

IV. Ethics and Social Responsibility

At **Kimberly-Clark de México**, we believe the way we do business is as important as the business we do. That is why our pattern of operation is to do business with integrity and high ethical standards, and why we are committed to operations that benefit our stakeholders and society at large, in keeping with the guidelines of the United Nations Global Compact, in which we participate through our partner Kimberly-Clark Corporation.

We are creating value through our people with value.





Ethics and integrity (G4-56, G4-57, G4-58, G4-EN34, G4-LA16, G4-HR1, G4-HR2, G4-HR3, G4-HR4, G4-HR5, G4-HR6, G4-HR7, G4-HR8, G4-HR12, G4-SO3, G4-SO4, G4-SO5, G4-SO6)

We abide by the 10 principles of the UNGC:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their area of influence.

Throughout its history, Kimberly-Clark de México has been distinguished by its strict compliance with the law, ethical business standards and rules on doing business. Our reputation for integrity is an asset of which every one of us who make up this great company should be proud. That is why it is so important to us to operate according to our Code of Conduct, because this is the ethical guide that leads our daily actions under the principles of quality, service and forthrightness, and because it can help us to maintain a dignified and cordial workplace environment.

Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

We have a whistleblower system that is overseen by an Ethics Committee and Corporate Practices Committee.

Principle 3: Freedom of association.

We encourage respect for labor organization rights. At present, 66.6% of this company's workers are union members. Relationships between the company and its unions are cordial, and provide efficient channels for open communication on matters of labor, safety, hygiene, training and productivity, among others.



Principles 4 and 5: Elimination of all forms of forced and compulsory labor and child labor.

All KCM personnel are of legal age to work and have signed a work contract that legally establishes the payment and duties of each person. We keep a record of hours worked and pay accordingly, whether in normal business hours or overtime, as stipulated by law and the principles of human rights.

Principle 6: Non-discrimination and equal opportunity.

In our Code of Conduct, through our human resources area, we promote equality as a primordial element of our hiring policy, and we offer equal opportunities in hiring or promoting personnel without regard to age, gender, race, color, religion, creed, sexual orientation, nationality, physical disability or pregnancy.

Principles 7, 8 and 9: Focus on the promotion and development of environmental responsibility.

Conducting our commercial activities with an earnest and appropriate concern for the environment is a basic principle at KCM. As a result, the company has developed important environmental policies on this matter such as energy and water conservation, waste reduction in the manufacturing process, proper disposal of waste that cannot be further reduced, the use of sustainable practices and raw materials, compliance with environmental laws, and monitoring and reporting on environmental compliance.

Principle 10: Working against corruption in all its forms, including extortion and bribery.

For KCM, operational transparency, both within the company and in dealing with its external stakeholders, is a fundamental part of the process of analyzing and identifying risks. We have a process for identifying the risk of corruption in the various commercial, administrative and operating areas, based on which we create policies and procedures for internal control (KCM Policy 41: Anti-Corruption), visit our web page at: <http://www.kimberly-clark.com.mx/sustainability/additional-information>, as well as internal and external audits at all locations where there are opportunities to mitigate these risks (G4-SO3, G4-SO4, G4-SO5).

We collected more than 15,000 signatures in support of the civic initiative called the “3 out of 3 Initiative,” whose aim is to prevent and fight corruption, proposing a new model of public servant and a society jointly responsible for their actions.

These strictly prohibit giving or receiving any kind of cash or in-kind gratuity that may compromise employees’ professional relations regarding the good and services exchanged with others.

