all levels.	<ul style="list-style-type: none"> <li>▪ Kotex por Todas</li> </ul>

# EXECUTIVE SUMMARY OF RESULTS 2020

**\$46,703 million pesos** in net sales

**131,199,635** standard units sold

**+\$100 million pesos** in infrastructure and equipment to ensure continuity of operations

**+8,500** personal protection kits delivered to our employees

**+250 thousand** soap bars and 12 tons of sanitizing gel donated to the Red Cross

**500,000** soap bars donated to the IMSS Foundation

**+100 thousand** soap bars donated in conjunction with UNICEF through the Wash program

**1,264** employees trained in human rights

**46%** of the water we consume comes from post-consumption sources



## FINANCIAL RESULTS

Millions of pesos

	2015	2018	2019	2020
Net sales	32,206	41,026	43,500	<b>46,703</b>
Operating income	7,138	7,508	8,997	<b>10,537</b>
Pre-tax income	6,273	5,995	7,462	<b>8,873</b>
Net income	4,333	4,227	5,156	<b>6,086</b>
Earnings per share	1.40	1.37	1.67	<b>1.97</b>
EBITDA	8,803	9,070	10,943	<b>12,491</b>

## ENVIRONMENTAL RESULTS

	2015	2018	2019	2020
Use of water (m <sup>3</sup> /metric ton produced)	12.20	12.19	11.66	<b>11.20</b>
Energy consumption (millions of BTU/metric ton produced)	8.20	8.40	8.18	<b>7.80</b>
GHG Emissions (metric tons of CO <sub>2</sub> e/metric ton produced)	0.73	0.67	0.66	<b>0.63</b>
Pulp waste sent to landfill (metric tons)	0	0	0	<b>0</b>

## SOCIAL RESULTS

	2015	2018	2019	2020
Number of serious and critical accidents	14	12	10	<b>4</b>
Donations (millions of pesos)	33.90	30.00	30.56	<b>40.8</b>
Training index (hours per employee)	3.12	3.38	3.40	<b>3.20</b>
Serious and critical accident index	0.14	0.11	0.07	<b>0.03</b>
Severity index	10.30	12.67	6.34	<b>2.54</b>
Profit-sharing paid to employees (millions of pesos)	721	644	772	<b>941</b>
Number of significant sanctions for noncompliance with laws or regulations	0	0	0	<b>0</b>

## SOCIAL AXIS

	2015	2018	2019	2020
Total workforce	8,023	8,673	8,653	<b>8,858</b>
% of unionized personnel	66	66	70	<b>70</b>
% of men/women	90.3/9.7	88.2/11.8	87.95/12.05	<b>88.43/11.56</b>
% of women in administrative positions	38	41	41	<b>43</b>
% of women in executive positions <sup>1</sup>	21	23	23	<b>26</b>
Salaries and benefits (MXN million)	2,034	2,565	2,946	<b>3,201</b>
Employee turnover (%)	11.80	15.88	15.19	<b>12.66</b>
Absenteeism (%)	1.39	1.51	1.51	<b>1.17</b>
Job stability (average seniority in years)	9.50	9.72	9.31	<b>8.95</b>
Significant fines or sanctions for noncompliance with environmental laws	0	0	0	<b>0</b>
Noncompliance with human rights/grievances principles	0	0	0	<b>0</b>

## ENVIRONMENTAL AXIS

	2015	2018	2019	2020
Total use of virgin wood fiber (metric tons)	166,654	227,610	201,153	<b>253,188</b>
Certified fiber (%)	100	100	100	<b>100</b>
Consumption of recycled fiber (%)	69.6	62.9	65.7	<b>66.3</b>
Monetized waste (%)	99.75	99.58	98.44	<b>98.00</b>
Total waste sent to landfills (%)	0.25	0.42	1.56	<b>2.00</b>
Total volume of water used (000 m <sup>3</sup> )	13,074	13,551	12,661	<b>12,749</b>
Ground water (000 m <sup>3</sup> )	5,202	5,734	5,468	<b>5,742</b>
Surface water (fresh and postconsumer)	7,872	7,817	7,193	<b>7,007</b>
Postconsumer surface water (%)	47.7	47.87	47.88	<b>46.22</b>
Use of water per metric ton of product (000 m <sup>3</sup> ) <sup>2</sup>	10,954	12,852	12,276	<b>12,549</b>
Volume of water discharged (%) <sup>3</sup>	100	100	100	<b>100</b>
Total energy consumption (billions of BTUs)	8,808	9,341	8,884	<b>8,937</b>

<sup>1</sup> Directors, Managers and Office heads.

<sup>2</sup> Includes volume sent for treatment and discharge.

<sup>3</sup> BOD, SST, NOM-001, SEMARNAT-996, state and municipal laws.



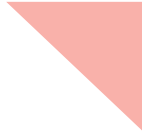
**KCM products are found  
in 99% of Mexican homes.**



# PROFILE

Kimberly-Clark Mexico is a Mexican company that makes, distributes and sells cleaning, personal care and hygiene products.





Kimberly-Clark Mexico is a Mexican company that makes, distributes and sells cleaning, personal care and hygiene products, which has been operating continuously in Mexico for more than 60 years.

### Our purpose

Dedicated to making the essential, extraordinary, everyday, for a lifetime

### Our values

Leadership  
Innovation  
Passion  
Achievement  
Integrity



Our brands are part of the daily lives of thousands of Mexicans.

## PRESENCE AND PERFORMANCE

102-4, 102-7, CG-HP-000.A, CG-HP-000.B

We are present throughout the Mexican territory. We make 98% of our products in 10 mills distributed throughout the country.



### MILLS

1. **Bajío** San Juan del Río, Querétaro.
2. **Ecatepec** Ecatepec, Mexico State.
3. **Morelia** Morelia, Michoacán.
4. **Orizaba** Orizaba, Veracruz.
5. **Prosede** Cuautitlán, Mexico State.
6. **Ramos Arizpe** Ramos Arizpe, Coahuila.
7. **Texmelucan** San Martín Texmelucan, Puebla.
8. **Tlaxcala** Tlaxco, Tlaxcala.
9. **Toluca** Toluca, Mexico State.
10. **Evenflo** Cuautitlán, Mexico State.

To ensure that our products reach end consumers through supermarkets, wholesalers, drugstores, hospitals or through e-commerce platforms, we have six distribution centers at strategic locations throughout Mexico.



### DISTRIBUTION CENTERS

- A. Ciudad Obregón Sonora.
- B. Guadalajara Jalisco.
- C. Mexico City metropolitan area (CDMX).
- D. Tepotzotlán Mexico State.
- E. Monterrey Nuevo León.
- F. Villahermosa Tabasco.



In 2020, we sold 131,199,635 standard units in Mexico







 The products we make are present in 30 countries including Mexico.



- 1. Argentina
- 2. Australia
- 3. Bahamas
- 4. Belize
- 5. Bolivia
- 6. Canada
- 7. Chile
- 8. China
- 9. Colombia
- 10. Costa Rica
- 11. Curacao
- 12. Ecuador
- 13. El Salvador
- 14. United States
- 15. Philippines
- 16. Guatemala
- 17. Haiti
- 18. Honduras
- 19. Hong Kong
- 20. Israel
- 21. Jamaica
- 22. Malaysia
- 23. Nicaragua
- 24. Panama
- 25. Peru
- 26. Puerto Rico
- 27. The Dominican Republic
- 28. Trinidad and Tobago
- 29. Uruguay

**Export sales**

Millions of pesos

	Net sales	Gross sales
<b>2018</b>	2,828	2,844
<b>2019</b>	2,673	2,691
<b>2020</b>	4,192	4,256

**Evenflo Feeding, Inc.**

Millions of pesos

	Net sales	Gross sales
<b>2015</b>	257	283
<b>2018</b>	286	324
<b>2019</b>	293	336
<b>2020</b>	421	473





201-1

Despite the crisis triggered by the COVID-19 pandemic, in 2020 we saw a substantial growth in our sales. Many of our products are essential for the care and protection of our consumers and their families. During the year, the Escudo® Anti-bacterial brand expanded its portfolio with specific products for dealing with the public health crisis. We were also an invaluable ally for Kimberly-Clark Corporation in Scott®, Cottonelle® and Huggies® Simply Clean products, given the rise in demand in North America.

This increasingly close relationship with Kimberly-Clark Corporation also meant a commercial partnership in other categories, like wet wipes, diapers and nonwoven fabrics (NWF).

For our Evenflo and Escudo brands and our 4e products, it was a challenging year. We were able to consolidate our presence in all the Evenflo and 4e channels, primarily in Guatemala, El Salvador and Panama, and we also launched Escudo in Guatemala, El Salvador and Costa Rica.



During the year we launched a new portfolio of products to meet the needs of our consumers during the pandemic.

		2020	
Item		(+)	(-)
Direct economic value generated (EVG)	Net sales	\$46,703	
Economic value distributed (EVD)	Cost of goods sold		\$28,694
	Operating expense		\$7,472
	Taxes		\$2,792
	Payments to providers of funds		\$5,134
Economic value retained	EVG-EVD	\$2,611	

Information on economic value generated and distributed is a basic indicator of how an organization has generated wealth for its stakeholders.

Item	2020
Net sales	\$46,703
Gross income	\$18,009
Margin	36.8%
Operating income	\$10,537
Margin	22.6%
Net income	\$6,086
EBITDA	\$12,491
Margin	26.7%
Earnings per share (MXN)	\$1.97
Pre-tax earnings	\$8,873

Amounts in millions of Mexican pesos.





## VALUE CHAIN

102-9, 204-1, 308-1, 414-2

Our supply chain is made up primarily of suppliers of raw materials and packaging.



This year we began commercial relations with 61 new suppliers, 18% of which were evaluated for environmental criteria.

Furthermore, we evaluated the social impact of 53 suppliers based on our **Social Compliance Standards**, aligned with principles 1 and 2 of the UN Global Compact, which contain KCM's guidelines and principles on the values of corporate citizenship, commitment to social responsibility, respect for human rights and transparent operations. We found no supplier to have actually or potentially negative social impacts.

**Domestic suppliers**  
Recycled paper, packaging materials, chemicals, caps, bottles, dispensers and soap.

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**Foreign suppliers**  
Pulp, super-absorbent chemical products, nonwoven fabrics (NWF) and recycled paper.

50% of KCM's 2020 budget went to local sourcing with 308 Mexican suppliers.



## BRANDS, PRODUCTS AND INGREDIENTS

102-2, 102-6

We offer personal and family care and hygiene products under nationally and internationally renowned brands, to accompany infants, children and adults, *every day, for a lifetime.*



### BABIES

Diapers, pull-up training pants, swim diapers, wet wipes, shampoo, lotion and bar soap, feeding products.



### BEAUTY

Bar soap, liquid hand soap, foaming liquid soap, liquid body wash, micellar water, makeup removal wipes.

Some of our best-known brands: Depend<sup>®</sup>, Escudo<sup>®</sup> Antibacterial, Evenflo<sup>®</sup>, Huggies<sup>®</sup>, KleenBebé<sup>®</sup>, Kleenex<sup>®</sup>, Kleenex<sup>®</sup> Cottonelle<sup>®</sup>, Kotex<sup>®</sup>, Pétalo<sup>®</sup>, Suavel<sup>®</sup> and Vogue<sup>®</sup>, among others.



### HOME

Toilet paper, napkins, facial tissue, paper towels.



## ADULTS

Underwear, protectors, feminine pads, prefolded.



## PROFESSIONAL

Dispensers, jumbo roll toilet paper, paper towels, hand towels, industrial cleaning cloths.



## WOMEN

Feminine pads, panty liners, tampons, intimate wipes.



## PROTECTION AND CLEANING

Wet wipes, sanitizing gel, aerosol, disinfectant, face masks.





◀ The safety of the people who buy and use our products is our priority.



CG-HP-250a.3

Every day, we make safe and effective products which undergo exhaustive internal and independent external safety testing to guarantee their quality.

We also strive to identify and develop innovative solutions that meet consumers' needs, while proactively evaluating new research findings and changing regulatory requirements.

We operate under the strictest quality requirements and are proud of our long history of making safe products trusted by millions of consumers in Mexico and around the world. This commitment to safety also applies to the raw materials used in our products.

We abide by the restricted substance list drawn up by our partner Kimberly-Clark Corporation in making our products, ensuring we have a consistent global approach that protects our consumers and the environment from exposure to substances of possible concern.



◀ We are committed to reducing or eliminating the use of restricted substances.





416-2, 417-1, 417-2, 417-3, 419-1  
 Management of restricted substances at Kimberly-Clark de México is based on the following principles:

- We have a restricted substance list (RSL) for products that may contain such ingredients (limits established by product or material) and relevant prohibited substances for Kimberly-Clark products.
- We formally review the substances and ingredients of our products to ensure they comply with all current regulatory requirements and expectations of public safety (Kimberly-Clark product safety policy).
- We monitor and proactively evaluate the ingredients published by regulatory and scientific research agencies around the world, including public perceptions, to guarantee that the RSL is kept up to date.
- We carry out an active process for identifying, reviewing and communicating the RSL to encourage the development of commercial strategies to eliminate and/or reduce the content of specific chemical substances and instead to promote safer alternatives, in some cases exceeding regulatory requirements.
- We work together with our suppliers to reduce, eliminate or manage chemical products included in the RSL.
- We require our suppliers to abide by the Kimberly-Clark RSL and to have processes and systems in place to ensure compliance.



## 100% of our products in all categories meet information and labeling requirements.

In line with the RSL, KCM does not use any aldehydes, azoic dyes, coal tar, lead, lead acetate, phthalates, triclosan, conservatives like parabens, antimicrobials, toluene, polyvinyl chloride or polyethylene micro-beads.

This year we reported no noncompliance with laws, rules or voluntary codes regarding the health and safety impact of our products, labeling or marketing. Neither did we receive any fines or sanctions for noncompliance with social or economic regulations.



# RESPONSE TO COVID-19

When we say that Kimberly-Clark de Mexico is dedicated to making the essential extraordinary, *every day, for a life time*, we say it with the conviction that our role in society is vitally important.







**Our values and our  
commitment lead us to give  
more of ourselves to bring  
essential products to the  
people of this country.**



Since the start of the pandemic caused by the SARS CoV2 virus, and particularly in the most critical months of the pandemic, we reaffirmed our commitment with the people of our country, operating in accordance with the strictest safety protocols to safeguard our employees, suppliers and their families. Always working and aiming our efforts in bringing essential products for our Mexican consumers so they could deal with the public health emergency.



**MARCH 16.**  
We migrated to work-from-home schemes for our corporate office staff.



**MARCH 19.**  
We made a pledge to our Mexican consumers to maintain the supply of essential products during the pandemic.



**APRIL 2.**  
We paid 50% of the year's profit-sharing due to employees, one of the highest rates in the country.



**APRIL 12.**  
We announced our support to 16 municipalities where we have presence, bringing to them products in order to confront the pandemic.

## COVID-19 TIMELINE

**MARCH 17.**  
We began retrofitting our facilities and operating sanitary protocols and allocated funding for medical testing, equipment and treatment.

**MXN 100 million invested.**



**MARCH 30.**  
The government declares COVID-19 to be a national public health emergency.



**APRIL 3.**  
We supported vulnerable communities and frontline healthcare professionals through organizations like the Red Cross, the Mexican Social Security Institute, the National Support Center for Epidemiological Emergencies and Disasters, and UNICEF.

**+1 million soap bars.  
+12 tons of sanitizing gel.  
+14 tons of liquid hand soap.**



**APRIL 23.**  
We brought personal protection products and equipment to frontline medical staff through the #EntrelazandoMexico fund.

**10 hospitals benefited.**





**MAY 5.**

We presented kits and supply packages of essential hygiene products to our employers and promoters and points of sale.

**8,500 kits given to employees in our mills and corporate offices.**

**1,800 product supply packages given to promoters at points of sale.**



**JUNE 1.**

We supported six hospitals with protection products for healthcare personnel through the #EntrelazandoMexico fund.



**JUNE 11.**

We launched *En Casa con Causa* (at home with a cause), a series of concerts by renowned performers, sponsored by Kotex®, to publicize eight social causes and organizations working for women's wellness, particularly for women most affected by the pandemic.

**+27 million people reached.**



**SEPTEMBER.**

We joined the *Cocina de Calidad* initiative through KCM Professional to support Mexican businesses with best practices, product kits and safety materials in order to reactivate the industry.

**200,000 businesses benefited.**

**APRIL.**

With the *Abrazando su Desarrollo* by Huggies® initiative, we brought specialists in child psychomotor development to participate in online workshops on supporting babies' overall development from home.

**+ 4 million parents benefited.**



**MAY 7.**

We launched the internal platform *KCM Bienestar* (KCM Wellness) to provide lessons in self-care, mental and physical wellness, and webinars with experts.



**JULY.**

We donated dispensers and hygiene products to the *Somos Agua* association, benefiting the families of six rural municipalities of Oaxaca.

**+2,000 liters of liquid soap donated.**

**24 hygiene modules set up with the capacity to provide enough water and soap for 8,800 people to wash their hands every day.**



**OCTOBER.**

We set up *Escudo® Antibacterial en Acción* por tu Protección sanitizing stations in leading supermarkets in five states of Mexico.

**50 stations installed.**

**+107 million people benefited.**



**In 2020, we donated 152,440 hygiene products to the communities and municipalities where we are present.**

Since the start of the pandemic, we have provided personal protection equipment to employees in all of our working places. We invited those with specific vulnerabilities to stay home to protect their safety, and people who work in our corporate offices were provided full equipment for remote work.

## PREVENTION AND ATTENTION MEASURES



We applied antibacterial gel and sanitizing liquid at the entrances of our facilities.



We provided face shields, gloves and masks to our employees and made their use mandatory.



We cleaned offices, bathrooms and meeting rooms several times a day and applied a weekly nebulizing disinfectant to all common areas.



We created a COVID committee with the heads of each area for daily tracking of cases in various workplaces, and analysis of new measures to implement.



We introduced a Sanitary Protocol and Procedure with prevention and attention measures for suspected and confirmed cases.



We installed three shifts of medical service to ensure care 24 hours a day.



We took body temperatures and smell tests on various shifts as a preventive measure, and we also conducted more than 700 PCR tests.



We created a file describing all our protocols in order to receive audits from the Ministry of Health, Ministry of Labor, COFEPRIS and the civil defense authorities.

We distributed to our employees more than 7,800 face masks daily.





## INFRASTRUCTURE MEASURES



We installed sanitary checkpoints at the entrances and exits of our work centers, with a thermographic camera for measuring body temperature, portable thermometers, hand-washing stations, acrylic shields in areas for attention to the public, and sanitizing carpets.

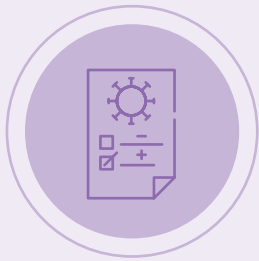


We equipped additional areas for lunch break areas and installed safe distance indicators in locker rooms and dining rooms.



We purchased oxygen concentrators and a sanitizing sprayer backpack.

## MEDIA



We carried out continuous information and awareness-raising campaigns about preventive medical care through brochures, videos, signboards, banners and talks at the start of shifts, among others.