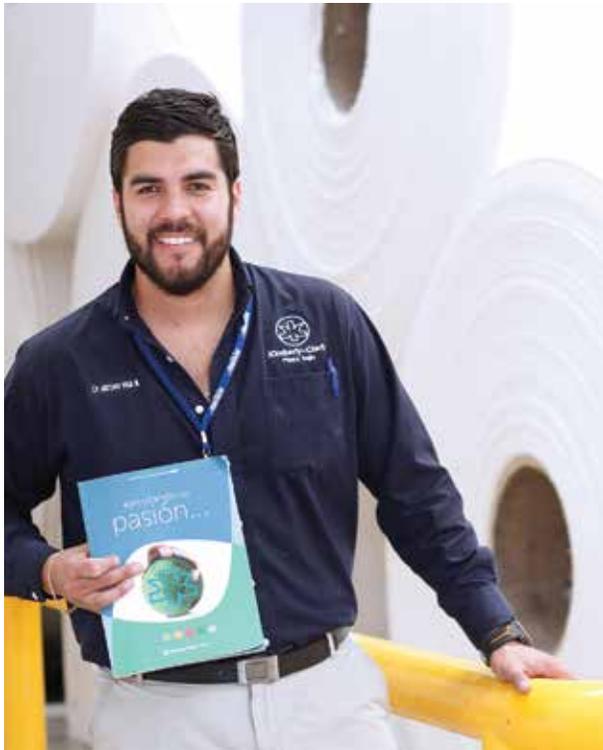
Our relationships with governments, government agencies and their employees, are governed by specific laws, and Kimberly-Clark de México S.A.B de C.V., its subsidiaries, affiliates, officers and employees acting on its behalf are strictly prohibited from receiving or giving illegal payments either in cash or in kind, directly or indirectly, to or from government officials or employees. They are also discouraged from extending invitations beyond limits that are reasonable, necessary and common for maintaining cordial professional relations. It is considered a serious violation of the code to offer, promote or provide, directly or indirectly, anything of value, regardless of the amount, to induce or influence the decision of a public official (G4-SO4).

In line with our Code of Conduct and Principle 10 of the UNGC, we collected more than 15,000 signatures in support of the civic initiative called the “3 out of 3 Initiative,” whose aim is to prevent and fight corruption, proposing a new model of public servant and a society jointly responsible for their actions.

KCM does business with integrity and high ethical standards, and we work according to our Code of Conduct. This code is intended to promote, respect, protect and reinforce our policies on respect for human rights, and is composed of the following sections (G4-56):



- Conduct towards:
 - Our work team
 - Our company
 - Our clients, suppliers and consumers
 - The environment
 - Public organisms
- Safety and respect in the workplace
- Alcohol and drugs
- Anti-corruption policies and ban on giving or receiving bribes (KCM Policy 41: Anticorruption)
- Confidentiality of consumer and employee information
- Competition



- Conflicts of interest (Policy 33: Conflicts of Interest, Attention to Third Parties, Gifts and Confidential Information)
- Confidential Information (Policy 33: Conflicts of Interest, Attention to Third Parties, Gifts and Confidential Information)
- Gifts, entertainment and other favors
- Human rights
 - Freedom of association
 - Diversity
 - Child exploitation, including child labor
 - Corporal punishment
 - Abuse and/or sexual harassment or any other kind of human abuse
 - Slavery or forced labor
 - Job and workplace discrimination

On the basis of audits conducted during the period covered by this report, there were no claims nor were their any risks of human rights violations detected anywhere in our operations.

- Fraud prevention
 - Violation of accounting practices and internal controls
 - Precise record keeping
- Report of Code of Conduct violations (Policy 41: Anticorruption and Policy 48: Whistleblower Protection)
 - Code of Conduct Hotline
 - NO Reprisals Policy

You can learn more about our Code of Conduct at the following link: <http://www.kimberly-clark.com.mx/en/about-kcm/code-of-conduct>

Since we began operating in 1959, Kimberly-Clark de México has endeavored to operate with integrity and high ethical standards in the way we do business with our clients and suppliers. We believe the best way to ensure and safeguard the integrity and ethics of the company and all its stakeholders is through prevention, so we prepared an action plan in keeping with the precautionary principle (G4-14), which covers 100% of our operations and significant suppliers. This action plan encompasses aspects ranging from training and audits to the whistleblowing system, as detailed below.

Training in the Code of Conduct

In 2016, we took on the task of ensuring correct interpretation of and compliance with the policies and guidelines of our Code of Conduct, and 100% of KCM employees and suppliers received training in this code. From the time they are hired, employees are made aware of this tool, and reminders are sent to all personnel digitally at all our plants and corporate offices. In addition, and even though each member of the KCM team is responsible for safeguarding the company's integrity, directors and managerial staff are required to regularly guide their personnel and the areas of their responsibility in the effective application of the Code of Conduct (G4-57, G4-SO4).

We have a complaint hotline, available to 100% of KCM employees by dialing 48 on an internal company line.

This is reinforced by inviting all company employees to visit the Human Resources area if they require advice or have complaints or questions (G4-SO4), and by distributing the Code of Conduct as part of our communication program through electronic and print media.

In addition to training, the CEO sends a message to all personnel stressing the importance of strict compliance with the principles of business ethics and social responsibility that have been ingrained in KCM's history since its origins.