We publicized ways to boost the immune system for all our personal, and a flu vaccination campaign through the IMSS.



Members of the COVID committee took online courses at the IMSS COVID platform.

**All employees who got the virus were given medical assistance, along with a care and protection kit.**

Thanks to the tireless dedication of our employees and their capacity for resilience, as well as the support of suppliers and complete confidence of our clients and consumers, we proved KCM's commitment to Mexico, every day, for a lifetime.



# SUSTAINABILITY STRATEGY

Our sustainability strategy, defined by the Board of Directors, Chief Executive Officer and Executive Sustainability Committee, guides KCM's efforts in responsibly and efficiently managing its economic, financial, social, labor, environmental and corporate governance resources.





Some of the targets of our sustainability strategy are based on water stewardship, reduction of greenhouse gas emissions, energy efficiency and waste reduction.





Through the four pillars of this strategy—Environment, Business Ethics, Social Responsibility and Corporate Governance—we work to create sustainable, long-term value for all our stakeholders.



The Executive Sustainability Committee (ESC) is responsible for a quarterly evaluation of our progress and performance on these four pillars and reporting to the Chief Executive Officer, who in turn communicates the salient aspects to Board Members in their meetings.

Additionally, through various initiatives, we keep our employees informed of the qualitative and quantitative goals that make up our sustainability strategy, to incorporate them into their day-to-day work.

The targets of our sustainability strategy are based on water stewardship, reduction of atmospheric emissions, energy efficiency and waste reduction.

### Our main channels for internal sustainability communication

- 1. Articles about** specific issues like water, climate change, energy efficiency, waste management and sustainability trends, published in our quarterly newsletter, *In-house KCM*.
- 2. Communication of environment policies** through informational posters and bulletin boards in all the company's mills and operations.
- 3. Publication of the Sustainability Report** on our intranet and digital web platform.
- 4. KCM Sustainability Week**, which last year was attended by +1,200 employees who heard expert speakers on issues of sustainability and climate change.
- 5. Presentation of key information in quarterly meetings** in which organizational leaders are informed of KCM's progress and challenges.





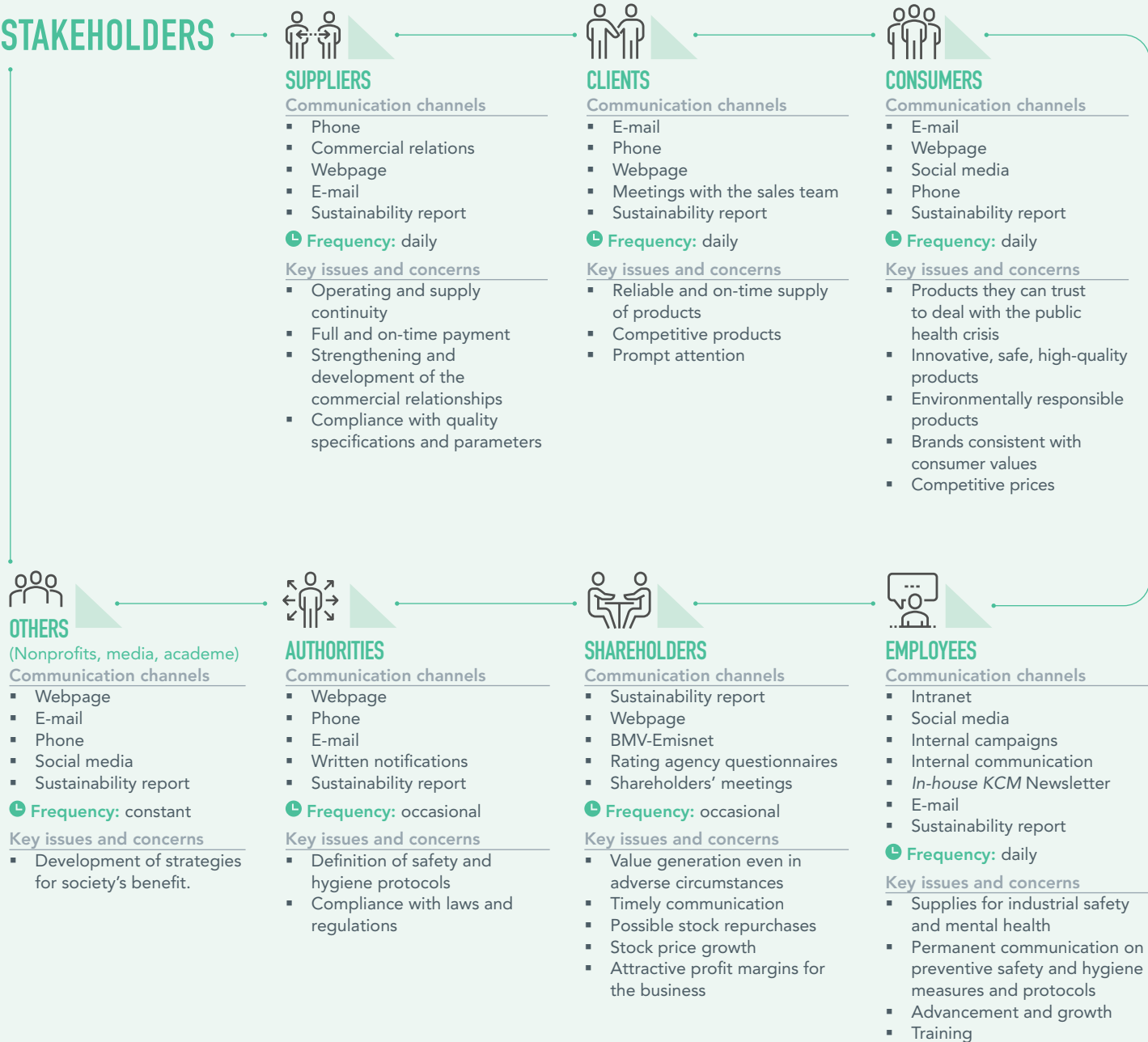
# STAKEHOLDERS

102-21, 102-40, 102-42, 102-43, 102-44

Our stakeholders are those individuals, organizations or entities that influence, whether positively or negatively, the company's activities, either in pursuit of a common goal or who are influenced by our products, activities and operations.

Kimberly-Clark de Mexico maintains close, two-way, long-term contact with all our stakeholders through various channels of communication. In our interactions with them during 2020 we identified several key issues.

## STAKEHOLDERS



## MATERIALITY

102-46, 102-47

KCM knows that there are important issues that affect how our operations develop and entail an obligation to address them by assigning resources strategically, precisely and effectively.

To this end, we updated our materiality exercise, following the methodology recommended by the Global Reporting Initiative (GRI).

Based on an analysis of information derived from various interactions with our stakeholders and secondary sources, we identified:

- The issues that have substantial weight in the appraisals and decisions of our stakeholders.
- The issues that reflect the most significant economic, environmental and social impacts by and upon Kimberly-Clark de Mexico.
- International sustainability initiatives for the consumer products industry.
- Global ESG<sup>1</sup> trends that should be considered for the sustainable development of our business.

Subsequently, the issues were ordered by priority according to the impact they have on our stakeholders or business. We identified **10 material issues**, the management of which is discussed throughout this report.

### Stakeholder engagement

We take user suggestions into account and consult with our main stakeholders to have a better understanding of their expectations regarding the management of ESG issues at Kimberly-Clark de Mexico.

### Sustainability context

We take into account relevant issues for industry as well as global sustainability trends and other emerging issues.

## GRI RECOMMENDED METHODOLOGY

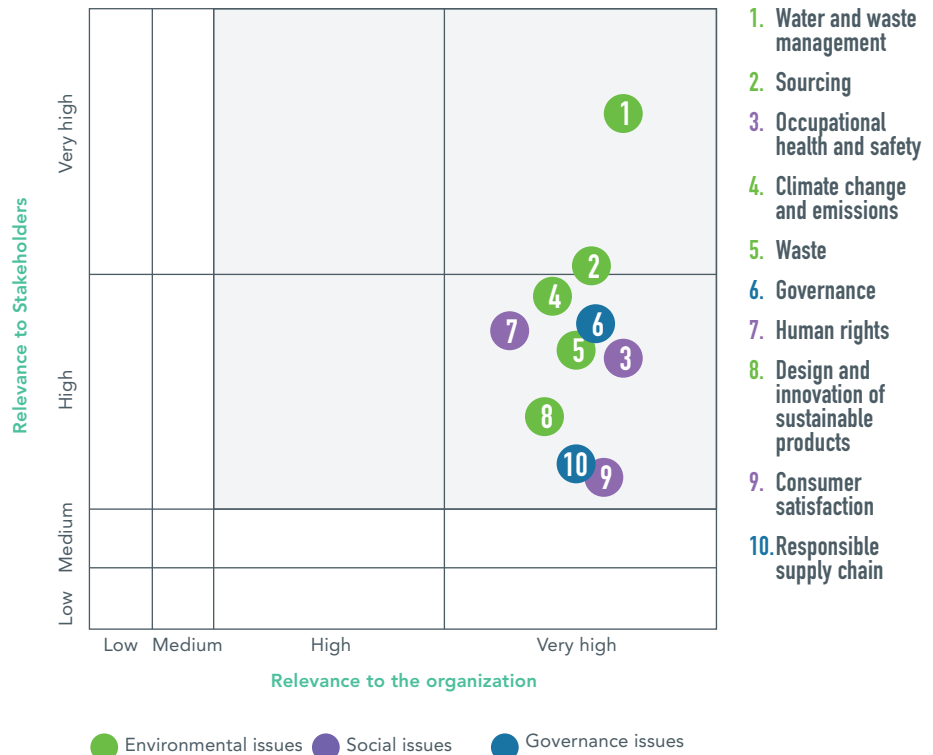
### Materiality

In this report, we provide a transparent accounting of the most relevant issues for KCM and its stakeholders.

### Completeness

In this report we address the main economic, environment and social impacts of our material issues.

## KIMBERLY-CLARK DE MEXICO MATERIALITY MATRIX



<sup>1</sup> Environmental, Social and Governance

## SUSTAINABILITY INITIATIVES

102-12





Kimberly-Clark de Mexico works every day to generate sustainable value for our stakeholders and for society at large, which is why in our operations we follow the derivatives of international initiatives like the Sustainable Development Goals (SDG) and the ten principles of the United Nations Global Compact, which we adhere to through KCM.

In the interests of creating an even stronger commitment to the Global Compact, in 2020 we asked to become participants of this initiative through KCM.

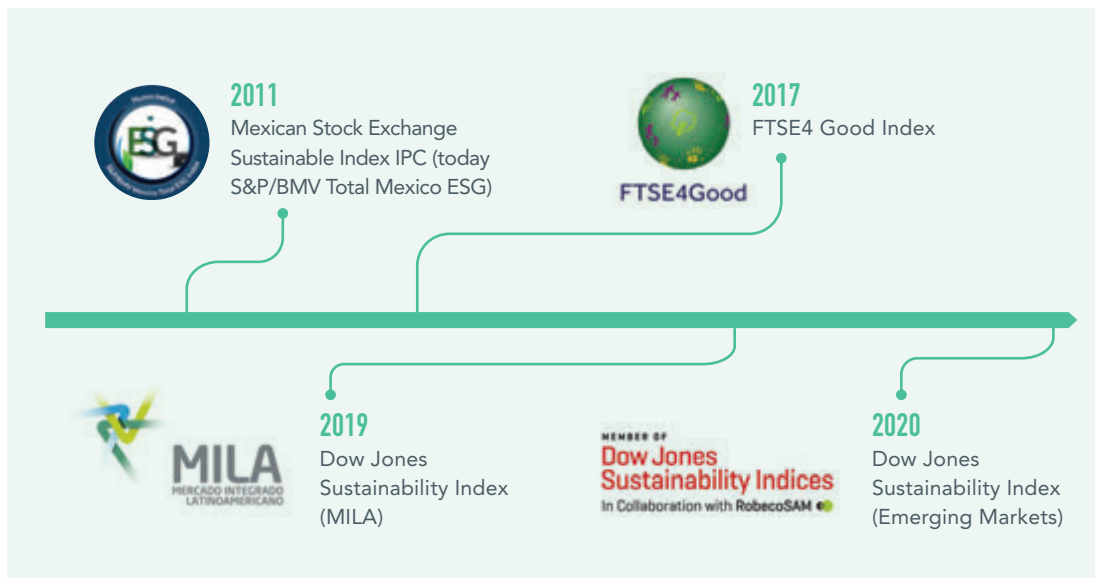
KCM is committed to maintaining the highest ESG standards. This commitment is reflected in the sustainability ratings and scores obtained by prominent national and international ratings.

Our progress over the years has been accompanied by inclusion in increasingly demanding indexes:

As a prior analytical exercise, we went over the actions we currently take toward each of these ten principles.

Issue	Global Compact Principle
 <b>Human Rights</b>	<ol style="list-style-type: none"> <li>1. Businesses should support and respect the protection of internationally proclaimed human rights.</li> <li>2. Business should make sure that they are not complicit in human rights abuses.</li> </ol>
 <b>Labor</b>	<ol style="list-style-type: none"> <li>3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</li> <li>4. Businesses should support the elimination of all forms of forced and compulsory labor.</li> <li>5. Businesses should uphold the effective abolition of child labor.</li> <li>6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.</li> </ol>
 <b>Environment</b>	<ol style="list-style-type: none"> <li>7. Businesses should support a precautionary approach to environmental challenges.</li> <li>8. Businesses should undertake initiatives to promote greater environmental responsibility.</li> <li>9. Businesses should encourage the development and diffusion of environmentally friendly technologies.</li> </ol>
 <b>Anti-Corruption</b>	<ol style="list-style-type: none"> <li>10. Businesses should work against corruption in all its forms, including extortion and bribery.</li> </ol>

All of these actions are addressed in the Code of Ethics of Kimberly-Clark de México.



**CDP**

Carbon Disclosure project (CDP) rates us above the industry average:

- Forest stewardship: **A-**
- Water Management: **B**
- Climate Change: **B**

## MANAGEMENT OF RISKS AND OPPORTUNITIES

102-15, 102-29, 102-30, 102-31, 201-2

For KCM, identifying, mitigating and promptly addressing the climate change, sanitary, social, regulatory, technological, legal, financial and market risks we currently face is vital for the long-term strategic planning of our business.

We have an internal control process that enables us to anticipate situations that may affect operations at various company locations.

## INTERNAL CONTROL PROCESS



**Risk identification** through the Risk Administration Department and key areas of each mill or corporate office, with the support of external professionals.



**Risk evaluation** to determine how likely they are to occur and the severity of the damages or losses they might cause.



**Establishment of measures** to eliminate or control the risks, analyzing alternatives to responsibly and effectively select the one that best suits existing conditions

If the risk is not eliminated or controlled with these measures, the next step is taken:



**Analysis of possible additional measures** like insurance policies.



The main risks identified are tracked and continually evaluated to ensure they remain under control, according to corporate policies and current laws.

Kimberly-Clark de Mexico is aware that climate change is a reality, and that there has been an increase in the frequency and intensity of natural phenomena like hurricanes, heavy rain, mudslides, flooding and drought, which may affect our own infrastructure or public infrastructure near our operations, as well as that of our key suppliers.

For these risks, we go by the information generated by the National Disaster Prevention Center regarding the vulnerability of the zones of Mexico where our mills and offices are located, in order to decide on the necessary actions to mitigate or adapt to the risk, and to develop contingency plans to reduce the impact of these phenomena.

**We promptly identify the environmental risks that may affect the environment and our operations.**



**2020 RISKS AND OPPORTUNITIES FOR KCM**

Risks	Real or potential impacts	Specific activities and opportunities	Related projects
<b>ENVIRONMENTAL</b>			
<b>Water</b>			
<ul style="list-style-type: none"> <li>High levels of waste and water consumption</li> <li>Poor handling of management system</li> </ul>	<ul style="list-style-type: none"> <li>Low water availability</li> <li>Poor quality water supply for operations</li> <li>Regulatory changes</li> <li>Impact on biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Investment in supply and discharge water treatment plants. Comply with and exceed regulations</li> <li>Use of post-consumer water instead of fresh water</li> <li>Closed water cycles (4.5 x recirculation)</li> <li>Best practices to obtain discharge quality certifications (quality higher than that required by regulations)</li> <li>Investment in cutting-edge technology</li> <li>CDP report and benchmarking</li> </ul>	Third-party treatment of water for recirculation in processes at Ramos Arizpe mill.
<b>Solid waste</b>			
<ul style="list-style-type: none"> <li>Poor handling and waste</li> <li>Performance indicators</li> <li>Obsolete management system</li> </ul>	<ul style="list-style-type: none"> <li>Impact on the environment</li> <li>Impact on outside parties</li> <li>Excessive use of landfills</li> <li>Changes to applicable laws and standards in this area</li> </ul>	<ul style="list-style-type: none"> <li>Development of systems for handling SUW and special waste; compliance with applicable laws and standards</li> <li>Co-processing of cellulose sludge instead of sending to landfill</li> <li>Monetization of waste for recycling and co-processing - zero-landfill goal</li> <li>Increase in operational productivity, waste reduction</li> <li>Sustainable innovation.</li> <li>Lifecycle analysis</li> </ul>	Further drying of sludge sent for monetization from the Bajío, Ecatepec and Ramos Arizpe mills.
<b>Energy</b>			
<ul style="list-style-type: none"> <li>Elevated consumption</li> <li>Poor handling of management system</li> </ul>	<ul style="list-style-type: none"> <li>Increase in prices and availability</li> <li>Competition within the industry</li> <li>Impact on operating costs</li> <li>GHG emissions</li> </ul>	<ul style="list-style-type: none"> <li>Energy management systems and training</li> <li>Identification and deployment of energy efficiency investments and projects</li> <li>Supply contracts with companies that produce energy with low GHG emission factors</li> <li>Use of energy from clean sources</li> <li>Co-generation of thermal and electrical energy</li> <li>Increase in operational productivity</li> </ul>	Annual energy savings program
<b>Deforestation and climate change</b>			
<ul style="list-style-type: none"> <li>Elevated GHG emissions</li> </ul>	<ul style="list-style-type: none"> <li>Impact on protected habitats and forests</li> <li>Impact on biodiversity as a result of water discharge or impact on forests</li> <li>Impact of natural disasters on our facilities</li> <li>Compliance</li> <li>Regulatory changes</li> <li>COP 21 Commitments</li> <li>Supply of required amounts of virgin fibers</li> </ul>	<ul style="list-style-type: none"> <li>Use of 100% virgin fibers from certified forests</li> <li>Commitment to zero deforestation</li> <li>Use of recycled fibers from post-consumer paper (above 66%)</li> <li>CDP Forests report, climate change and benchmarking</li> <li>Report of official emissions from fixed and mobile sources through the National Emissions Registry (RENE)</li> <li>Wastewater discharge compliant with legislation and exceeding quality standards</li> <li>Risk prevention and asset protection manual</li> <li>Resilience of our production in eliminating or mitigating material damage</li> <li>Insurance to cover potential financial losses in the event of material losses stemming from hydrometeorological events.</li> <li>Training in evacuation and damage containment procedures</li> <li>Risk management programs to identify, assess, reduce and prevent losses</li> <li>Adherence to national climate change strategy</li> <li>Identification of adaptation and mitigation measures. Capital investments to ensure compliance</li> <li>Mitigation projects to reduce GHG emissions</li> <li>Supply contracts with companies that produce energy with low GHG emission factors and clean energies</li> <li>Transition toward use of cleaner energies, co-generation and renewable energies</li> </ul>	<p>Inclusion in Mexican carbon market and energy savings projects</p> <p>Voluntary participation in Mexico's carbon bond trading system</p>

**2020 RISKS AND OPPORTUNITIES FOR KCM**

Risks	Real or potential impacts	Specific activities and opportunities	Related projects
<b>SOCIAL</b>			
<b>Occupational health and safety / loss prevention</b>			
<ul style="list-style-type: none"> <li>Poor performance indicators</li> <li>Poor handling of management system</li> </ul>	<ul style="list-style-type: none"> <li>Possibility of serious, disabling or fatal accidents</li> <li>Absenteeism / decreased productivity as a result of injuries or illnesses</li> <li>Natural disasters associated with climate change or earthquakes that have an impact on our operations</li> <li>Safety of our carriers</li> <li>Possibility of fires or earthquakes at our facilities</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing improvements to SAES system</li> <li>Preventive health programs for employees and their families</li> <li>Development and deployment of training plans to prevent accidents using the highest industry standards</li> <li>Events during Health Week</li> <li>Training in evacuation and containment procedures</li> <li>Drills</li> <li>Programs in conjunction with civil defense authorities</li> <li>Appropriate personal protection equipment</li> <li>Training and creation of fire teams / instructors</li> <li>Hazardous waste and chemical handling systems</li> <li>Training for product distribution and transport operators</li> <li>Theft prevention/tracking systems for trucks</li> <li>Training on how to handle situations of risk</li> <li>Investment in asset protection insurance</li> </ul>	<p>New health and safety system at corporate level (SAES maturity level)</p>
<b>Relationship with communities and unions</b>			
<ul style="list-style-type: none"> <li>Poor relationship with communities and unions</li> </ul>	<ul style="list-style-type: none"> <li>Lack of acceptance by community</li> <li>Possibility of strikes</li> <li>Impact on productivity</li> <li>Negative social impacts in the communities in which we operate</li> <li>Retention of highly skilled employees</li> </ul>	<ul style="list-style-type: none"> <li>Communication of the company's mission, vision and values</li> <li>Support for local social programs</li> <li>Dialogue with community representatives</li> <li>Consolidation of working relationships with unions, incentives for productivity and occupational safety</li> <li>Salary negotiations and collective bargaining agreements</li> <li>Mixed health and safety commission</li> <li>Cultural and family events</li> <li>Safety week events</li> <li>Promotion of good working practices</li> <li>Benefits exceeding those required by law</li> </ul>	<p>Update to Code of Ethics</p>
<b>Competitividad en el mercado laboral</b>			
<ul style="list-style-type: none"> <li>High employee turnover</li> </ul>	<ul style="list-style-type: none"> <li>Retention of key employees for the company who have high growth potential</li> </ul>	<ul style="list-style-type: none"> <li>Training and career development plans</li> <li>Competitive compensation system</li> <li>Encourage assimilation of KCM's values and purpose</li> <li>Board of directors' compensation committee, performance evaluation and succession plans</li> <li>Performance evaluation and feedback</li> <li>Financial results - profit sharing results</li> <li>Programs to reduce turnover and absenteeism rates</li> <li>Measures that favor work-life balance</li> </ul>	<p>Assistance to help recent graduates</p> <p><i>Jóvenes Construyendo el Futuro</i> program</p> <p><i>Bienestar</i> program</p>

**2020 RISKS AND OPPORTUNITIES FOR KCM**

Risks	Real or potential impacts	Specific activities and opportunities
<b>ECONOMIC</b>		
<b>Economic disparity in Mexico</b>		
<ul style="list-style-type: none"> <li>Economic disparity in Mexico</li> </ul>	<ul style="list-style-type: none"> <li>Domestic economic crisis or slow growth in domestic consumption and the economy</li> <li>Impact on sales of frequently consumed products</li> <li>Increased inflation</li> <li>Increase in funding costs</li> <li>Impact on profit margins</li> </ul>	<ul style="list-style-type: none"> <li>Technological innovation to generate added value for our products</li> <li>Investment in prices to generate scale and safeguard market share</li> <li>Ongoing consolidation of fair and transparent relationships with our customers</li> <li>Generation of added value for our products, helping reflect increasing raw material costs to compensate any possible impact and ensure our competitiveness</li> <li>Strategic promotion of the use of our brands in public places outside the home</li> <li>Operational efficiency and cost reduction programs</li> <li>Use of derivative financial instruments</li> <li>Increased use of domestically-sourced recycled fibers</li> <li>Ongoing promotion of domestic supplier development</li> <li>Continuous assessment of new avenues of growth – (M&amp;A)</li> <li>Product line diversification</li> </ul>
<b>Global economy and US economic trends</b>		
<ul style="list-style-type: none"> <li>Sluggish global economy and particularly US economic trends</li> </ul>	<ul style="list-style-type: none"> <li>Complex global economic situation that affects the domestic market</li> <li>Exchange rate volatility and depreciation</li> </ul>	<ul style="list-style-type: none"> <li>Technological innovation to generate added value in our products</li> <li>Efficient investments and preparation for accelerated periods of growth</li> <li>Strengthen competitive advantages in innovation and costs</li> <li>Limit exposure to exchange rate and exchange rate fluctuations through cross-currency swaps</li> <li>Strategic promotion of categories that represent high growth, investment potential for markets and segments in which we can offer competitive advantages</li> <li>Export growth projects</li> <li>Import substitution projects. Vertical integration and domestic supplier development</li> <li>Cost-saving and operational efficiency programs (costs and expenses) to mitigate foreign-exchange impacts</li> </ul>
<b>Liquidity risk</b>		
<ul style="list-style-type: none"> <li>Risk of low liquidity</li> </ul>	<ul style="list-style-type: none"> <li>Insufficient cash flow for operations and debt payments</li> </ul>	<ul style="list-style-type: none"> <li>Maintain healthy cash flow and position through sales and profits, in addition to efficient working capital management</li> <li>Use of debt instruments with staggered maturity dates</li> <li>Maintain investment grade rating of local and foreign-currency debt</li> </ul>
<b>Cost of energy, water, solid waste management and atmospheric emissions control</b>		
<ul style="list-style-type: none"> <li>High cost of energy, water, solid waste management and atmospheric emissions control</li> </ul>	<ul style="list-style-type: none"> <li>Increase in water and energy costs</li> <li>Increase in cost of adequate solid waste management, atmospheric emission control and compliance</li> <li>Tighter environmental regulation</li> </ul>	<ul style="list-style-type: none"> <li>Private electrical energy supply contracts</li> <li>Use of energy from co-generation and clean sources</li> <li>Fuel efficiency</li> <li>Projects to increase energy efficiency and reduce energy use</li> <li>Use of post-consumer water and closed water systems</li> <li>Investment in waste water treatment-discharge quality</li> <li>Water quality certifications</li> <li>Compliance with obligations stemming from current water permits</li> <li>Monetization of solid waste through recycling and co-processing</li> <li>Increased productivity and operational efficiency</li> <li>Efficient spending and investment in environmental performance and control</li> </ul>



## 2020 RISKS AND OPPORTUNITIES FOR KCM

Risks	Real or potential impacts	Specific activities and opportunities
<b>ECONOMIC</b>		
<b>Competitiveness and brand strength</b>		
<ul style="list-style-type: none"> <li>Increasingly aggressive competition</li> </ul>	<ul style="list-style-type: none"> <li>Highly competitive industry could affect financial results</li> <li>Global brands with a specific quality problem in a given country, leading to local repercussions on brand</li> <li>Limited resources to support and sustain a multi-brand over the long term</li> </ul>	<ul style="list-style-type: none"> <li>Leadership in innovation and value generation for consumers/efficacy of differentiating brands and products</li> <li>Investment in cutting-edge technology for the efficient manufacture of value-added products.</li> <li>Research into market tendencies, habits and customs</li> <li>Convert studies in changing and unmet consumer needs and preferences into differentiators and value-added goods and services</li> <li>Use customer and consumer insights to create specific measures to consolidate brands and trade marketing</li> <li>Multi-segment and multi-channel strategy</li> <li>Optimal management of product portfolios, focusing on resources and priorities for channels and segments that represent the greatest long-term potential for KCM</li> <li>Competitive advantages in product performance and cost and expense structure</li> <li>Continuous improvement strategies for brand reputation and positioning</li> <li>Proper management of social networks and stakeholder engagement</li> <li>Digital strategies for stakeholder engagement</li> <li>Excellence in quality management, customer and consumer service and support</li> </ul>
<b>Transport and distribution network</b>		
<ul style="list-style-type: none"> <li>High transport and distribution costs, theft and low availability of transport</li> </ul>	<ul style="list-style-type: none"> <li>Increase in price of diesel fuel</li> <li>Increase in KCM fleet maintenance costs</li> <li>Increase in freight costs through external carriers</li> <li>Product losses as a result of a lack of highway security</li> <li>Transport availability to meet customer service commitments</li> </ul>	<ul style="list-style-type: none"> <li>Efficient and controlled logistics planning</li> <li>Minimize empty runs to reduce diesel use, freight costs and emissions</li> <li>Efficient procurement and management of spare part inventories and preventive maintenance programs</li> <li>Streamlining strategies for freight and loading and unloading with customers and external carriers</li> <li>Ongoing analysis of customer service (fill rate) and continuous improvement measures</li> <li>Efficient planning for scheduled deliveries, invoicing, production and inventories</li> <li>Efficient and timely investment in cutting-edge transport equipment</li> <li>Ongoing optimization program for packaging and cubic capacity</li> <li>Theft prevention and tracking systems for trucks</li> <li>Training for drivers on how to handle situations of risk</li> <li>Ongoing dialog with the authorities for prevention and monitoring activities</li> </ul>
<b>Supply chain</b>		
<ul style="list-style-type: none"> <li>Increased supply chain costs and low resource availability</li> </ul>	<ul style="list-style-type: none"> <li>Increase in diesel costs</li> </ul>	<ul style="list-style-type: none"> <li>Development of two or more suppliers that offer sufficient supply capacity and high-quality standards for each key raw material</li> <li>Efficient inventory management of raw materials at greatest market risk and contingency plans for key materials</li> <li>Customer-supplier operational efficiency programs</li> <li>Sustainable innovation (Less is more) and operating cost reduction programs</li> <li>Quality assurance systems for raw materials that include medical endorsements for materials, world-class good manufacturing practices and the HACCP system</li> <li>Compliance audits for the supply chain</li> </ul>





## INITIATIVES AND ASSOCIATIONS

102-13

In the interests of sharing best practices, we are active members of various chambers and councils.

Kimberly-Clark de México	Kimberly-Clark Corporation
<ul style="list-style-type: none"> <li>▪ Cámara Nacional de las Industrias de la Celulosa y el Papel (CNICP)<sup>1,2</sup></li> <li>▪ Cámara Nacional de la Industria de Productos Cosméticos (CANIPEC)</li> <li>▪ Comisión de Estudios del Sector Privado para el Desarrollo Sustentable (CESPEDES)</li> <li>▪ Confederación de Cámaras Industriales de los Estados Unidos Mexicanos (CONCAMIN)</li> <li>▪ Consejo Coordinador Empresarial (CCE)</li> <li>▪ Consejo de la Comunicación (CC)</li> <li>▪ Consejo Mexicano de Negocios (CMN)</li> <li>▪ Comité de Sustentabilidad de la Bolsa Mexicana de Valores</li> </ul>	<ul style="list-style-type: none"> <li>▪ U.N. Sustainable Development Goals (SDG)</li> <li>▪ U.N. Global Compact</li> <li>▪ Corporate Eco Forum</li> <li>▪ Forest Stewardship Council® (FSC®) License FSC-C140370</li> <li>▪ The World Business Council for Sustainable Development (WBCSD)</li> </ul>

<sup>1</sup> Kimberly-Clark de México sits on the board of the association  
<sup>2</sup> Kimberly-Clark de México participates in association projects or committees



**We incorporate OECD principles on corporate governance.**



We invest in initiatives that protect the environment and prevent and mitigate impacts

# ENVIRONMENT

Our planet faces serious challenges today, including climate change, resource scarcity and pollution, among others. We assume our share of responsibility in these matters and we have joined in the effort to protect our natural resources, to use them efficiently and in a circular manner, and to make products that create sustainable consumption experiences for our clients.





## ENVIRONMENTAL MANAGEMENT

Kimberly-Clark de México has a **General Environmental Policy**<sup>1</sup> to ensure that all operations comply with applicable environmental laws and regulations in the states where we are present, and which encourages us to work under a philosophy of continuous improvement, guaranteeing our customers that our products are made efficiently, with less impact on the environment and with the highest quality standards.

This policy incorporates four specific objectives that determine the way we use water, energy, and raw materials, and how we reduce the environmental impact of our sourcing, as well as our generation of emissions and waste.

## GENERAL ENVIRONMENTAL POLICY

- 1  Comprehensive waste management
- 2  Efficient water use and discharge control
- 3  Energy efficiency and reduced greenhouse gas emissions
- 4  Sustainable fiber sourcing



We have an **Environmental Management System** based on ISO 14001 Standard, which we adapt to KCM operations and which we track using matrixes for monitoring various aspects like legal and regulatory compliance, progress against environmental performance goals, investment projects, and cost reductions through efficiency initiatives, among others.



<sup>1</sup>You can view this policy at <https://www.kimberly-clark.com.mx/data/2020/pdf/POLITICASESP.pdf>





307-1

In parallel, every one of our mills has an environmental coordinator responsible for creating work groups with the various departments to introduce environmental management projects in our daily operations. Also, they work aside with the Corporate Sustainability Team and safety coordinators at each mill, we check the efficacy of the Environmental Management System and monitor the environmental impact of our processes in order to control and report them.

### Investment and spending on environmental care

Millions of pesos

Item	2015	2018	2019	2020
Air	\$60.39	\$34.82	\$33.28	\$36.62
Water and wastewater	\$97.17	\$113.85	\$103.16	\$126.32
Hazardous waste	\$1.06	\$1.45	\$1.88	\$2.86
Solid non-hazardous waste	\$60.23	\$75.13	\$80.38	\$78.18
Pollution prevention	\$0.11	\$0.12	\$0.15	\$0.19
Others	\$11.87	\$18.13	\$22.12	\$17.14
Total	\$230.84	\$243.50	\$240.97	\$261.31



KCM's environmental management directly impacts our sustainability strategy. With this in mind, every three months the Executive Sustainability Committee (ESC) and the Ecology and Environment Committee meet to review the progress against these aims and communicates the most important aspects to the CEO, who in turn reports it to the Board of Directors.

KCM knows that maintaining appropriate environmental management not only makes our operations more efficient but also helps to mitigate the risks of failing to comply with laws in this regard. This is one reason we invest every year in initiatives that protect the environment and prevent and mitigate environmental impacts.

**In 2020 we received no fines or sanctions for non-compliance with environmental laws or regulations.**

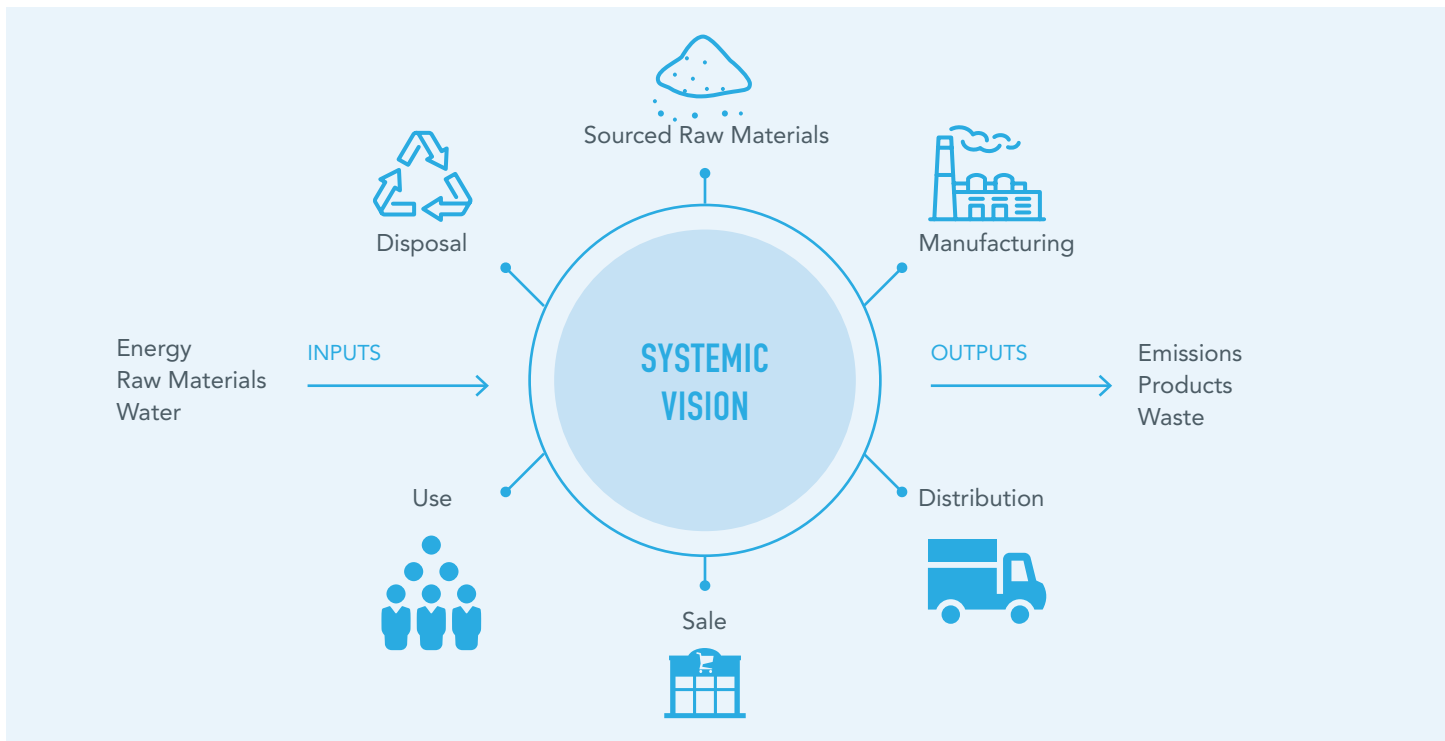


## SUSTAINABLE SOURCING

103-1, 103-2, 103-3

In order to optimize the usage of our raw materials we utilize in the making of our products and minimize the amount of waste we generate, we apply circular economy schemes to some of our production lines.

During the year we used 248,266 metric tons of virgin fiber, 48% more than 2019, due to an increase in demand for certain products that require this type of fiber.



One of the main inputs we use at KCM is pulp fiber, for making all of our products that contain paper. In line with our Sustainable Fiber Sourcing Policy, we obtain only virgin fibers from certified forests, as well as recycled fiber known commonly as secondary fiber.

In the case of **virgin fibers**, one of the requirements for our suppliers of this raw material is that they have sustainable certifications that guarantee these fibers were obtained responsibly and under internationally-recognized criteria.