Audits

The Audit Area reviews 100% of our operations and significant suppliers for matters such as internal control, information systems, and application of the Code of Conduct, health and hygiene, safety, ergonomics, the environment, human rights, anticorruption policies and bribery.

Based on the audits conducted during the period covered by this report, there were no claims nor any risks of human rights violations detected anywhere in our operations (G4-HR5, G4-HR6, G4-HR12). Nevertheless, in 2016, in audits conducted to our suppliers, some of these were removed from the supply chain because of the possibility of potential negative impact in product stewardship and/or human rights issues (G4-SO10, G4-HR10, G4-HR11).

	2016
Suppliers removed	55
New suppliers	38

Also, in 2016 we were audited (for human rights, safety, environment and quality issues) by independent experts sent by clients or licensees such as Burger King, McDonald's, Wal-Mart and QSMéxico. In all cases, the results were positive and we received no major notes or critiques (G4-HR9 y G4-SO3).

Whistleblower system

We have a whistleblower system through which we can appropriately channel complaints, suggestions or reports of violations of the Code of Conduct (human rights, corruption, environment, bribery, dignified labor, and others), without risk of reprisal against the person making the report.

This system provides access to all our stakeholders through internal information systems (intranet) and external systems like the public webpage for anonymous reports on violations of the Code, by e-mail to conducta@kcc.com and external phone lines (5282-7223, 5282-7320, 5282-7336) through which we can investigate and address violations of our Code (G4-58).



Complaints, suggestions and reports are investigated by various areas of the company.

Complaints, suggestions and reports are investigated by the Industrial Relations, Property Security and Internal Auditing areas, which decide on the appropriate measures to be taken. As a team, these areas prepare quarterly reports which are presented to the Audit and Corporate Practices Committee.

The measures taken depend on the seriousness of the violation, for example:

In the case of misconduct, usually the Manager of Industrial Relations and the immediate superior speak to the party involved and urge them to change their attitude and improve their dealings with coworkers or outside parties.

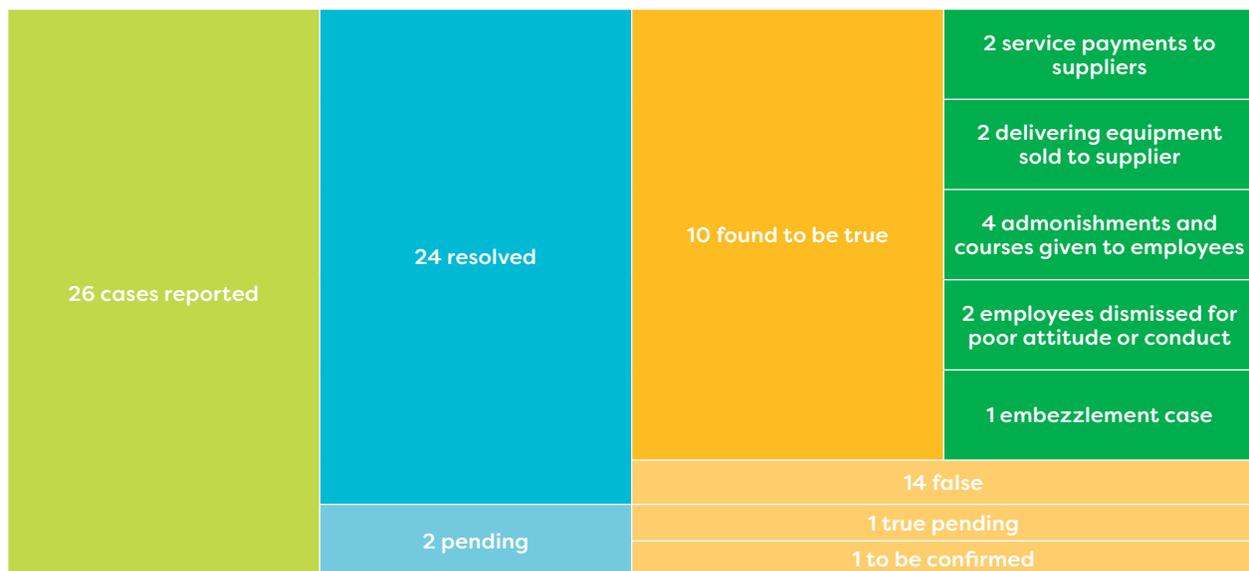
For reports of deviations from established policies and procedures, Property Security conducts an investigation and confirms the deviation; they then speak with the employee and urge them to comply with the policies, or risk cancellation of their contract.