Some of the sustainability certifications we require of virgin fiber suppliers are:



Forest Stewardship Council® (FSC®)



Sustainable Forestry Initiative



Program for the Endorsement of Forest Certification Schemes



Canadian Sustainable Forest Management (CSA)

Sistema Brasileiro de Certificação FI



301-1, 301-2

Even though the virgin fiber we use comes from sustainable sources, KCM also strives to include circular economy criteria, and for this reason three of our tissue mills have cutting-edge technology for reprocessing tissue and recycling it in the production line. These are located in Mexico State, Coahuila and Querétaro.

### Fibers used

Type of fiber	Metric tons
Virgin fiber	248,266
Recycled fiber	488,755
<b>Total</b>	<b>737,021</b>

**In 2020 we incorporated 488,755 metric tons of recycled fiber into our production; we have a recycling rate of more than 65%.**





The post-consumer fiber that KCM acquires comes from waste generated in offices, stores, mills, printing presses and households, the characteristics of which make them reusable as raw material. The paper waste produced at our Mexico City corporate headquarters is also recycled 100% at our mill in Ecatepec, Mexico State.

We also have processes for recovering high-value material obtained from production line trim and product lots that fail to meet quality standards.

In addition to fibers, we also use other materials for making our products, like non-woven fabrics, superabsorbent polymer, resins and polymers.

### Materials used in production

Metric tons

Type of material	Metric tons	Total
 Recyclable and/or recycled materials	Virgin fiber	248,266
	Recycled fiber	488,755
	Non-woven fabrics	26,572
	Polyethylene film	3,932
	Super-absorbent	48,063
	Polymer resins	41,361
		<b>856,949</b>
 Internally recycled materials	Pulp fibers	488,755
	Non-woven fabric	4,545
	Absorbent diaper core	1,908
	Recycled polymer fiber	50
		<b>495,258</b>



CG-HP-410a.2

We recognize that we affect the environment through the materials we use to pack, wrap and distribute our products.

That is why we try to use the least amount of material as possible in all our packaging, relying on technological advance and prioritizing single-material packaging, which is easier to recycle.



### Materials used for product packing and wrapping

CG-HP-410a.1

Material	Type	Metric tons
Packaging films (LDPE)	Recyclable	~22,000
Corrugated cardboard	Recycled and recyclable	37,260
Cardboard	Recycled and recyclable	28,151
Wrapping paper	Recycled and recyclable	744
Stretch wrap for packaging	Recyclable	14,651
Packaging polymers	Recyclable	5,149
<b>Total</b>		<b>107,955</b>

To transport some of our products we use CHEP pallets, which are used in multiple ways throughout our operations, and which also gives us a sustainability certificate.



### Use of CHEP vs. traditional pallets

Concept	Reduction
CO <sub>2</sub> emissions	82%
Wood	89%
Non-recoverable waste	98%





We have been granted two types of certification for some of our finished products; Green Seal™ certification for export sales, as a supplier of products with up to 60% recycled fiber content; and Ecologo®, which is one of the most important of North America, which pertains to products whose manufacture, use and disposal do not damage the environment or health.




We also have Forest Stewardship Council (FSC®) License FSC-C140370 which certifies our management of the fiber stewardship chain from the forest to transformation. KCM also has FSC Mixed and FSC Recycled certifications.



## WATER MANAGEMENT

103-1, 103-2, 103-3, 303-1, 303-2, 303-3, 303-5, CG-HP-140a.1, CG-HP-140a.2

Water is an essential resource for life, and critical for many of our manufacturing processes. In keeping with our Policy on Efficient Water use and Discharge Control, KCM promotes the responsible, efficient use, and the discharge is compliant with current Mexican regulations.



The water we use is drawn from the subsoil and surface water bodies, including the use of postconsumer water, and is used primarily as a vehicle for the dilution and transportation of fibrous materials that make up tissue paper, as well as the generation of steam for paper drying.



### Volume of water used by supply source

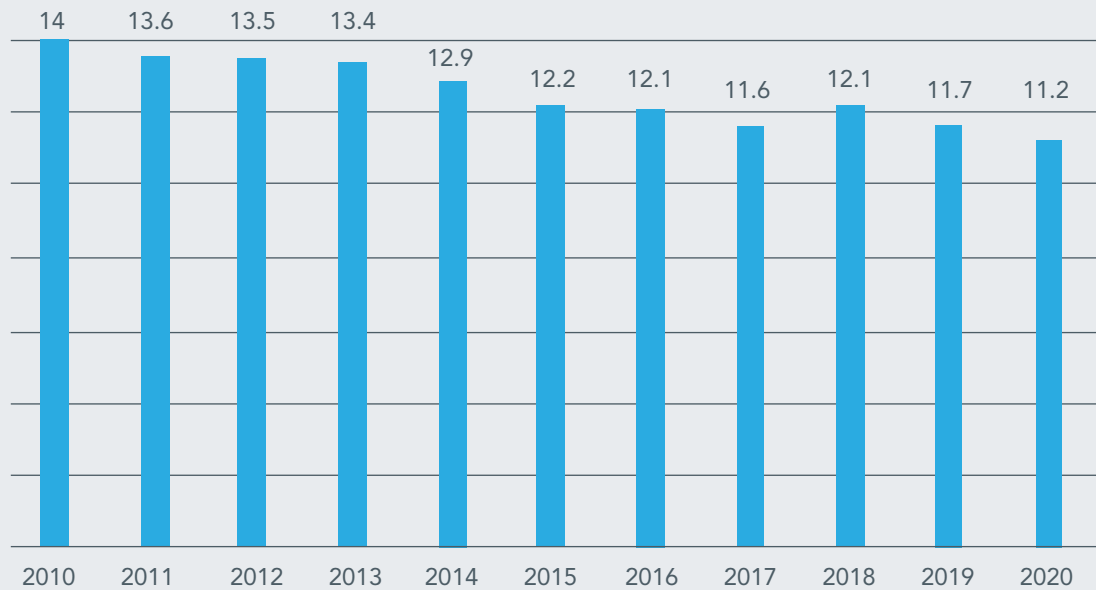
m<sup>3</sup>

Source	2015	2018	2019	2020
Ground or well water	5,201,752	5,733,906	5,467,873	5,741,777
Fresh surface water	1,642,215	1,329,612	1,130,887	1,114,427
Postconsumer surface water	6,230,279	6,487,422	6,062,261	5,892,514
Total	13,074,246	13,550,940	12,661,021	12,748,718



### Water intensity

m<sup>3</sup>/metric ton produced



### Water intensity by product type

m<sup>3</sup>/metric ton produced

Product	Tissue	Personal care	Total
Use of water per metric ton produced	14.85	1.09	11.2

54% of the water used for KCM operations in 2020 came from fresh water and 46% from postconsumer water.



Our practices for managing and using water not only help us to reach our goals in terms of sustainability, cost savings and efficiency, but also represent one of our sustainable competitive advantages.

We recognize the value of water and identify postconsumer water as an important asset.

In order to use our water resources more efficiently, every year we invest in technological innovations that enable us to work with coagulation, sedimentation, flocculation, flotation, aeration and disinfection systems to treat water internally and recirculate it in our processes.





303-4

Once we have used and treated water it is discharged into national water bodies in keeping with the specific conditions of the discharge permits for each mill, as well as Mexican standards NOM-001-SEMARNAT-1996, NOM-002-SEMARNAT-1996 and the Federal Law on Public Service Payments. In all cases we comply with limits on Total Solids in Suspension (TSS) and Biological Oxygen Demand (BOD) which we maintain within the ranges stipulated in federal law.

Because of our strict compliance with laws on wastewater quality, in 2020 we caused no negative impact on aquifers or supply sources as a result of our operations.

Our Bajío mill keeps the Water Quality Certification from the National Water Commission due an exceed of the requirements of wastewater treatment laws.



### Volume of water discharged by destination

Thousands of m<sup>3</sup>

Destination	2020
Surface water	5,827
Ground water	6,722
Total	12,549

Note: includes volume generated by operations that are transferred to an outside company for treatment and discharge.



## ENERGY AND EMISSIONS

302-1, 302-2

Energy is another of the essential resources we need for our manufacturing processes at Kimberly-Clark de México. We are constantly applying energy efficiency schemes that help us reduce our consumption and improve our competitiveness by lowering costs.

We use fuel like natural gas for production, and gasoline, diesel and LP gas for secondary activities like forklifts and cafeteria services. We also use wind energy to power lighting and energy for our facilities, and steam in our paper drying processes.

In 2020 we increased our total energy consumption over 2019; nevertheless, we reduced our energy intensity to 7.8 million BTUs per metric ton produced, evidence of how efficiently we use this resource.



### Consumption of fuel in mobile emission sources

Type	Liters	GJ
LP Gas	3,624,000	95
Gasoline	378,764	11
Diesel	293,901	11
Total	4,296,665	117

### Consumption of fuel in fixed emission sources

Type	MBTU	GJ
Natural gas	4,005,548	4,226,076
Total	4,005,548	4,226,076

MBTU. Millions of British Thermal Units.

### Consumption of energy by source

Source	MWh	GJ
Electricity	1,055,153	3,798,550
Steam	377,964	1,360,672
Wind	12,146	43,727
Total	1,445,263	5,202,949

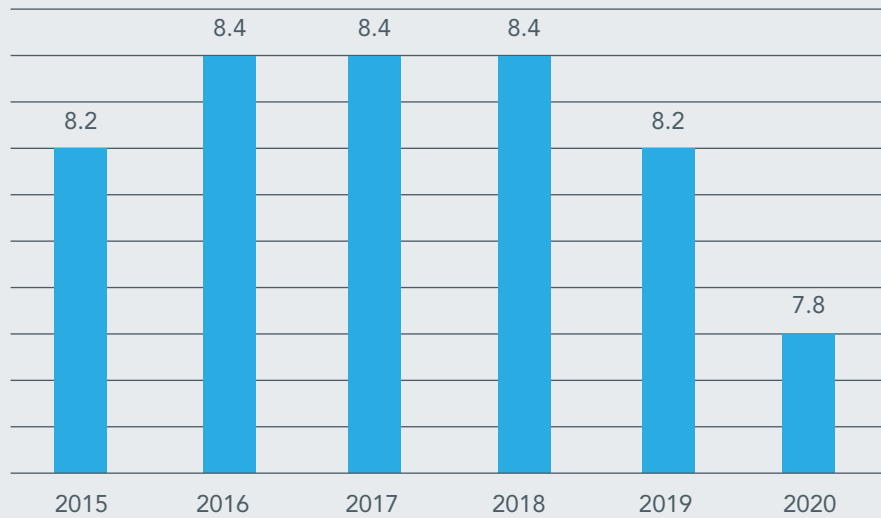
93.1% of the energy we use is considered clean energy.

◀ We reduced our consumption of BTUs per metric ton produced, despite an increase in production.



### Energy intensity

MMBTU/metric ton produced



### Energy intensity

MMBTU/metric ton produced

Description	Tissue	Personal care	Total
Consumption of energy per metric ton produced	11.68	1.61	7.8

### Energy consumption by type of source

Billions of BTU

Source	2015	2018	2019	2020
Natural Gas	5,132	4,374	3,926	4,006
Steam	236	1,214	1,309	1,290
Wind energy	42	24	41	41
Electricity (National Electrical Network)	3,398	3,728	3,608	3,600
Total	8,808	9,341	8,884	8,937

103-1, 103-2, 103-3, 305-1, 305-2, 305-4, 305-5

Kimberly-Clark recognizes that climate change affects not only the communities we serve and where we are present, but can be costly for our operations. For this reason, we have taken measures nationwide to modify current trends toward environmental deterioration, develop a low-carbon economy, and take actions to mitigate and adapt to climate change.

KCM adheres to the National Climate Change Strategy through projects to reduce our energy consumption and consequently our greenhouse gas emissions.

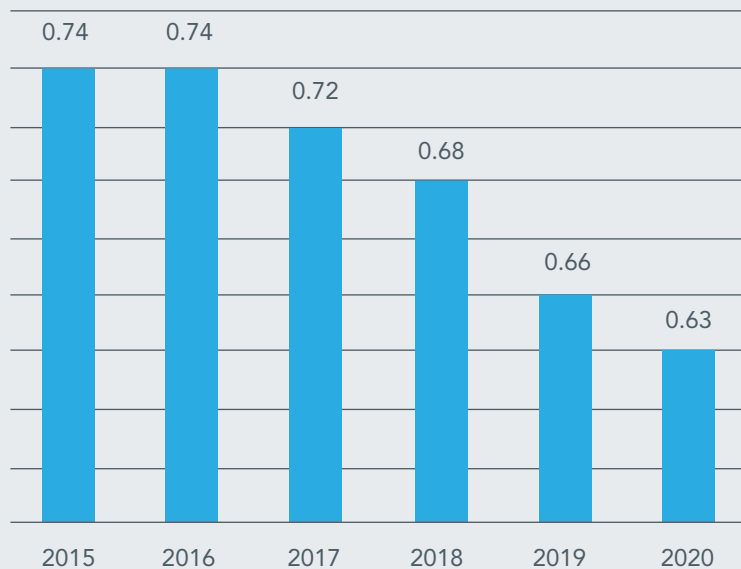
One example of this is our Engineering and Maintenance System by which we monitor and regularly report on our emission in order to identify efficiencies and opportunities. Since 2015, we have measured, reported and verified our GHG emissions in line with the criteria established by SEMARNAT in the General Law on Climate Change and its Regulations, which obligate establishments to report emissions when they exceed 25,000 metric tons of CO<sub>2</sub>e a year.

The scope of this report encompasses direct and indirect emissions from the consumption of fuel, electricity and steam, as well as the emissions generated by our subsidiary SODISA<sup>2</sup>, which is the transportation company that carries our products to distribution centers and clients.

<sup>2</sup>SODISA emissions have historically accounted for between 4% and 5% of our total emissions.

### Emissions intensity

tCO<sub>2</sub>e/metric ton produced



### Emissions intensity

tCO<sub>2</sub>e/metric ton produced

Description	Tissue	Personal care	Total
CO <sub>2</sub> e	0.89	0.20	0.63

### Total GHG emissions

Metric tons of CO<sub>2</sub>e

Type	2015	2018	2019	2020
Direct emissions	360,166	267,378	239,758	244,376
Indirect emissions	433,649	488,069	483,623	470,779
Total	793,815	755,446	723,381	715,155

2015 is the base year of our measurement.

Although production was higher in 2020 than in 2019, our energy intensity continues to decline.



305-7

### Notes on emissions calculations

- Our report was prepared according to the criteria established by SEMARNAT based on agreements on the methodologies to be used in calculating greenhouse gas emissions, global warming potential and greenhouse gas compounds, and the corresponding emissions factors.
- Gases included in scope 1 and 2 calculations: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrogen oxide (NO<sub>x</sub>).
- Emissions consolidation approach: Operational control.

Additionally, we keep a record of other atmospheric emissions from our processes, like nitrogen oxide (NO<sub>x</sub>), sulfur dioxide (SO<sub>2</sub>), total suspended particles (TSP), and volatile organic compounds (VOC). We have no significant emissions of gases like sulfur hexafluoride (SF<sub>6</sub>), nitrogen trifluoride (NF<sub>3</sub>) or trichlorofluoromethane (CFC-11) which are all ozone-depleting substances.

### Other atmospheric emissions

Metric tons

Source	2015	2018	2019	2020
NO <sub>x</sub>	300.9	204.17	180.28	207.01
SO <sub>2</sub>	1.7	1.22	1.09	1.25
TSP	22.6	17.03	15.38	17.42
VOC	15.2	11.20	9.98	11.45



Our Bajío mill currently participates voluntarily in the Emissions Cap and Trade Pilot Program mentioned in the General Law on Climate Change, which establishes the participation of companies that emit more than 100,000 tCO<sub>2</sub> from fixed sources.



## WASTE

103-1, 103-2, 103-3, 306-2

At KCM, we are aware that our production processes can have an impact on the environment, so as a manufacturing company we have a responsibility to reduce the waste we generate from raw materials sourcing, production, packing and wrapping our products. This is a commitment expressed in our Comprehensive Waste Management Policy.

### Waste we generate at KCM

- Special handling waste
- Solid urban waste
- Hazardous waste

To reduce waste generation, we have circularity practices like reusing secondary fiber as a raw material and recycling non-woven fabrics, absorbent diaper core and polymer fibers. Downstream in our value chain, we send the sludge we generate in treating wastewater for use as alternative fuel and reuse cuttings from the diaper production process to make other products.

Each of our operations has its own waste management plan, based on the General Law on Comprehensive Waste Prevention and Management and its Regulation, and Mexican standard NOM-161-SEMAR-NAT-2011.

For the tenth year in a row, we sent zero pulp waste to sanitary landfills.





306-3, 306-4, 306-5  
**Waste generated**

Metric tons

Waste type	Destination		Total
	Monetized	Landfill	
Wastewater treatment sludge	307,592	0	307,592
Paper	5,293	38	5,331
Plastic	6,647	34	6,681
Mixed plastic	4,667	160	4,827
Plastic mixed with pulp	1,777	0	1,777
Wood	2,281	2	2,283
Metal	1,312	2	1,314
Cardboard	5,659	11	5,670
Others	4,323	7,052	11,375
<b>Total</b>	<b>339,551</b>	<b>7,299</b>	<b>346,850</b>



**98% of our waste is monetized, meaning it is put to a second use in other production processes.**

All of our waste is channeled for appropriate processing by specialized vendors.

We responsibly manage our hazardous waste pursuant to the Comprehensive Waste Prevention and Management and Mexican standard NOM-052-SEMARNAT-2005, and all of our mills are constantly monitored for this issue.

In 2020, we managed and transported 904 metric tons of hazardous waste, including used oils, cleaning rags used by maintenance areas and impregnated with grease and oil, drums that contained oil, other materials contaminated with oil, containers that contained solvents, paints or other materials considered hazardous, batteries and fluorescent lamps, among others.

**Non-hazardous waste generated**

Metric tons

Destination	Metric tons
Monetization	339,551
Landfill	7,299
<b>Total</b>	<b>346,850</b>





**We are grateful for the absolute dedication our team showed during this challenging context. Their efforts are what drives this country.**





# EMPLOYEES



During the complicated year we all experienced, our employees worked tirelessly proving their leadership, commitment and passion for the well-being of our consumers and clients making sure they continued to have essential products for their daily lives.



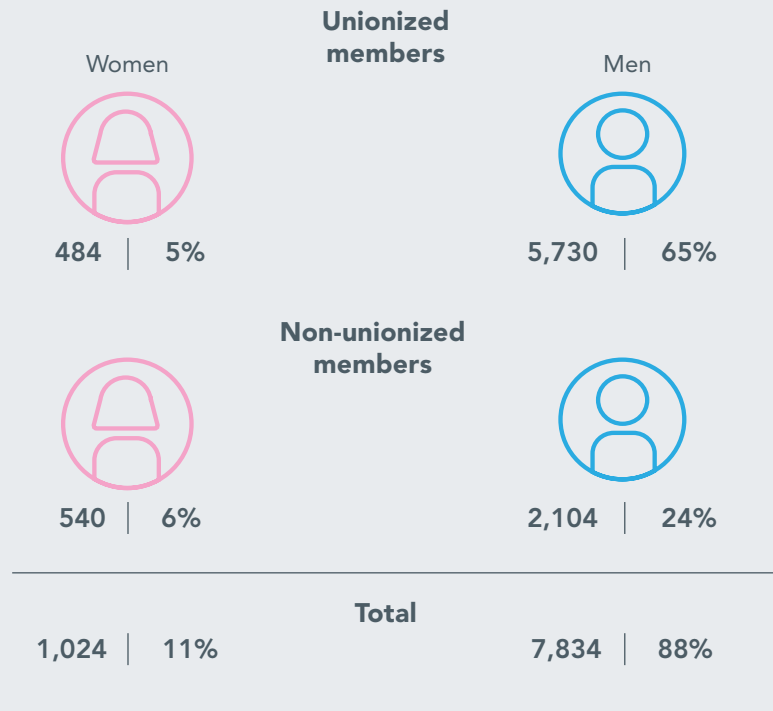
## OUR TEAM

102-8, 202-2, 405-1, 407-1

We are keenly aware of the effort our team makes every day to deliver safe and effective products our consumers can trust. In 2020, a year marked by uncertainty caused by the COVID-19 pandemic, the commitment of our 8858 employees was admirable because we truly fulfilled our purpose of making the essential, extraordinary.

◀ We encourage freedom of association: 70% of our employees are unionized members.

### Employees by gender, unionized and non-unionized members



All KCM employees have permanent contracts and full time jobs.



### Management by age and gender

Job category	Between 31 and 50		> 51
	Women	Men	Men
Senior management	4	2	15

◀ 100% of our executives were hired from local communities.





401-1, 406-1

To attract and retain the best talent, we offer competitive salaries and benefits that exceed the requirements of the law, as well as fair, safe, respectful, cooperative and inclusive working environments, where we value different ways of thinking



In this regard, our hiring and promotion practices make no distinction by gender, race, ethnic origin, age, ideology, sexual preference or any other factor. We are open to a diversity of backgrounds, knowledge and skills because we are convinced that attracting and retaining people of all kinds is fundamental for enriching our business.

**In 2020 there were no reported cases of discrimination in our workforce.**

### New hires by gender and age

Age	Women 	Men 
< 30 years	83	599
Between 31 and 50	69	303
> 51 years	5	26
<b>Total</b>	<b>157</b>	<b>928</b>

### Employee turnover by gender and age

Age	Women 	Men 
< 30 years	56	363
Between 31 and 50	88	400
> 51 years	31	184
<b>Total</b>	<b>175</b>	<b>947</b>



We support local hiring and place a priority on bringing in people who live nearby our workplaces, to ensure they can achieve a balance between their personal and professional lives. Whenever there is a vacancy we first look for current KCM employees with the right qualifications, and only if no suitable candidate can be found will we turn our search to outside the company.

**We generate local jobs by hiring people who live nearby our workplaces.**



## SALARY AND BENEFITS

102-36, 102-38, 102-39, 201-3, 401-2, 401-3

To guarantee that our employees receive a fair and competitive wage for their work, we have a **Compensation Policy**, which establishes a fair package of wages and benefits without regard to age or any other condition, which is based on the market salary, level of responsibility for the job and individual performance of each employee.

We ask an independent consultant to research market comparisons for the compensation we offer at KCM: raises, changes in benefit programs and specific individual details of the compensation programs. These are reviewed and authorized every year by the Compensation Committee.

KCM is aware that our employees are at the heart of our daily operations and it was their dedication, especially during this past year, that enabled us to achieve our goals as a business. In 2020, KCM paid its employees a total of MXN 940.8 million pesos in profit-sharing, higher than the regulatory minimum and equivalent to 15.4% of the company's consolidated net profits.

We also offer other benefits, which employees can consult using the **Digital Benefits App**, from anywhere and at any time. This app offers employees hundreds of special offers and discounts with establishments near their location, and in accordance with their needs.

Employees who are soon to be parents, can enjoy not only parental leave but they also can opt for flex time to adapt to this new phase in the life of their families.

### Employee benefits

- Employee cafeteria
- Savings fund
- More holidays than required by law
- Advance profit-sharing
- Preferential price on products
- Vacation bonus
- More annual bonus days than required by law
- Subsidy for IMSS disability
- Credit union
- Preferential interest rates
- Scholarship for employee children
- Assistance with funeral expenses for family members\*
- Assistance with school supplies
- Monthly grocery vouchers
- Life and major medical insurance for spouse and children
- Additional maternity/ paternity leave in the event of complications in pregnancy or birth than required by law
- Prenatal care
- Care for family members attending to children's daycare or school matters

\*Applies only to unionized members.

### Parental leave by gender

Indicator	Women 	Men 
Employees entitled to parental leave	8	336
Employees who took parental leave	8	336
Employees who returned to work from parental leave during the period of this report	8	295
Rate of reinstatement after parental leave	100%	87%

During the year, 344 employees took advantage of parental leave and 88% returned to work once the leave ended.



## TRAINING AND DEVELOPMENT

404-1

To have a resilient team capable of facing any challenge, we need to invest in their professional advancement. We offer various options for our employees to improve their skills and professional abilities

**In 2020 we invested MXN1,352,536 million in training programs and initiatives.**

	2018	2019	2020
Total hours	739,340	759,521	679,255
Training index (% of work hours per employee)	3.38	3.40	3.20
Number of given courses	5,840	5,856	4,998



We offered 4,998 courses in 2020, which is less than the year before, but we recorded a higher percentage participation by employees, which was reflected in a lower turnover rate, lower accident frequency and severity rates, and lower number of overall accidents.

Annual hours of training	
Unionized members	Non unionized members
90.59	43.97

**Our employees received an average of 77 hours of training each in 2020.**

Job category	Total annual hours of training per female employee	Total annual hours of training per male employee
Senior management	15	40
Middle management	24	23
Administrative	23	22
Mill administrative	29	54
Unionized members	67	93





404-2, 404-3, 103-1, 103-2, 103-3, 412-2  
 The main training programs we offered throughout the year focused on issues involving psycho-social wellness, safety and health, and were carried out with the support of external and internal instructors, as well as various educational and health institutions.

### 2020 training programs

- Leadership and emotional intelligence
- Inclusive and positive leadership
- Emotional stress
- COVID-19 safety and prevention program
- New safety protocols
- Self-care techniques and habits



### Performance evaluations by job category and gender

Job category	Number of women evaluated	Number of men evaluated
Senior management	3	11
Middle management	63	169
Administrative	401	1,686
Total	467	1,866

We also held a series of weekly events for employees in which we shared recommendations on wellness, health and information on COVID-19, as well as financial skills and innovation.

- Wellness week
- Sustainability Week
- Safety and Health Week
- Financial Education Week
- Innovation Week

Additionally, we offered human rights training options for employees. In 2020 we devoted 28,830 hours of training in human rights policies and procedures for 1,264 employees, or 14% of our work force.

**In 2020 we evaluated the performance of 2,333 employees, or 26% of our workforce.**

The priority we placed on allocating efforts and resources to pandemic-related issues led to a reduction in the number of performance evaluations compared to 2019.

We continually evaluate our employees' performance to identify their strengths and areas of opportunity, which in turn enable us to prepare training, development and succession plans, and to decide on salary raises consistent with our Compensation Policy.







When our unionized employees reach the age of retirement, we want them to continue to enjoy quality of life and enjoy it fully, so we work with them on a retirement plan that works best for all concerned.

Along the same lines, our non-unionized employees are offered a plan in addition to the benefits of the Mexican social security system, allowing them to retire when they reach the age of 65, with a minimum of 10 years of service in the company.

We also have a trust to finance the program and conduct an actuarial valuation to determine the plan's obligations and cost. Currently, the funds set aside by the company to cover this plan in its entirety, for an amount of MXN \$448 million, include seniority bonuses. This is above the level required according to accounting standards.

## OCCUPATIONAL HEALTH AND SAFETY

103-1, 103-2, 103-3, 403-1

For KCM, the comprehensive health of our employees has always been a priority. Every day we work to achieve our vision of safety and attain our strategic target through six safety leadership imperatives.

◀ We have an **EHS Management System<sup>1</sup>**, based on ISO 45001 international standard and in line with the requirements of national standard NOM-030-STPS-2009, applicable to all KCM manufacturing and logistical operations and subsidiaries.



### Safety vision

To be recognized as the best company in our industry in terms of Safety, Hygiene and Working environment.



### Strategic safety target

Zero fatalities and injuries of any type in KCM operations.



### Safety leadership imperatives

1. Consistent EHS leadership
2. Positive EHS interactions
3. Reduced tolerance for risk
4. Empower employees and contractors
5. Ensure consistent and safe work practices
6. Align incentives and metrics

<sup>1</sup> Environmental, Health and Safety

403-4

Our employees are represented on safety and hygiene commissions pursuant to the Federal Labor Law. We have formal committees made up of both labor and management on matters of health and safety, which are in charge of implementing and supervising compliance with the EHS Strategy.

Main responsibilities	Frequency of meetings	Decision-making authority
<p><b>EHS Steering Committee</b></p> <ul style="list-style-type: none"> <li>Define EHS vision, targets and strategic goals for KCM.</li> <li>Make the strategic decisions necessary to achieve our EHS vision</li> <li>Review, update and communicate EHS policies.</li> <li>Promote the EHS strategy, optimize resources and ensure a continuing focus on management of significant EHS risks in order to prevent occupational injuries and illness and environmental impacts.</li> </ul>	Quarterly	CEO
<p><b>Site EHS Committee</b></p> <ul style="list-style-type: none"> <li>Promote continuous improvement of the management system at the site.</li> <li>Review and continuously evaluate EHS performance and the company's strategic initiatives.</li> <li>Manage and reduce EHS risks and impacts</li> <li>Promote compliance with the EHS policy, corporate standards and applicable legal requirements.</li> <li>Promote opportunities to discuss EHS concerns and possible solutions.</li> <li>Promote and maintain employee interest in EHS.</li> <li>Make EHS an integral part of the organization's operation, programs and culture.</li> <li>Support the continuous improvement of EHS strategies, programming and performance.</li> <li>Keep employees abreast of EHS issues, new standards and corporate initiatives.</li> </ul>	Monthly to weekly	Mill manager
<p><b>Site Safety and Hygiene Commission</b></p> <ul style="list-style-type: none"> <li>Identify hazardous conditions and risky conduct.</li> <li>Investigate the causes of incidents resulting in injury or occupational illness, according to the elements supplied by the employer and others deemed necessary.</li> <li>Propose measures to prevent incidents resulting in injury or occupational illness, based on current regulations.</li> <li>Follow up on the implementation of the measures proposed by the commission to prevent occupational risks.</li> </ul>	Annual inspection program	Commission Coordinator

## 100% of our employees are represented in EHS committees.

Since 2019 we have been developing an **EHS strategy** to increase maturity and significantly improve our EHS performance through goal-setting, monitoring of indicators at each location, and establishing goals and responsibilities.

### EHS STRATEGY



## All of our workplaces undergo internal EHS audits.





403-2, 403-3, 403-6, 403-7, 403-9, 403-10  
 As a complement to this program, we want all of our employees to be able to enjoy a healthy and safe working environment, so we began applying the Ministry of Labor's Standard NOM-035-STPS-2018, Psycho-Social Risk Factors at Work.

We organized talks with psychologists and specialists in stress and anxiety management, particularly to help employees learn to deal with the COVID-19 pandemic. In these talks we also covered issues of resilience, having children at home, and return to normality.

The nature of our business means our employees are exposed to occupational hazards like fire, explosions, confined spaces, hazardous energy, electrical work, machinery and equipment risks, work at heights, heavy maneuvers, suspended loads, highway driving and mobile equipment operation that may represent a risk of occupational injury.



### Safety and health indicators

Item	Employees	Non-employees
Death resulting from occupational illness or injury	0	0
Occupational injuries with serious consequences	3	1
Recordable occupational injuries	98	1
Hours worked	21,330,867	3,157,507

To evaluate these occupational hazards we have a tool based on international standard ISO 12100:2012, and a methodology for identifying hazards associated with machinery, the spaces around it and the activities and interventions involving it. The methodology includes application of a hierarchy of control to eliminate, replace and/or implement engineering and administrative checks to mitigate the identified risks.

In order to eliminate these hazards we have established corporate standards to define the operational controls for each risk, which are evaluated by each site to identify any gaps in compliance and define an action plan for correcting them.

This year we recorded four occupational injuries with serious accidents, resulting in, wounds, contusions, fractures or sprains. We did not record any fatalities or any occupational disorders or illnesses.

▶ All of our workplaces have medical service available for all shifts, and medical supervision programs.





403-5

### Safety and health indicators

	2015	2018	2019	2020
Average absenteeism	1.33	1.51	1.51	1.17
Number of work-related illnesses	0	0	0	0
Total index of accidents	0.76	0.91	1.29	0.94
Severity index	8.64	12.67	6.34	2.54
Serious and critical accidents index	0.14	0.11	0.07	0.03
Serious and critical accidents	12	12	7	3

Note: the numbers of serious and critical accidents for 2015 and 2019 were restated due to an adjustment in the database.

Each mill establishes its own training program, which generally includes specific safety, occupational health and environmental aspects in order to comply with the applicable legal requirements and KCM corporate standards. At SODISA, we provide special training in road safety, like defensive driving.

In 2020 we gave a number of health and safety courses.

- EHS strategy and management system
- EHS risk management
- Operational controls for high-risk activities: work at heights, confined spaces, control of hazardous energies, fire prevention, chemical handling, pedestrian and vehicle safety at the workplace, and machinery protection.
- EHS leadership
- People-centric safety
- EHS regulatory compliance



**We gave specific training on pandemic management, safe return to work, and COVID-19 prevention measures.**



403-4

Furthermore, to encourage our employees to take an active role in safety and health matters, we have various initiatives.



**EHS campaigns** focused on various aspects of our EHS strategy, to strengthen specific areas in response to opportunities identified or incidents that have occurred.

**The Health and Safety Week**, held every year at all KCM mills. The event was held virtually in 2020, with a focus on COVID-19 and environmental care.

**Continuous improvement teams** in which our employees participated actively in accelerating the implementation of corporate standards and the EHS Management System.

**Personnel surveys** to hear their opinions on compliance with NOM-035-STPS-2018 standard and determine psychosocial risk factors.

**Safety talks and EHS committees** in which employees play an active role in reviewing performance key aspects in these areas.

**"Kuida tu Salud" program**, which includes medical check-ups to determine the employee's health status, nutritional counseling, yoga and talks



As a complement to our initiatives to promote employee health, in 2020 we organized a flu vaccine day and offered laboratory studies as part of the activities of The Safety and Health Week, as well as agreements for preferential discounts at medical laboratories.



## EMPLOYEE FAMILIES

KCM recognizes the importance of helping its employees find ways to maintain a health balance between their professional and private lives. Because of this, we hold cultural events, family togetherness and social gatherings where employees are invited to attend with their families.

We are aware about the low reading metrics in Mexico, that's why we encourage better reading habits among employees and their family through the program *Leer te hace más grande* (Reading Makes you Great). We offer them mobile online libraries that facilitate access to books, and at the end of each week the Communication area shares a list of recommended reading, including short articles and recommendations of nearby cultural events for the weekend.

We also promote some educational initiatives for employees and their families:



Open High School for employees on KCM premises.



Scholarships for employee children with the best high school and college grade point averages.



Monetary help to buy school supplies for the children of unionized workers.

Concerts	Theater performances to build awareness about safety issues.
Museum visits	Weekly online recommendations of cultural events for the weekend.
Weekly reading recommendations	Concert for our workers' babies with the support of Huggies® <i>Embracing their Development</i> .



**We encourage our employees and their families to read more through the *Leer te hace más grande* program.**



# KCM ENGAGEMENT

## Value chain, clients and community

We understand that to sustainably manage our business, we must engage all of the stakeholders that make up our value chain. With this in mind, we work closely with our suppliers, clients, consumers and the communities where we are present, recognizing our shared responsibility toward their sustainability.







**We develop continuous improvement strategies with our suppliers to help them use resources responsibly and efficiently.**



## OUR SUPPLIERS

102-9, 205-1, 412-3

Suppliers are a key stakeholder group because they enable KCM to make the products our consumers prefer. One thing we require of all of them is to apply our culture, which is grounded in the values of social responsibility, business ethics and environmental care.

In selecting our suppliers, we follow a process that incorporates environmental and social criteria, which are defined in our **Social Compliance Standards for Suppliers**. These include:

- Respect for human rights and non-discrimination on the job.
- Safety, equality and freedom of association for employees.
- Business integrity and zero tolerance for corruption.
- Environmental care.
- Commitment to KCM's Sustainability Strategy.
- Adherence to health and safety guidelines on use of materials.
- Financial stability, capacity for current and future supply.
- Capacity to innovate on their own or together with KCM.
- Proof of compliance.

To assess our suppliers' compliance with these criteria, as well as the quality of the goods and services they provide to us, we regularly conduct random strategic audits of their facilities, which are performed by independent specialists.



The results of these audits not only define the status of our commercial agreements with suppliers but provide information necessary for continuous improvement.

We have continuous improvement strategies with our suppliers to help them use their resources more responsibly and efficiently while reducing costs and their environmental footprint, while ensuring the safety and quality of the final products we offer to our clients.



**We share best practices with our suppliers and participate in initiatives to obtain, develop and use sustainable and safe raw materials.**

<sup>1</sup> For more information about our audit process, see the Corporate Governance section of this report.

## DISTRIBUTION LOGISTICS

KCM subcontracts most of its logistical services, primarily through our subsidiary SODISA. In both cases, we have a Logistics Administration System that enables us to be more efficient, reduce costs and emissions, and improve customer service.

Online retailing has grown exponentially in recent years, particularly since the public health emergency of 2020. Even before that, KCM's products had a physical and digital presence at strategically convenient points of sale for our consumers.

### LOGISTICS MANAGEMENT SYSTEM



Alliances with companies to take advantage of transportation space, while abiding by all weights-and-measures restrictions.



Work with the planning area to ensure our production is located as close as possible to final distribution points.



Optimized pallet stacking to fit more product in each shipment and thus to make less trips.



Consolidation of freight and orders to maximize transportation capacity.



Backhaul and fronthaul to avoid trucks returning empty once they deliver their product to the client.



Reduction of CO<sub>2</sub>e emissions by hiring external transport firms with newer fleets and more efficient motors.



Analysis of production by order and client depending on the geographic zone.

◀ Last year we traveled 81,920,196 kilometers to bring our products to customers.

◀ Thanks to e-commerce, in 2020 we were closer to our consumers with hygiene and personal care products for Mexican families just a click away.



## COMMITMENT TO CLIENTS AND CONSUMERS

Our intention is to make the essential extraordinary, *every day, for a lifetime*, to give our clients and consumers the best experience with our products.

This is why we place so much importance on innovation, as a continuous process that allows us to stay ahead of market needs and create competitive advantages.

## Innovation is in our DNA, to make the essential extraordinary

Customer-centric innovation is at the heart of our daily operations. We not only evaluate spending on research and development (R&D) but also ongoing innovation processes, success rates, return on investment and processes involving improvement in environmental and social aspects.