In cases of bribery and embezzlement, the investigation is handled by the Manager of Property Security, the Manager of Industrial Relations and, in some cases, the legal department (sometimes with the involvement of



outside parties) and Internal Auditing. If the complaint is found to be warranted, the employee is dismissed.

In 2016, a total of 26 reports were received through our complaint hotline ([G4-58](#), [G4-HR3](#), [G4-HR12](#), [G4-LA16](#)).



Most of these reports were rated “well controlled,” some “generally well controlled” and one not rated because it was an investigative report on a Code of Conduct complaint (see details in our complementary information for 2016 at: <http://www.kimberly-clark.com.mx/sustainability/additional-information>). The most frequent subject of complaints were: poor conduct and attitude, deviations from policies and procedures, bribery, and embezzlement.

Social responsibility

Since 1959, Kimberly-Clark de México has been making and selling frequently-used consumer products that meet Mexican families’ hygiene and personal care needs, in keeping with our mission of improving people’s quality of life from its most essential elements.

People are this company’s reason for being, and we are committed to creating value for everyone regardless of whether they are working at KCM or are shareholders, clients, suppliers or consumers.

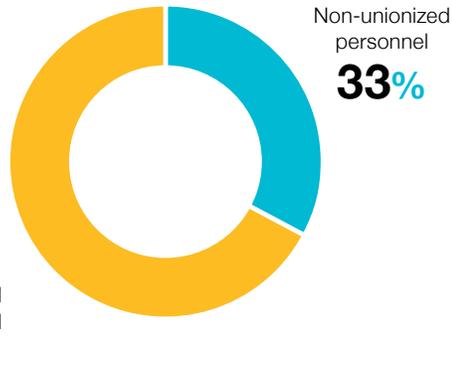
Our employees (G4-LA1, G4-LA11, G4-11, G4-HR3, G4-HR4)

KCM is committed to Mexico’s growth. At the end of 2016 we had a workforce of 8,378 people, and we generated 355 new direct jobs in the year, equivalent to a growth of 4.4%, compared to 2015 (G4-LA1). We have a policy of hiring people close to our work centers and thus generating local jobs. Additionally, our monthly average turnover index is only 0.99%, and has remained at this level for more than 10 years.

(G4-10)

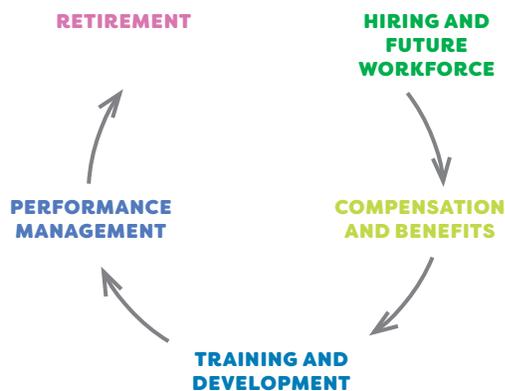
NON-UNIONIZED PERSONNEL									TOTAL	
GENDER	M	F	M	F	M	F	M	F	M	F
Age range	30		40		50		60		No.	
Directors	-	-	8	-	8	-	1	-	17	0
	-		8		8		1		17	
Managers	38	28	65	11	42	8	13	1	158	48
	66		76		50		14		206	
Heads of Department	230	87	126	29	112	16	15	3	483	135
	317		155		128		18		618	
Other positions	754	170	536	59	326	29	26	12	1,642	270
	924		595		355		38		1912	
Total	1,022	285	735	99	488	53	55	16	2,300	453
	1,307		834		541		71		2,753	
UNIONIZED PERSONNEL									Total	
GENDER	M	F	M	F	M	F	M	F	M	F
Age range	30		40		50		60		No.	
Unionized workers	3,634	228	1,013	112	553	40	40	5	5,240	385
Total	3,862		1,125		593		45		5,625	
									7,540	838

We make products that seek to improve people’s quality of life from its most essential elements.



At KCM, we promote freedom of association (*Principle 3 of the UNGC*), and 67% of our work force is unionized (G4-11, G4-HR4).

We know that the company is a reflection of its employees, and we are therefore deeply committed to attracting, retaining, caring for and motivating all our employees, because it is thanks to them that we can maintain an inclusive, harmonious, safe and sustainable working environment. We have done so by attracting talent, protecting their health and safety, training them and enhancing their quality of life through benefits and fair pay.



Hiring and future workforce (G4-10, G4-11, G4-LA1, G4-HR3)

The passion and innovation of our employees makes KCM a leading company in our industry. We have achieved this through diversity: in 2016, we had a team of 8,378 people, all with different ways of thinking, feeling and acting, but united by their high ethical standards and the common mission of improving the lives of Mexican families.

With this in mind, at KCM we promote equal opportunities (*Principle 6 of the UNGC*), without discrimination on the basis of age, gender, race, color, religion, creed, sexual orientation, nationality, physical disability or pregnancy (G4-HR3). We detected no incidents of discrimination during the year, and our practices in this regard are reinforced by our Code of Conduct and Employment Policy, as a primordial element in the hiring and promotion of our people. For more information, visit the link at: <http://www.kimberly-clark.com.mx/en/about-kcm/code-of-conduct>

Our process for filling vacancies involves identifying people within the company whose past performance proves that they can do the job. This has proven to be a tremendously useful tool for encouraging loyalty among our employees, and our workforce has an average seniority of 9.34 years (higher than the nationwide seniority average of 8.4 years, according to the Inter-American Development Bank), as well as a monthly average turnover index of 0.99%.

Additionally, because of our commitment to Mexico and to the future, besides publishing job listings in electronic media, we support professional training for university students through a program of internships, and we have a special “Seedbed” program, through which we hire professionals recently graduated from universities and train them in highly specialized jobs, while supporting them and developing leadership capacities.

We have a team of 8,378 people, with different ways of thinking, feeling and acting, but united by their high ethical standards and the common mission of improving the lives of Mexican families.

The passion and innovation of our employees make KCM a leading company in our industry.

Compensation and employee benefits (G4-53, G4-54, G4-55, G4-EC5, G4-LA2, G4-LA3, G4-LA13)

We know that through the effort and dedication of everyone working at Kimberly-Clark de México, every action taken by the company translates into responsible, sustainable, profitable results, and into respect for the environment, on which we all depend. For this reason, our Compensation Policy establishes a salary and benefits package that is competitive in the market, enabling us to attract and retain people with the highest ethical standards and outstanding performance.

In 2016, KCM paid out a total of Ps.741.46 million in employee profit-sharing, which was 15% of net earnings for the year.

The ratio of base wage to compensation for men and women is 1 to 1, and is established on the basis of salary market tables, the level of responsibility of each job, and the individual performance of the employee in question (G4-LA13).

Salary raises, changes in the benefits programs and the specific details of compensation programs are reviewed annually by the Compensation Committee, which has market comparisons prepared by an independent consultant. With this review, we mitigate the risk of employee resignations through competitive salaries, and we also keep ourselves competitive in our market.

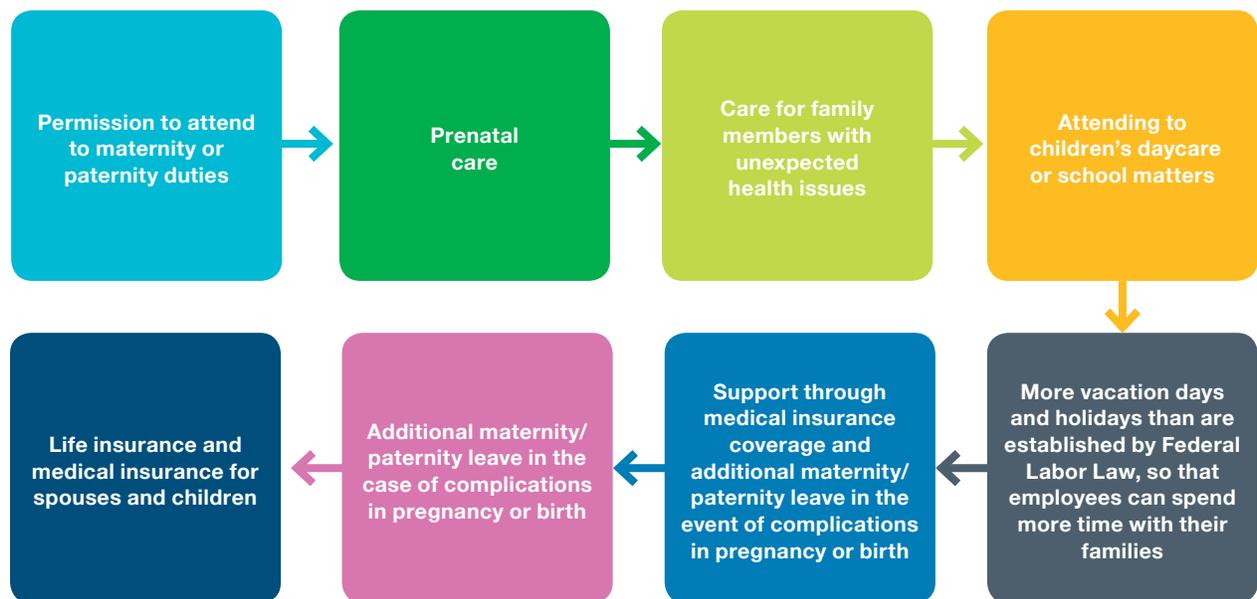
At KCM, we recognize that we are a reflection of our employees, and therefore, if they are well, the company will be well. This is why our salaries and benefits exceed the requirements of the Federal Labor Law (G4-LA2):