We focus on offering differentiated, innovative and value-added products, as well as well-known brands that consistently exceed the expectations of our premium, high and mid-range markets. Furthermore, through the Kimberly-Clark Professional division we respond to the needs of companies, hospitals, hotels and retailers.

In 2020 we presented a series of new products to the market, many of them with the aim of addressing the public health emergency, and others to improve our consumers' experience.



### NATURAL TOUCH BY HUGGIES®

The diaper is made with a soft cover woven from fine plant fibers and materials free of chlorine, fragrance, latex and parabens. The wet wipes clean naturally and safely because they are made with materials free of alcohol, fragrance, chlorine and phenoxyethanol.



### HUGGIES® ECOPROTECT

We make diapers and wet wipes that provide total protection for baby's skin with complete absorption, softness and cleanliness, while caring for their world. These diapers and wet wipes are designed with Eco Care Environmental Technology and made with materials that return to nature in a shorter period of time.



### HUGGIES® CUIDADO ESENCIAL WET WIPES

These wet wipes were designed to offer antibacterial care thanks to their formula of natural orange and green tea oils. These ingredients guarantee safe cleanliness for baby's skin without irritation, eliminating 99.9% of bacteria.



### DEPEND® ULTRATHIN NIGHTTIME UNDERWEAR

This Nighttime Underwear is designed to provide more protection at night; it has a larger, super-absorbent core that turns liquids into gel and provides more hours of ultra protection, so consumers can sleep peacefully through the night.

## KCM has multiple business channels to meet the needs of every market segment.

Escudo® Antibacterial innovated and executed with the necessary urgency, bringing essential products to the market for protecting Mexican families in record time.



**ESCUDO® ANTIBACTERIAL**

A brand that has been protecting Mexican families for more than 50 years. Now, with the public health crisis, it has expanded its portfolio to offer a new line of products for surface disinfection, in the segments most popular among consumers: wet wipes, antibacterial gel and antibacterial spray.



**KOTEX® UNIKA ACTIVE**

An ultra-thin pad, with "Xpress Drī®" technology that keeps moisture far from the body and adjusts to the body's movements with its "Flexfit" form.



**PÉTALO HAND TOWELS**

Concerned about families' hygiene and health, we launched disposable hand towels, which help to avoid the spread of germs from cross-contamination. They are also 100% biodegradable.



**KOTEX® UNIKA ANTIBACTERIAL PANTYLINER**

The only ones on the market that have anti-bacterial technology that prevents 99.9% of bacteria from developing in the liner. This technology helps preserve the defenses of the intimate zone without interfering with the vaginal flora.



**KIMBERLY-CLARK PROFESSIONAL**

We introduced disinfection and protection solutions focused on shared environments and spaces in various industries. These include a fogger and disinfecting liquid for industries and public spaces, as well as wet wipe sachets for hands and gel alcohol. All these products are in high demand by various businesses who want to ensure their clients' protection.



**KLEENEX® FACE MASKS**

Facemasks have become an indispensable element in daily life. In light of this need, we launched Kleenex face masks, which have 3 filtering layers, are soft against the skin and fitted to the face, with all the quality and softness of Kleenex® products.

With the public health emergency, we launched Kleenex® face masks, which have 3 filtering layers, are soft against the skin and fitted to the face.



Our commitment to meeting and exceeding our clients' expectations inspires us to incorporate good practices and seize opportunities for improvements in our processes, products and services.

To learn first hand the opinions, concerns comments and questions of those who consume our products, we have a **Customer Service and Care Center**, available through social media, phone or e-mail.


### Most common requests

- Sales
- Comments
- Suggestions
- Complaints
- Congratulations
- Free samples
- Promotions
- Dynamics
- Product information
- Launches

## CONSUMER CHANNELS AND ATTENTION PROCESS

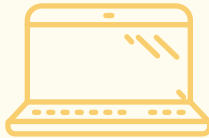
 Facebook, Instagram and Twitter

 <http://www.servicioclientes.kcc.com>

 55 5282 7283



**1** The customer files a report through any of our channels.



**2** A report number is generated for the customer.



**3** The report is generated.



**4** Field staff receives notification to address the report.



**5** Customer Service receives confirmation that the product was recovered and delivers it to Quality, continuing to follow up throughout the process.



**6** Corporate Quality Assurance reviews and issues comments, sends it to the corresponding mill.



**7** The mill receives the report for its analysis and if necessary sends results to Corporate Quality Assurance regarding tests performed, to notify the customer.



**8** Customer Service contacts the customer again to share comments and the results of its report.



417-1, 417-2, 417-3, 418-1

**Customer service**

Business	Calls	E-mails	Social media	Total 2020
Baby products	12,481	4,266	6,446	23,193
Incontinence	1,487	1,351	522	3,360
Feminine protection	776	2,922	2,236	5,934
Beauty care	561	1,043	1,122	2,726
Home products	2,646	2,219	4,239	9,104
Evenflo	2,245	3,180	2,906	8,331
<b>Total</b>	<b>20,196</b>	<b>14,981</b>	<b>17,471</b>	<b>52,648</b>

Throughout this customer service and care process, we respect our consumers' rights to Access, Rectification, Cancellation and Opposition (ARCO). We also provide a KCM Privacy Notice<sup>2</sup> on our website.

In order to provide complete information on our products' content and benefits, KCM maintains a strategy of responsible communication with clients and consumers, based on the general policy on self-regulation and ethical practices in advertising and marketing tools.

This policy regulates how we handle advertising for our brands in matters such as legality, ethics, social responsibility, environmental respect, truthfulness, scientific information, personal image protection, competition and comparative advertising.

Our goal is for every Mexican family to have access to our products regardless of their purchasing power. To this end, we align our commercial strategy with a vision that provides for multiple communication channels to meet the needs of all segments.



**In 2020 we recorded no cases of non-compliance with marketing communication, information or labeling requirements regarding our products.**

<sup>2</sup> Every Kimberly-Clark de México brand has its own privacy notice, which can be viewed on the website of each of them.



## SOCIAL RESPONSIBILITY

413-1, 413-2

In addition to our business purpose, we have a commitment to creating value for all of our stakeholders. We do this through our program “KCM Inspira®: Caring, Educating, Encouraging,” which includes social responsibility activities with employees, suppliers, clients and the community.

Despite the new normal and lockdown conditions, our most well-known brands continued to support social causes in Mexico through innovative initiatives.<sup>3</sup>

In 2020, through our support for non-profit charitable institutions and our support for the population at large during the public health emergency, we benefited almost six million people in various states of Mexico.



As part of the **Abrazando Su Desarrollo** by Huggies® initiative, we offered a series of online workshops that brought specialists in psychomotor development closer to consumers in order to encourage the comprehensive development of their babies from home. Additionally, in an alliance with UNICEF we helped train 16,00 educational agents in online psycho-emotional support programs.



Since 2019, more than four million people have benefited from the Embracing their Development by Huggies® initiative.

<sup>3</sup> For more details on these initiatives, see the “Response to COVID-19” section of this report.







Furthermore, through KleenBebé and in partnership with the Red Cross, we launched the **Apapachos de Vida** initiative, which consists of educational campaigns about maternal and infant health, through visits to health care centers, text messages, loudspeaker advertising and other actions. In 2020, we reached 14 communities in the states of Chiapas and Morelos.

Kotex® meanwhile launched the **En Casa con Causa** initiative, bringing nine concerts by renowned performers to promote support and visibility for eight organizations that help women affected by the COVID-19 pandemic. Through live transmissions we reached more than 27 million people.

In October, Kotex®, Escudo® Antibacterial, Depend® and Evenflo® launched the **Campaña Rosa**, with cause-driven product promotions in partnership with the COI Foundation, which supports detection and early treatment of breast cancer. And in November, Kotex® joined forces with Fundación Origen to launch an orange campaign, with cause-driven products to build awareness and provide assistance in cases of gender violence.

Depend® created the **Contigo Siempre** program to bring security and protection to more than 400 elderly adults in eight institutions, improving their quality of life.





The highest governance body of KCM, with the authority to decide on the company's strategies, is our Board of Directors.



# CORPORATE GOVERNANCE

The right corporate governance structure is essential not just for creating sustainable value, but for maintaining the trust of investors and shareholders, as well as the preference of our clients and consumers. This is why we ensure that our business decisions are made in strict accordance with standards of integrity and good corporate governance practices.



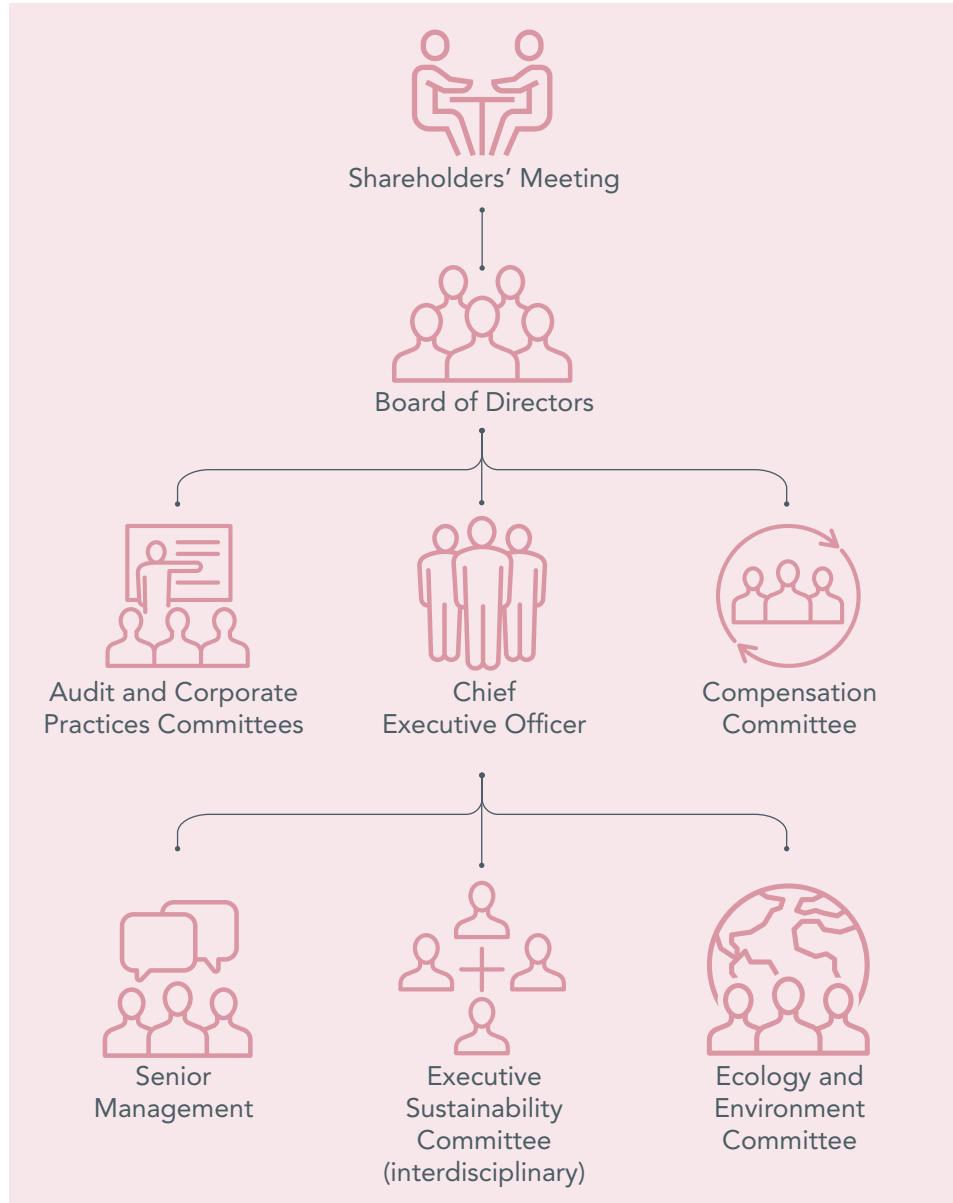
## CORPORATE GOVERNANCE STRUCTURE

103-1, 103-2, 103-3, 102-18

The corporate governance of KCM is established in a set of standards, principles and procedures that regulate the correct operation of our company, and which are aligned with the Code of Best Corporate Practices (CBCC), our Corporate Bylaws, our Code of Conduct, the Securities Market Act, the General Commercial Corporations Law, and other laws that apply to KCM.

The highest governance body of KCM, with the authority to decide on the company's strategies, is our Board of Directors.

KCM's Board of Directors is responsible for appointing the CEO, who in turn delegates authority for the company's strategic planning and management of ESG issues.



At KCM, the activities of the Chief Executive Officer and the Board of Directors are separate, in order to ensure transparent chains of command and responsibility.

Best Practice 9 of the Code of Best Corporate Practices (CBCP)

The Office of the CEO is responsible for the Executive Sustainability Committee and the Ecology and Environment Committee. The former is responsible for designing, implementing and updating KCM's Sustainability Strategy, and is made up of directors from all areas of the company.

The Ecology and Environment committee is responsible for correct implementation of the laws and regulations that apply to operating processes at KCM mills. It is also in charge of applying the environmental strategy that the Executive Sustainability Committee develops, ensuring that it works consistently in all of the company's mills and distribution

centers. Another of its duties is to compile such qualitative and quantitative data on operations as may be useful in identifying areas of risk and opportunity in the use of key resources: electricity, water and fibers.

These committees are also responsible for designing sustainability policies, vision and targets, which they then submit for approval by the CEO; once approved these are translated into guidelines and directives for implementing action plans.



### Executive Sustainability Committee

**Alejandro Argüelles**  
General Counsel

**Alejandro Lascurain**  
Human Resources

**Jorge Morales**  
Transformation and Execution

**José Luis Díaz**  
Internal Audit

**Regina Celorio**  
Marketing, Women's Care,  
KCM 3.0 and Corporate  
Communications

**Roberto García**  
Innovation and Development,  
Quality and Sustainability

**Salvador Escoto**  
Treasury and  
Investor Relations

**Xavier Cortés**  
Finance

#### Support:

**Elios Palomo**  
Sustainability

**Marco Esquivel**  
Sustainability

### Executive Sustainability Committee

**Alejandro Arguelles**  
General Counsel

**Ernesto Reyes**  
Manufacturing, Personal Care

**José Luis Díaz**  
Internal Audit

**Luiz Roberto Neves**  
Supply Chain

**Roberto García**  
Innovation and Development,  
Quality and Sustainability

#### Support:

**Juan Manuel Lozano**  
Ecology and Environment

**Marco Esquivel**  
Sustainability



## SHAREHOLDERS' MEETING

102-24

The Shareholders' Meeting is made up of all of the company's shareholders, who in accordance with the Mexican Commercial Corporations Law and Securities Market Act meet in ordinary and, when necessary, extraordinary meetings, to agree on and ratify all of KCM's operations, and to elect members to serve on the Board of Directors.

To select Board Members, minority shareholders representing at least 8.5% of the capital stock have the right to appoint a regular member and an alternate. In the General Ordinary Shareholders' Meeting of February 27, 2020, the regular members of the Board and their alternates were nominated and ratified, Emilio Carrillo Gamboa was ratified as chairman of the Audit and Corporate Practices Committee, effective as of the date of the meeting.

### Resolutions passed by the shareholders' meeting in 2020 included the following:

1. Approval of the report by the CEO of Kimberly-Clark de México, presented to Shareholders pursuant to Article 172 of the General Corporations Law and regarding the Company's operations during the fiscal year from January 1 to December 31, 2019.
  2. Approval of all parts of the Company's individual and consolidated financial statements as of December 31, 2019.
  3. Allocation of the full amount of net income for the year ended December 31, 2019, which totaled MXN 5,159,098,596, which includes equity in the results of subsidiary companies in the amount of MXN 762,239,155, to the retained earnings from previous fiscal years account.
  4. Acceptance of the resignation of 2 regular members and appointment of their replacements and one alternate board member; ratification of the chairman of the Audit and Corporate Practices Committee, for fiscal year 2020. Ratification of other independent board members and their respective alternates, as well as the nonmember secretary of the Board of Directors.
  5. Approval of the report on the Company's repurchase of its own shares and the maximum amount for acquisition of such shares for fiscal year 2020.
  6. A dividend payment of MXN 1.60 per series A and B share, payable in 4 installments over the course of fiscal year 2020.
- 96.88% of the outstanding shares were represented at the 2020 annual meeting.

Members of the KCM Board of Directors were nominated and approved on February 27, 2020 during the Shareholders' Meeting.



## BOARD OF DIRECTORS

102-18, 102-19, 102-20, 102-22, 102-23, 102-26

Our Board of Directors is made up of 12 regular members, six of them independent, with their respective alternates. All of them are professionals with a long career in a variety of industries, and were selected on the basis of their experience, capacity and professional prestige and the ability to discharge their duties with no conflicts of interest or competing personal, equity or economic concerns, as established in the Securities Market Act, the Code of Best Corporate Practices and our bylaws.

The KCM Board of Directors is presided over by **Claudio X. González Laporte**.

### Primary duties of the Board of Directors

CBCP Best Practice 8



Supervise compliance with all applicable laws and regulations.



Define the company's strategic mission and vision.



Oversee company operations, ensuring the creation of sustainable value.



Appoint and evaluate the Chief Executive Officer and other senior management.



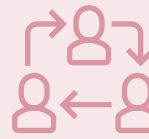
Ensure that shareholders are treated with dignity and have access to sufficient information.



Meet the goal established by the corporation.



Promote the ethical management of the business and the transparency of its administration.



Promote the establishment of efficient internal control mechanisms.



Establish policies on and approve transactions with related parties.



Ensure mechanisms are put in place to identify, analyze, manage, control and disclose risk.



Respond to shareholder concerns through quarterly conference calls or other media  
CBCP Best Practice 18.5



Address inquiries or concerns from any stakeholder regarding ESG issues, which may be dealt with, depending on its importance, in meetings of the Board of Directors, of the intermediate board committees and the Executive Sustainability Committee (depending on its importance); when necessary, involving the Institutional Communications and Sustainability areas.

102-35, 102-36, 405-1

In Board meetings, the Chairman shares his view of the company's ESG prospects, and the board receives some reports from senior management regarding progress toward these goals. Economic matters are reviewed on a quarterly basis, and social and environmental issues in a couple of sessions every year.

**Matters approved during the 2020 Shareholders' Meeting**

1. Follow-up on various innovations and developments the Company has been pursuing to increase and improve its product offering.
2. Report on the company's stock repurchase program.
3. Report on tracking investments in machinery and equipment to optimize and increase production capacity.
4. Report on performance of the Company's products in the various markets where they are present.

5. Timely tracking of the public health emergency and the measures adopted by the Company to protect employees and their family members, among others.
6. Review of the reports by the Audit and Corporate Practices Committee.

**During the year, Board Meetings were held in:**

- January 2020
- February 2020
- March 2020
- April 2020
- July 2020
- October 2020
- December 2020

Compensation for senior management is determined strictly on the basis of their performance against the goals set for each of them.

Annual compensation for senior management is determined on the basis of their experience and knowledge in specific matters that they contribute to KCM. This compensation consists of a fixed and variable salary, hiring bonuses or incentives, severance pay, reimbursements and retirement benefits. For Board Members, compensation is determined in the General Ordinary Annual Meeting at the express proposal of shareholders.