BENEFIT	UNIONIZED	NON-UNIONIZED
Employee dining rooms	yes	yes
Savings fund	yes	yes
More holidays	yes	yes
Advance profit-sharing	yes	yes
Preferential price on products	yes	yes
Vacation bonus	yes	yes
More annual bonus days	yes	yes
Subsidy for IMSS disability	yes	yes
Credit union	yes	yes
Preferential interest rates	yes	yes
Scholarship for employee children	yes	yes
Assistance with funeral expenses	yes	yes
Assistance for school supplies	yes	yes
Monthly grocery vouchers	yes	yes

We know that family is the driving motivation of our employees, so we sponsor family togetherness events within the company.

In addition, we know that family is the driving motivation of our employees, so we sponsor get-togethers within the company for employees and their families. We do not encourage employees to work more time than established in the company's official work schedule, and we also suggest they avoid taking work home.

In fact, the organization is designed to have enough resources so that people can work efficiently during the time allotted, and focus on obtaining results. Besides this, we also offer the paid leave and/or paid personal days that employees can use to attend to their family responsibilities:



We also offer flex-time arrangements for new parents and parents-to-be, to avoid pregnancy complications and help them adapt to the new member of the family (G4-LA3). This translates into an excellent return-to-work ratio after maternity or paternity leave.

	MATERNITY	PATERNITY
Return to work ratio	77%	100%
Days leave	84 days (FLL)	5 days

We have a special KCM benefit app that offers:

- Online access 24/7, from anywhere, with hundreds of sales and promotions of top brands.
- The app is automatically updated with new sales that stores upload in real time.
- The platform is highly sophisticated, learning about the employee's preferences over time.
- Sales are automatically updated on the app's home screen, and there is also a search tool for finding restaurants, types of food, stores, etc.



We have a special KCM benefits app that offers online access 24/7 from anywhere, with hundreds of sales and promotions of top brands.



Training and development (G4-LA9, G4-LA10)

At KCM, we realize that perfection is a moving target, and it's not enough to have an excellent team. We also need to continually improve ourselves. Through a process of continuous evaluation, the Human Resources Department detects needs and establishes institutional programs for ongoing training and development, ensuring that our people have the knowledge and skills necessary to keep pace with change and adapt to the needs of our clients and consumers.

In 2016, we invested Ps.2.25 million in training, for a total of 696,565 work hour of training and 5,818 courses or seminars offered—an average of 83 hours per employee, approximately 6 times higher than the national average.

	2014	2015	2016
Training (work-hours)	628,860	625,357	696,565
Training index (% of total work hours)	3.3	3.12	3.33
Number of courses given	5,935	5,452	5,818

Among the courses given are:

COURSES	UNIONIZED	NON-UNIONIZED
Job orientation and re-orientation	✓	✓
Safety Administration System	✓	✓
Behavior-based safety	✓	✓
Use of personal protection equipment	✓	✓
Major loss prevention		✓
HELP Safety	✓	✓
Emergency brigades (fire prevention and firefighting)	✓	✓
First aid	✓	✓
Evacuation drills	✓	✓
Coaching	✓	✓
Leadership	✓	✓
Teamwork	✓	✓
Time management		✓
Negotiation		✓
Problem analysis and decision-making		✓
Innovation workshops		✓
Assertive communication		✓
Communication and human relations		✓
KCM Values	✓	✓
Project management		✓
Fork lift operation	✓	
Instructor training		✓
Process and quality control (EWMA)	✓	✓
Good manufacturing practices	✓	✓
World-class manufacturing		✓
CENEVAL- Middle school and high school	✓	
English		✓
Microsoft Office		✓
Software–New Dynamics system		✓
Talent formation center - online programs (e-learning)	✓	✓

Our institutional programs include:

- **Orientation:**

All of our newly hired employees take an orientation course covering general issues at KCM. The main purpose of the orientation programs is to integrate newly hired personnel as quickly as possible into their work teams so they can do their jobs better, understand the market and its challenges, and become familiar with KCM's operations, products, systems and administrative controls, organizational culture, values and attitudes. All of this is intended to generate a sense of belonging in a relatively short period of time. Some of the issues covered in the orientation are:

- Code of Conduct
- Organizational profile
- About KC (year founded, global, number of employees in Mexico, etc.)
- History of KCM (highlights)
- KCM Business lines (brands, areas)
- KCM Culture (attitudes and values)
- Benefits (vacation days, vacation bonus, annual bonus, profit-sharing, etc.)
- Organizational structure (Directors)
- Dress code
- Various areas (Sustainability)

- **World-Class Manufacturing:**

We have a specific program about operational issues, quality, environment and maintenance control

- **Innovation:**

Focused on Research and Development personnel, this program provides them with tools and skills for developing their creative capacities, quickly designing prototypes, problem-solving, techniques for open innovation development and intellectual protection. Because of the impact this program has had on problem-solving within the company, we are currently considering extending it to other areas.

We have a specific program on world-class manufacturing that deals with operational issues, quality, environment and maintenance control.



- **Safety:**

We have a number of monthly programs in our plants (operational analysis, safe work instructions, operational training, planned work observations, programmed inspections, continuous improvement ideas, safety courses, safety week, etc.) as well as our corporate offices, which cover various safety issues established by our Safety Administration and Loss Prevention System. These programs account for approximately 60% of training time in our plants. Some operational safety aspects dealt with are Hot Work, Work at Heights, Work with Energized Equipment, Work with Heavy Equipment, use of ladders, use of scaffolding, use of platforms, protection and personal safety equipment, and others.



Our Performance Management Program evaluates the performance of 100% of our employees without regard to gender, age or any other condition, in order to decide on salary increases.

- **Talent Formation Center:**

Based on evaluation of our personnel, specific training plans are designed to enhance their job skills and their proficiency in their duties. We have an online tool available to all employees through which they can access training programs in areas such as administration, sales, marketing and general training.

Furthermore, following a census on educational grade level completed by our unionized workers, we designed programs to help employees complete high school, preparatory school, college and Master's degrees. This gives them access to classes both in and off the premises and, when necessary, transportation to and from school facilities.

Thanks to these programs, we have more highly trained personnel who can work toward a Technical College Degree or University Degree (see "Educational and cultural activities," below). The opportunity to pursue continuing education also supports their employability



and helps them manage the end of their professional careers, either when they retire or if they leave the company for another reason (G4-LA10).

- **Reading makes you great:**

Through this project, KCM promotes the habit of reading among our employees and their families, as part of the Company Communication Council campaign. We have mobile libraries that lend out books on a variety of topics. Every Friday, the Social Responsibility and Institutional Communication area sends out an e-mail with weekend reading recommendations, including short readings and information about weekend cultural events.

MINUTES READ: 60,450

HOURS READ: 1,007.5

BOOKS READ: 100

Performance management (G4-LA11)

In accordance with our Compensation Policy, we have an annual performance evaluation program that examines the performance of 100% of our employees without regard to gender, age or any other condition, in order to decide on salary increases. This increase is authorized by the Compensation Committee and to date has historically been in excess of the annual inflation rate.

This process helps us identify opportunities for improvement by each employee and area, based on their progress according to their strategic plans and against the goals and targets of our Sustainability Strategy. With this, both the company and its employees can achieve their full potential growth and improve their purchasing power. The evaluation process is the basis for training and development plans as well as succession plans.



Retirement

One of the company's biggest concerns is that all of its employees can maintain their quality of life when they reach retirement age and have capacities and skills to live a full life during retirement.

Unionized employees agree with the company on the retirement plan most suitable for them.

The company also has a retirement plan for its non-unionized personnel over and above the federal social security system, which ensures that our employees can enjoy an income and protect their equity so their quality of life is preserved even after they cease to work.