**In 2020 the Board of Directors met seven times, with an average attendance of 80%.**

CBCP Best Practice 24.4

**Members of the Board of Directors**

Regular members	Date appointed	Alternate
Claudio X. González Laporte	December 13, 1961	Guillermo González Guajardo
Valentín Díez Morodo*	April 21, 1983	Jorge Babatz García*
Michael Hsu	February 27, 2014	Jesús González Laporte
Jorge Ballesteros Franco*	February 28, 1997	Jorge A. Lara Flores*
Emilio Carrillo Gamboa <sup>1</sup>	February 26, 1981	Fernando López Guerra Larrea*
Antonio Cosío Ariño*	February 25, 1987	Antonio Cosío Pando*
Pablo R. González Guajardo	February 25, 2010	Fernando Ruiz Sahagún*
María Henry	February 25, 2016	Sergio Chagoya Díaz
Alison Lewis	February 27, 2020	Agustín Gutiérrez Espinosa*
Esteban Malpica Fomperosa*	March 20, 1996	Jorge Barrero Stahl*
Fernando Senderos Mestre*	February 23, 1994	Juan Carlos Machorro Guerrero*
Kim Underhill	February 27, 2020	José Antonio Noguera Castillo*

\*Independent member

<sup>1</sup> Ratified each year since then, except for 1998 when he was serving as Mexico's ambassador to Canada.

## Regular Members

### Claudio X. González Laporte

Elected Regular Board member by the General Ordinary Shareholders' meeting on December 13th, 1961, and ratified without interruption in all successive meetings. He has a degree in chemical engineering and was CEO of the company until April 1st, 2007. Among others, Mr. González Laporte is a member of the Board of Directors of Fondo México, Grupo Carso, S.A.B. de C.V., Alfa, S.A.B. de C.V. and Grupo México, S.A.B. de C.V. and a consultant to Fondo Capital. Currently, he is Emeritus Director of General Electric Company, among other distinctions.

### Valentín Díez Morodo\*

Appointed regular board member in the General Ordinary Shareholders' Meeting of April 21st, 1983 and has been ratified without interruption in subsequent shareholders' meetings since then. He holds a Bachelor's degree on Business Administration. He is Chairman of the Board of Directors of Grupo Financiero Citibanamex, S.A. de C.V., chairman of the Advisory Council of Grupo Modelo, S.A.B. de C.V., Chairman of the Mexican Business Council on Foreign Trade, Investment and Technology (COMCE), President of the Mexican Institute for Competitiveness (IMCO) and is a member of the Board of Directors of several companies, among them: Grupo Aeroméxico, S.A.B. de C.V., Grupo Kuo, S.A.B. de C.V., Grupo Dine, S.A.B. de C.V., ProMéxico, Zara México, S.A. de C.V., Telefónica México, S.A. de C.V., Instituto de Empresa, Madrid and Bodegas Vega Sicilia, S.A.

### Michael Hsu

Appointed regular board member in the General Ordinary Shareholders' Meeting of February 27, 2014. Currently Chief Executive Officer of Kimberly-Clark Corporation, headquartered in Irving, Texas.

### Jorge Ballesteros Franco\*

Appointed regular board member in the General Ordinary Shareholders' meeting on February 28th, 1997, and his election has been continuously ratified by subsequent shareholders' meetings since then. He holds an undergraduate degree in civil engineering and a Master's of Science, and is currently Chairman of the Board of Grupo Mexicano de Desarrollo, S.A.B., Desarrollos Hidráulicos de Cancún, S.A. de C.V. and Fondo Chiapas.

### Emilio Carrillo Gamboa\*

Appointed to the board as a regular member in the General Ordinary Shareholders' meeting on February 26th, 1981 and his election has been ratified in all subsequent shareholders' meetings since then, except for the year 1998, during which he served as Mexico's Ambassador in Canada. Mr. Carrillo has an undergraduate law degree and is founding partner of the law firm Carrillo Gamboa, S.C. He sits on the board of directors of several companies, such as: Grupo Nacional Provincial, S.A.B., Grupo México, S.A.B. de C.V., Grupo Profuturo, S.A.B. de C.V. Southern Copper Corporation and The Mexico Fund, Inc.

### Antonio Cosío Ariño\*

Appointed regular member of the board in the General Ordinary Shareholders' meeting on February 25th, 1987, and his election has been continuously ratified by subsequent Shareholders' meetings. He holds an undergraduate degree in civil engineering and is currently the member of several companies' boards, among them: Grupo Hotelero Brisas, S.A. de C.V., Bodegas de Santo Tomas, S.A. de C.V., Espectáculos Deportivos Frontón México, S.A. de C.V., and Elias Pando, S.A. de C.V. He is CEO of Compañía Industrial de Tepeji del Río, S.A. de C.V., and Fabrica de Hilados y Tejidos Puente Sierra, S.A. de C.V.

### Pablo R. González Guajardo

Appointed regular Board member by the General Ordinary Shareholders' meeting on February 25th, 2010. He has an undergraduate law degree and an MBA. Currently, he is KCM's Chief Executive Officer. He is a Board member for several companies, among them América Móvil, Grupo Sanborns and Grupo Lala, and also of various investment funds managed by the Capital Group. He is a member of the International Advisory Council for the Brookings Institution, a founding member of Mexicanos Primero and México, ¿Cómo Vamos? as well as president of the Education Commission of the Business Coordinating Council and chairman of the board of UNETE for Mexico City and Mexico State.

### María Henry

Appointed regular board member in the General Ordinary Shareholders' Meeting of February 25, 2016, she is currently Senior Vice President and Chief Financial Officer of Kimberly-Clark Corporation in Irving, Texas.

### Alison Lewis

Elected Regular Board Member in the General ordinary Annual Shareholders' Meeting of February 27, 2020. She has served as Chief Growth Officer at Kimberly-Clark Corporation since July 2019 and was formerly Chief Marketing Officer of the Global Consumer business for Johnson & Johnson from 2013 to 2019. Also former Chief Marketing Officer, Senior Vice President, North America at The Coca-Cola Company, among other positions at that company where she worked starting in 1996. Before that, she held various brand management positions at Kraft Foods.





### Esteban Malpica Fomperosa\*

Appointed regular board member in the General Ordinary Shareholders' meeting on March 20th, 1996; his appointment has been ratified without interruption in subsequent shareholders' Meetings since then. He is a Public Accountant, and currently Managing Partner of Praemia, S.C. He sits on the boards of directors of several companies, including: El Puerto de Liverpool, S.A.B. de C.V., and Hypermarcas, S.A. and OUL. S.A. in Brazil.

### Fernando Senderos Mestre\*

Appointed to the board as a regular member in the General Ordinary Shareholders' meeting on February 23rd, 1994, and his position has been continuously ratified by subsequent shareholders' meetings since then. He holds a Bachelor's degree in Business Administration and is currently Chairman of the Board and Executive President of Grupo Kuo, S.A.B. de C.V., Dine S.A.B. de C.V. and Grupo Desc S.A. de C.V. Mr. Senderos is also a board member for several companies, such as: Industrias Peñoles, S.A.B. de C.V., Grupo Televisa, S.A.B. de C.V. and Grupo Nacional Provincial, S.A.B. de C.V. He is a member of the Mexican Business Council.

### Kim Underhill

Elected Regular Board Member in the General ordinary Annual Shareholders' Meeting of February 27, 2020. Currently Consumer Business President for Kimberly-Clark in North America. Before that she was Global President – Kimberly-Clark Professional and President of Consumer Europe. She joined Kimberly-Clark in 1988 and since then has held various positions in research & engineering, supply chain and marketing. She sits on the Board of Directors of Foot Locker, Inc., has a degree in Chemical Engineering from Purdue University and in Engineering Management from the Milwaukee School of Engineering.



## SENIOR MANAGEMENT

**Pablo R. González Guajardo**  
Chief Executive Officer

**Xavier Cortés Lascurain**  
Finance

**Ommar H. Parra de la Rocha**  
Consumer Sales

**Jorge Morales Rojas**  
Transformation and Execution

**Cristina Pichardo López**  
Marketing, Baby and Incontinence Products

**Humberto Narro Flores**  
Tissue Businesses

**Regina Celorio Calvo**  
Marketing, Women's Care, KCM 3.0 and Corporate Communications

**Mara Bonilla Garduño**  
Marketing, Home Products

**Armando Bonilla Ruiz**  
Foreign Trade

**Luiz Roberto Neves Rodrigues**  
Supply Chain

**Catalina Uribe Restrepo**  
Purchasing

**Ernesto Reyes Díaz**  
Personal Care Manufacturing

**Roberto García Palacios**  
Innovation, Technical Development, Quality and Sustainability

**Jesús González Laporte**  
Strategic Operations Planning

**Alejandro Lascurain Curbelo**  
Human Resources

**Virgilio Isa Cantillo**  
Strategic Projects

**Fernando Vergara Rosales**  
Corporate Comptroller

**Alejandro Argüelles de la Torre**  
General Counsel

**Carlos Conss Curiel**  
Information Services

**Salvador Escoto Barjau**  
Treasury and Investor Relations

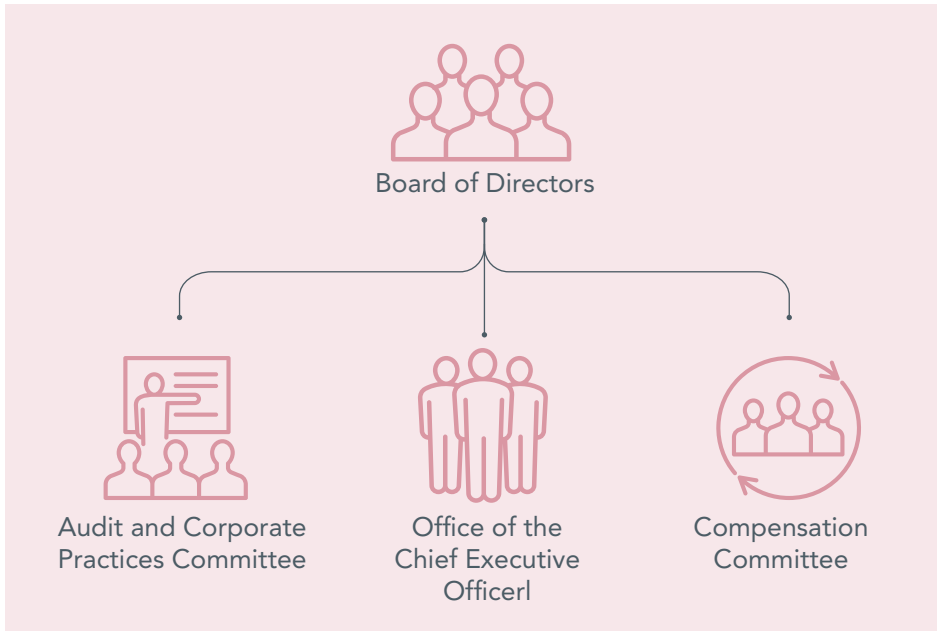


## SUPPORTING ENTITIES

102-22

In the fulfillment of its duties to guide the organization in key matters and protect the interests of shareholders, the Board of Directors had the support of the following:

CBCP Best Practice 17



### Compensation Committee

This committee supports the Board of Directors in handling issues relating to human capital and compensation. It also reviews the performance of the CEO and other company officers and executives and establishes compensation policies, considering, among other factors, the competitiveness of the labor market and the extent to which the executives have met company goals.

CBCP Best Practices 41, 43, 44, 45 and 46

◀ The Compensation Committee met once in 2020.



### Members of the Compensation Committee

Valentín Diez Morodo	Chairman Independent Regular Member
Michael Hsu	Related Regular Member
Fernando Senderos Mestre	Independent Regular Member

Members of this committee are appointed by the Board of Directors.

### 2020 Meetings

#### Meeting dates:

January 2020

#### Issues discussed:

Market compensation for similar positions and companies; the committee analyzed and approved basic or fixed compensation for unionized employees, other employees and executives for fiscal year 2020, analyzes the bases and targets for fiscal year 2020 and, when applicable, variable compensation based on performance against goals for key members of the company's management.



## Audit and Corporate Practices Committee

This committee is responsible for approval, follow-up, review, opinion and oversight of: internal and independent audits, internal Control Systems, legal and regulatory issues, various matters involving corporate practices, Code of Conduct, compliance with resolutions of Shareholders' Meetings and Board Meetings. It also receives and investigates observations from the company's stakeholders regarding any possible breaches of the areas mentioned above.

CBCP Best Practices 25, 30, 32, 33, 34, 35, 36, 38, 39 and 40.

The Audit and Corporate Practices Committee is made up of three independent regular members and one independent alternate. The chairman can only be appointed and/or removed by the shareholders' meeting.

## The Audit and Corporate Practices Committee met four times in 2020

### Members of the Audit and Corporate Practices Committee

Emilio Carillo Gamboa	Chairman Independent Regular Member
Antonio Cosío Ariño	Member Independent Regular Member
Esteban Malpica Fomperosa	Member Independent Regular Member
Fernando Ruíz Sahagún	Member Independent Alternate Member

Committee members are appointed by the Board of Directors.

Meeting dates	Issues discussed
February 10 April 20 July 20 October 12	<ul style="list-style-type: none"> <li>• Reviews carried out in the period. The audits carried out and their respective evaluations are presented.</li> <li>• Progress of the annual audit program. The committee reviews progress against the audit schedule for the year.</li> <li>• Statistical review of facility evaluations. Reviews of company mills and general offices are presented, with their respective score.</li> <li>• Review of complaints for violations of the Code of Conduct. The committee reviews the complaint, the necessary investigation, and follow-up and whether the matter remains open or has been closed.</li> <li>• Meeting of the Audit Committee with the external or internal Auditor without the presence of the company executives. This provides an opportunity for the external or internal auditor to communicate to the committee any issue that may have attracted their attention that which because of its importance the committee should be aware of.</li> <li>• Review of financial statements for the period. At the first meeting of each year, the audited financial statements are reviewed and the main changes to the auditor's report are indicated. The Committee also receives reports for each quarterly period and any other material or financial event.</li> <li>• Presentation of relevant aspects of the Sustainability Report. The CEO presents the report and then goes over the highlights of the document.</li> <li>• Report on the main lawsuits involving the company. Once a year, the general counsel reports any material litigation, its status and possible contingencies for KCM and its subsidiaries.</li> <li>• Key external audit matters and new accounting pronouncements. In the third quarter, the external auditor presents the work plan, the areas considered key for review, the scope, and explains any new accounting standards that could affect KCM's financial statements.</li> </ul>





# BUSINESS ETHICS

A company's capacity to sustain operations over the long term depends largely on the ethical standards by which it abides. For this reason, we promote environments and ways of working in which our employees can do their jobs honestly, with integrity and transparency.





The document that guides the way we operate and do business is the Code of Conduct, and it applies to every KCM employee.

## ETHICS AND HUMAN RIGHTS

102-16

The document that guides the way we operate and do business is the **Code of Conduct**<sup>2</sup> which applies to every employee of KCM, affiliate companies and members of our Board of Directors.

This code explains the conduct and attitude we expect of our people in their dealings with clients, consumers, suppliers, shareholders, coworkers, competitors and the general public under the principles of quality, service and decency that we at KCM are known for.

It also provides guidelines on how we must conduct ourselves with our team, with outside parties and with our company, to promote environments in which human rights are respected, with freedom of association, respect for diversity and the confidentiality of our consumers' and employees' information, while encouraging safe workspaces that are free of discrimination, violence, conflicts of interest, corruption or fraud.

Furthermore, to promote a culture of social responsibility and sustainability in our value chain, we have a set of **Supplier Compliance Standards**<sup>3</sup>.

The standards require our suppliers, among other things, to demonstrate that they are not in violation of laws and regulations on freedom of association, child labor, discrimination and occupational risk, that they promote equal opportunities and safe working conditions, and comply with environmental standards.

In order to keep the Code of Conduct up to date, we continually ask employees and suppliers to ratify their commitment to the guidelines, while new hires are informed about this document as part of the onboarding process.

At KCM, every employee has a responsibility to safeguard the company's integrity by following the Code of Conduct.



<sup>2</sup> See the Kimberly-Clark de México Code of Conduct at <https://www.kimberly-clark.com.mx/data/2020/pdf/KCMCODECONDUCT.pdf>

<sup>3</sup> See the Kimberly-Clark de México Supplier Compliance Standards at: <https://www.kimberly-clark.com.mx/data/pdf/CumplimientoSocialIngles.pdf>

102-17, 102-33, 102-34, 205-3

In order to report any behavior that goes against the KCM Code of Conduct or any of its policies, stakeholders have access to a number of reporting channels:

- Intranet
- Webpage: <https://www.kimberly-clark.com.mx/conoce-kcm/reporte-de-etica>
- E-mail: [codigo.etica@kcc.com](mailto:codigo.etica@kcc.com)
- WhatsApp: 55 1849 2732
- Phones: 55-5285-7223 and 55-5282-7336

Our Industrial Relations, Property Security and Internal Audit areas are responsible for investigating any report received by these channels, and to decide on the appropriate measures depending on the seriousness of the case. If the report is confirmed, sanctions may range from dismissal of the employee responsible to criminal charges.

Through quarterly reports, we inform the Audit and Corporate practices Committee of any violations of the Code of Conduct or our policies, as well as any critical concerns received through these reporting channels.

In 2020 we received 41 reports, primarily regarding workplace abuse, supplier corruption and inappropriate dealings with suppliers.

In the cases of workplace abuse, the Industrial Relations Manager and the immediate superior of the person involved spoke with them, encouraging them to improve their attitude and treat their employees or outside parties better. In 2020, one employee was dismissed for failing to abide by these recommendations.

In cases involving corruption, we conducted the necessary investigations. During the year, two of these cases were confirmed and the employees responsible were dismissed.



Together with our commitment to ethics and in line with principle 10 of the U.N. Global Compact, KCM respects the human rights of everyone involved in our value chain. We reject any type of discrimination, child exploitation, compulsory labor, violation of the rights of indigenous people, abuse, coercion, limitation on freedom of association or collective bargaining, and/or threats.

As of the date of this report, all ethics complaints have been addressed and resolved.

### Process for addressing complaints



## AUDITS

205-1, 205-2, 308-1, 412-3, 416-1

We conduct scheduled and surprise audits both internally and of suppliers and contract manufacturers, and we also receive audits that some clients conduct of KCM.

The Internal Audit area is responsible for reviewing critical operations and suppliers in matters of internal control, information systems, adherence to the Code of Conduct, health and hygiene, safety, ergonomics, environment, human rights, anti-corruption and anti-bribery policies.

In 2020 36 audits were conducted, 34 of them scheduled and two of them were not, 3 of which were found to be “generally well controlled” and 13 “well controlled.”

The Audit and Corporate Practices Committee identified a risk in the product recall by our commercial partner 4e Global, and we immediately hired external counsel to address possible lawsuits.



## CONFLICTS OF INTEREST

102-25

To prevent, control and keep track of possible conflicts of interest, we have a Conflicts of Interest Policy and a process involving various areas, such as Internal Audit, Legal and the head of each department, so that any situation involving a possible conflict of interest can be evaluated by the Audit and Corporate Practices Department.

The following were our transactions and balances with related parties in 2020:

Kimberly-Clark Corporation	2018	2019	2020
Purchasing and technical services	\$ 1,595,935	\$ 1,685,187	\$ 1,648,149
Machinery and equipment	\$ 76,070	\$ 14,827	\$ 75,602
Net sales and others	\$ 568,557	\$ 873,053	\$ 2,581,063
Accounts payable	\$ 275,541	\$ 314,566	\$ 349,642
Accounts receivable	\$ 120,276	\$ 222,542	\$ 505,748





## CYBERSECURITY

418-1

With the current trend toward digitalization and the growing frequency of remote working schemes, KCM faces a range of technological and cybersecurity risks relating to technical failure interruption, human errors, malware, climate events and natural disasters. Properly managing these risks is essential for guaranteeing our business continuity.

With this in mind, we follow KCC's Data Security Policy, which dictates that our IT systems, networks and applications be used appropriately to support and enable the business. It also establishes that employees who by virtue of their positions have access to handle or generate sensitive or confidential information, are responsible for its custody, use, disposal or destruction.

◀ The KCC cybersecurity team is responsible for implementing the data security strategy. Its members are experienced in IT and corporate cybersecurity.

KCC has a Cyber Security & Assurance department responsible for implementing the data security strategy. Its members are experienced in cyberdefense, risk technology, strategic planning, and business information security.

By continuing to apply the best and highest standards of cybersecurity in the world, we are confident that we have a competitive advantage, assuring our information and our operations.

We also introduced the necessary measures to guarantee that the confidentiality, integrity and availability of our information is protected at all times through a system that combines training, exams, reports, audits, compliance, monitoring and management of anomalies.

We have duly documented business continuity plans and procedures for emergency situations. These are tested, reviewed and updated every year. KCC also provides and administers our information technology infrastructure.

Additionally, we involve the Board of Directors in the data security strategy presented to the Audit Committee, and in activities and practices at KCM to safeguard our business information.

In 2020 we did not register any cybersecurity incident in any of our operations, nor client claims of privacy violations or loss of data.





## ABOUT THIS REPORT

102-10, 102-48, 102-49, 102-50, 102-51, 102-52, 102-54, 102-56

Through the Kimberly-Clark de México (KCM) 2020 Sustainability Report (SR2020) we share with stakeholders the operating, environmental, labor, social and corporate governance results for our company between January 1 and December 31, 2020.

The information contained in this Sustainability Report is limited to the operations of Kimberly-Clark de México, so it does not include the results of Kimberly-Clark in other countries, other companies, entities, clients or commercial partners.

In the interests of strengthening our sustainability management, for the first time we are also reporting on indicators suggested by the Sustainability Accounting Standard Board (SASB) applicable to the consumer products industry to which we belong, in addition to the GRI Standard we have been reporting for several years now.

This document also describes the main actions we took to deal with the COVID-19 pandemic and to protect our employees, clients, suppliers and the community. Any restatement of information regarding prior years is mentioned on a case-by-case basis.

This report has been prepared in accordance with the GRI Standards: Core option. It has been subject to external assurance by Deloitte.



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## **Independent assurance report on the 2020 Sustainability Report to Kimberly-Clark de México, S.A.B. de C.V., (Kimberly-Clark) to the Management of Kimberly-Clark.**

### **Responsibilities of Kimberly-Clark and independent reviewer**

The Management of Kimberly-Clark is responsible for the elaboration of the 2020 Sustainability Report (SR) for the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2020, as well as ensuring its content, definition, adaptation and maintenance of the management systems and internal control from which the information is obtained, and which is also free of material misstatement due to fraud or error. Our responsibility is to issue an independent report based on the procedures applied during our review.

This report has been prepared exclusively in the interest of Kimberly-Clark in accordance with the terms of our agreement letter dated April 08th, 2021, therefore we do not assume any responsibility to third parties and is not intended to be nor should it be used by someone other than the Management of Kimberly-Clark.

### **Scope of our work**

The scope of our assurance was limited which is substantially lower than a reasonable assurance scope, therefore the assurance provided is also lower. This report in no case can be understood as an audit report.

We conducted the 2020 SR review under the following conditions and/or criteria:

- a) The adaptation on the 2020 SR disclosures to the Sustainability Reporting Standards Guidelines of the Global Reporting Initiative (GRI) and according to the materiality study provided by Kimberly-Clark.
- b) The review of the GRI Standards disclosures in accordance with the reporting requirements as specified in the GRI Content Index of the 2020 SR.
- c) The data consistency between the information included in the 2020 SR with supporting evidence provided by the Management.

We have complied with the independence and ethics requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) based on integrity, objectivity, professional competence and due care, confidentiality and professional behavior principles.

### **Assurance standards and procedures**

We have performed our work in accordance with the International Auditing Standard ISAE 3000 Revised Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Boards (IAASB) del International Federation of Accountants (IFAC).

Our review work included the formulation of questions to the Management as well as various departments of Kimberly-Clark that have participated in the elaboration of the 2020 SR and the application of certain analytical and sample screening tests procedures that are described below:

- a) Meetings with staff of Kimberly-Clark to learn about and understand the principles, systems and applied management approaches.
- b) Analysis of the process to collect, validate and consolidate the data presented in the 2020 SR.
- c) Analysis of scope, relevance and integrity of the information included in the 2020 SR in terms of the understanding of Kimberly-Clark and of the requirements that stakeholders have identified as material topics.
- d) Selected sample review from the evidence that supports the information included on the 2020 SR.
- e) Quality assurance by an independent partner of the project that verifies consistency between this report and the proposal, as well as work process quality and deliverables.



The following table details the revised contents according with the GRI Standards Guide

<b>GRI disclosure</b>	<b>Description</b>
102-8	Information on employees and other workers
102-17	Mechanisms for advice and concerns about ethics
102-41	Collective bargaining agreements
102-46	Defining report content and topic Boundaries
204-1	Proportion of spending on local suppliers
205-2	Communication and training about anti-corruption policies and procedures
302-1	Energy consumption within the organization
303-3	Water withdrawal
303-4	Water discharge
305-1	Direct (Scope 1) GHG emissions
305-2	Energy indirect (Scope 2) GHG emissions
305-5	Reduction of GHG emissions
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions
306-2	Waste by type and disposal method
307-1	Non-compliance with environmental laws and regulations
308-1	New suppliers that were screened using environmental criteria
401-1	New employee hires and employee turnover
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees
403-1	Occupational health and safety management system
403-9	Work-related injuries
404-1	Average hours of training per year per employee
404-3	Percentage of employees receiving regular performance and career development reviews
405-1	Diversity of governance bodies and employees





406-1	Incidents of discrimination and corrective actions taken
413-1	Operations with local community engagement, impact assessments, and development programs

These contents were selected for the independent review in accordance with the following criteria:

- a) Materiality of Kimberly-Clark referred in the 2020 SR.
- b) Information provided during the meetings with the interviewed staff.
- c) Review of the evidence provided by Kimberly-Clark staff of this project.

### Conclusions

Based on our work described in this report, the performed procedures and the evidence obtained, nothing comes to our attention that could make us believe that the contents and disclosures reviewed in the 2020 SR contain significant errors or have not been prepared in accordance with the reporting requirements established in the GRI Standards. For those GRI Standards disclosures where Kimberly-Clark did not report in quantitative terms (numeric) the independent reviewer only reviewed the qualitative information, which includes procedures, policies, evidence of the activities performed, among others.

### Action alternatives

Deloitte has provided Kimberly-Clark a report with the most significant action alternatives for future reporting, which do not modify the conclusions expressed in this independent review report.

Deloitte Asesoría en Riesgos, S.C.  
 Deloitte Touche Tohmatsu Limited affiliated Firm

  
 Rocio Canal Garrido  
 Partner of Deloitte Asesoría en Riesgos, S.C.  
 July 1<sup>th</sup>, 2021

# ESG CONTENT INDEX

102-55

GRI Standard or SASB Indicator	Description	Page or response	
<b>GRI 101: FOUNDATION</b>			
<b>1. Organizational profile 2016</b>			
GRI 102: General disclosures 2016	102-1	Name of the organization	Inside back cover
	102-2	Activities, brands, products, and services	18
	102-3	Location of headquarters	Inside back cover
	102-4	Location of operations	14
	102-5	Ownership and legal form	Kimberly-Clark de México, S.A.B. de C.V. is a Limited-Liability, Variable-capital Corporation with corporate bylaws governed by the General Commercial Corporations Law and Securities Market Act of Mexico.
	102-6	Markets served	18
	102-7	Scale of the organization	14
	102-8	Information on employees and other workers	58
	102-9	Supply chain	17, 72
	102-10	Significant changes to the organization and its supply chain	96
	102-11	Precautionary Principle or approach	We address this internally through the general policy on safety and loss prevention. We do so toward our external stakeholders through instructions on proper use and handling of our products.
	102-12	External initiatives	33, 37
	102-13	Membership in associations.	39
<b>2. Strategy 2016</b>			
GRI 102: General disclosures 2016	102-14	Statement from senior decision-makers	2
	102-15	Key impacts, risks, and opportunities	34
<b>3. Ethics and integrity 2016</b>			
GRI 102: General disclosures 2016	102-16	Values, principles, standards and norms of behavior	92
	102-17	Mechanisms for advice and concerns about ethics	93





GRI Standard or SASB Indicator	Description	Page or response	
<b>GRI 101: FOUNDATION</b>			
<b>4. Governance 2016</b>			
GRI 102: General disclosures 2016	102-18	Governance structure	82, 84
	102-19	Delegating authority	84
	102-20	Executive-level responsibility for economic, environmental, and social topics	84
	102-21	Consulting stakeholders on economic, environmental, and social topics	31
	102-22	Composition of the highest governance body and its committees	84, 88
	102-23	Chair of the highest governance body	84
	102-24	Nominating and selecting the highest governance body	83
	102-25	Conflicts of interest	94
	102-26	Role of highest governance body in setting purpose, values, and strategy	84
	102-27	Collective knowledge of highest governance body	86
	102-28	Evaluating the highest governance body's performance	None at present.
	102-29	Identifying and managing economic, environmental, and social impacts	34
	102-30	Effectiveness of risk management processes	34
	102-31	Review of economic, environmental, and social topics	34
	102-32	Highest governance body's role in sustainability reporting	The CEO of Kimberly-Clark de México approves the Sustainability Report.
	102-33	Communicating critical concerns	93
	102-34	Nature and total number of critical concerns	93
	102-35	Remuneration policies	85
	102-36	Process for determining remuneration	60, 85
102-38	Annual total compensation ratio	60	
102-39	Percentage increase in annual total compensation ratio	60	
<b>5. Stakeholder engagement 2016</b>			
GRI 102: General disclosures 2016	102-40	List of stakeholder groups	31
	102-41	Collective bargaining agreements	70% of our employees are covered by collective bargaining agreements
	102-42	Identifying and selecting stakeholders	31
	102-43	Approach to stakeholder engagement	31
	102-44	Key topics and concerns raised	31



GRI Standard or SASB Indicator	Description	Page or response	
<b>GRI 101: FOUNDATION</b>			
<b>6. Prácticas para la elaboración de informes 2016</b>			
GRI 102: Reporting practices 2016	102-45	Entities included in the consolidated financial statements	106
	102-46	Defining report content and topic boundaries	32
	102-47	List of material topics	32
	102-48	Restatements of information	96
	102-49	Changes in reporting	96
	102-50	Reporting period	96
	102-51	Date of most recent report	96
	102-52	Reporting cycle	96
	102-53	Contact point for questions regarding the report	Inside back cover
	102-54	Claims of reporting in accordance with the GRI Standards	96
	102-55	GRI content index	100
	102-56	External assurance	96
SASB: Activity metrics	CG-HP-000.A	Units of products sold, total weight of products sold	14
	CG-HP-000.B	Number of manufacturing facilities	14
<b>GRI 200: ECONOMIC STANDARDS</b>			
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	16
	201-2	Financial implications and other risks and opportunities due to climate change	34
	201-3	Defined benefit plan obligations and other retirement plans	60
GRI 202: Market presence 2016	202-2	Proportion of senior management hired from the local community	58
GRI 203: Indirect economic impacts 2016	203-1	Infrastructure investments and services supported	We invested more than MXN 100 million in infrastructure and equipment for reducing the risk of COVID-19 and continuing to operate.
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	17
GRI 205: Anti-Corruption 2016	205-1	Operations assessed for risks related to corruption	72, 94
	205-2	Communication and training about anti-corruption policies and procedures	94
	205-3	Confirmed incidents of corruption and actions taken	93
GRI 206: Anti-Competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	In 2020 we did not engage in any such practices.







GRI Standard or SASB Indicator	Description	Page or response	
<b>GRI 300: ENVIRONMENTAL STANDARDS</b>			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundaries	44
	103-2	The management approach and its components	44
	103-3	Evaluation of the management approach	44
GRI 301: Materials 2016	301-1	Materials used by weight or volume	45
	301-2	Recycled input materials used	45
SASB: Packaging lifecycle management	CG-HP-410a.1	Total weight of packaging, percentage made from recycled and/or renewable materials, and percentage that is recyclable, reusable, and/or compostable	46
	CG-HP-410a.2	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	46
SASB: Environmental & Social Impacts of Palm Oil Supply Chain	CG-HP-430a.1	Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as identity preserved, segregated, mass balance, or book & claim	KCM does not use any such inputs in its products.
GRI 302: Energy 2016	302-1	Energy consumption within the organization	50
	302-2	Energy consumption outside of the organization	50
	302-3	Energy intensity	51
	302-4	Reduction of energy requirements of products and services	51
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundaries	47
	103-2	The management approach and its components	47
	103-3	Evaluation of the management approach	47
GRI 303: Water and effluents 2018	303-1	Interactions with water as a shared resource	47
	303-2	Management of water discharge-related impacts	47
	303-3	Water withdrawal	47
	303-4	Water discharge	49
	303-5	Water consumption	47
SASB: Water management	CG-HP-140a.1	Total water withdrawn, total water consumed, percentage of each in regions with high or extremely high baseline water stress	47
	CG-HP-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	47 An increase in the cost of water based on its availability may pose a risk to KCM
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundaries	52
	103-2	The management approach and its components	52
	103-3	Evaluation of the management approach	52
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	52
	305-2	Energy indirect (Scope 2) GHG emissions	52
	305-4	GHG emissions intensity	52
	305-5	Reduction of GHG emissions	52
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	53



GRI Standard or SASB Indicator		Description	Page or response
<b>GRI 300: ENVIRONMENTAL STANDARDS</b>			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundaries	54
	103-2	The management approach and its components	54
	103-3	Evaluation of the management approach	54
GRI 306: Waste 2020	306-2	Management of significant waste-related impacts	54
	306-3	Waste generated	55
	306-4	Waste diverted from disposal	55
	306-5	Waste directed to disposal	55
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	43
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	17, 94 In 2021, we introduced new criteria and processes for supplier selection
<b>GRI 400: SOCIAL STANDARDS</b>			
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	59
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	60
	401-3	Parental leave	60
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	KCM has no specific methodology for this issue; it is handled on a case-by-case basis but in a reasonable term consistent with the law.
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundaries	63
	103-2	The management approach and its components	63
	103-3	Evaluation of the management approach	63
GRI 403: Occupational Health and Safety 2017	403-1	Occupational health and safety management system	63
	403-2	Hazard identification, risk assessment, and incident investigation	66
	403-3	Occupational health services	66
	403-4	Worker participation, consultation, and communication on occupational health and safety.	64, 68
	403-5	Worker training on occupational health and safety	67
	403-6	Promotion of worker health	66
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	66
	403-8	Workers covered by an occupational health and safety management system	65
	403-9	Work-related injuries	66
	403-10	Work-related ill health	66





GRI Standard or SASB Indicator	Description	Page or response	
<b>GRI 400: SOCIAL STANDARDS</b>			
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	61
	404-2	Programs for upgrading employee skills and transition assistance programs	62
	404-3	Percentage of employees receiving regular performance and career development reviews	62
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	58, 85
	405-2	Ratio of basic salary and remuneration of women to men	The ratio of basic salary and remuneration of women to men is fair and established on the basis of wage tables that take into account the market rate for that salary, the level of responsibility of the position and the individual performance of each employee.
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	59
GRI 407: Freedom of association and collective bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	58
GRI 408: Child labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	In 2020, we identified no operations and suppliers at significant risk for incidents of child labor
GRI 409: Forced or compulsory labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	In 2020 we identified no operations and suppliers at significant risk for incidents of forced or compulsory labor
GRI 411: Rights of indigenous peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	In 2020 we recorded no cases of this type.
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundaries	62
	103-2	The management approach and its components	62
	103-3	Evaluation of the management approach	62
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	62
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	72, 94
GRI 413: Local communities 2017	413-1	Operations with local community engagement, impact assessments, and development programs	78
	413-2	Operations with significant actual and potential negative impacts on local communities	78
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	In 2021 we introduced new supplier selection criteria and processes.
	414-2	Negative social impacts in the supply chain and actions taken	17
GRI 415: Public policy 2016	415-1	Contributions to political parties and/or representatives	KCM does not contribute to political parties or representatives.
GRI 416: Customer health and safety 2017	416-1	Assessment of the health and safety impacts of product and service categories	94 KCM evaluates 100% of its product categories for health and safety impacts.
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	21 In 2020 we did not record any such incidents of non-compliance.



GRI Standard or SASB Indicator	Description	Page or response
<b>GRI 400: SOCIAL STANDARDS</b>		
SASB: Product Environmental, Health, and Safety Performance	CG-HP-250a.1	Revenue from products that contain REACH substances of very high concern (SVHC)
	CG-HP-250a.2	Revenue from products that contain substances on the California DTSC Candidate Chemicals List
	CG-HP-250a.3	Discussion of process to identify and manage emerging materials and chemicals of concern
	CG-HP-250a.4	Revenue from products designed with green chemistry principles
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling
	417-2	Incidents of non-compliance concerning product and service information and labeling
	417-3	Incidents of non-compliance concerning marketing communications
GRI 418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data
GRI 419: Socioeconomic compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area

## ENTITIES COVERED BY THE CONSOLIDATED FINANCIAL STATEMENTS

102-45

### **Crisoba Industriales, S.A. de C.V.**

Provides property rental and other services to KCM.

### **Servicios Empresariales Során, S.A. de C.V.**

Supplies financing, equipment rental and, through its subsidiaries, distribution and other services to Kimberly-Clark de México, S.A.B. de C.V.

### **Taxi Aéreo de México, S.A.**

Provides air transport services to employees of KCM, its subsidiaries and the general public.

### **Evenflo México, S.A. de C.V. y Evenflo, Inc.**

Produces baby feeding accessories in Mexico and the United States and selling other Evenflo® brand products in Mexico.

### **Sodisa**

Provides logistical services as a transport subsidiary.

### **4e**

Makes liquid soaps that expand the range of products KCM offers.





## CONTACT

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## INVESTOR RELATIONS

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## CORPORATE SUSTAINABILITY

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## LISTED MARKETS

Bolsa Mexicana de Valores (BMV)  
United States (ADR'S-OTC)

## TICKER SYMBOL

BMV: KIMBER

[www.kimberly-clark.com.mx](http://www.kimberly-clark.com.mx)





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