The plan allows non-unionized employees to retire at 65, with benefits available to those having worked a minimum of 10 years in the company. Employees may move up their retirement age to 60, with a 5% reduction in the pension for each year before 65, and at the express request of the company they may also defer their retirement to age 70.

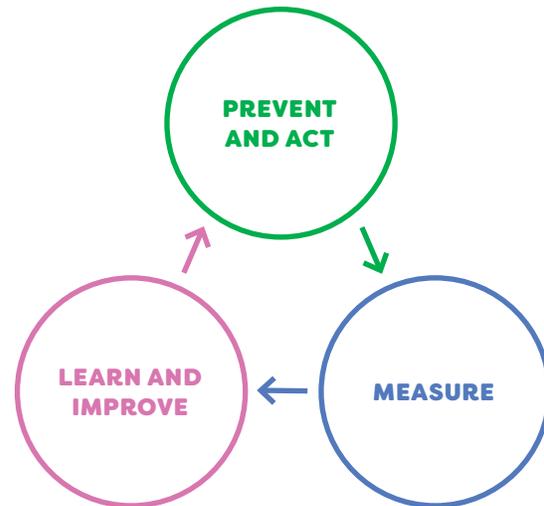
Pension income is calculated based on the employee's seniority and their salary in the last 12 months, including the average of the three highest performance bonuses of the past five years, plus the excess over the IMSS pension base.

The program is fully funded by the company through a trust, and it is subject to an actuarial evaluation each year to determine the plan's obligation and cost. Currently, the funds set aside by the company cover this plan in its entirety, for an amount of Ps.376 million as of the close of June 2016, including seniority bonuses. This is above the level required according to accounting standards.

A Technical Administrative Committee manages the Pension Plan, meeting at least twice a year. Among its responsibilities are approving withdrawals by participants, reviewing and approving calculation premises for the actuarial appraisal, funding, selection of institutions to manage the funds, and any change that must be made to the Plan (G4-EC3).

Occupational Health and Safety (G4-LA5, G4-LA6, G4-LA7, G4-LA8)

At Kimberly-Clark de México, health, safety and hygiene are our priorities for action, because it is through them that we seek to leave a better world than that we found.



Prevent and act (G4-EC7, G4-LA5, G4-LA8, G4-LA9)

From the time they are hired, 100% of our employees are enrolled with the Mexican Social Security Institute (IMSS), and are invited to take advantage of the services it offers, such as childcare, vaccinations against tetanus and flu, mammograms, and monitoring of blood pressure, glucose, cholesterol, size and weight.

From the time they are hired, 100% of our employees are enrolled with the Mexican Social Security Institute (IMSS).

In addition to this, our employees undergo regular checkups by physicians on the premises, who keep track of their health on an ongoing basis. Employees suffering from some illness are monitored and if their health status requires a change in activity, we try to re-locate them to tasks they can better perform.

Prevention programs

In 2016, we focused on prevention through training and programs that invite employees to bring healthy habits to their daily lives. We conducted campaigns to educate them on issues of health, personal care, better quality life, and the prevention and treatment of illness.

Your Health is in your Hands: This program builds awareness among employees and visitors to our workplace and people in public places about the importance of properly washing and drying hands to prevent illness and interrupt the germ transmission chain.

Kuida tu Salud / Kimberly Contigo: We continued this highly successful program in our administrative offices, where it exceeded initial expectations for total weight loss and number of participants under the guidance and supervision of nutritionists, helping them to reach their goals by changing their habits and eating more healthily.

- As in past years, we gave talks to employees about proper nutrition, obesity and metabolic risk, and conducted a campaign to motivate them to stay hydrated in order to prevent illness, and to drink water instead of high-calorie beverages.
- In cooperation with the IMSS, we had tetanus and flu vaccination programs and conducted checks of glucose, cholesterol, and blood pressure as well as gynecological checkups, laboratory testing and medical support for evaluating the results.

- A twice-weekly yoga and meditation program, in which participants received a free yoga mat, weights and a towel.

We invest in setting up sports facilities and encouraging people to practice sports in the areas where we operate, benefiting both employees and their families as well as the community.

In 2016, our annual Safety Week was held from October 10 to 14 at our offices and plants. In the corporate offices, the week kicked off with a message from the CEO to all employees about health and safety.



Advertising program for “Kuida tu Salud” program

Employees were invited to have clinical tests taken through external laboratories.

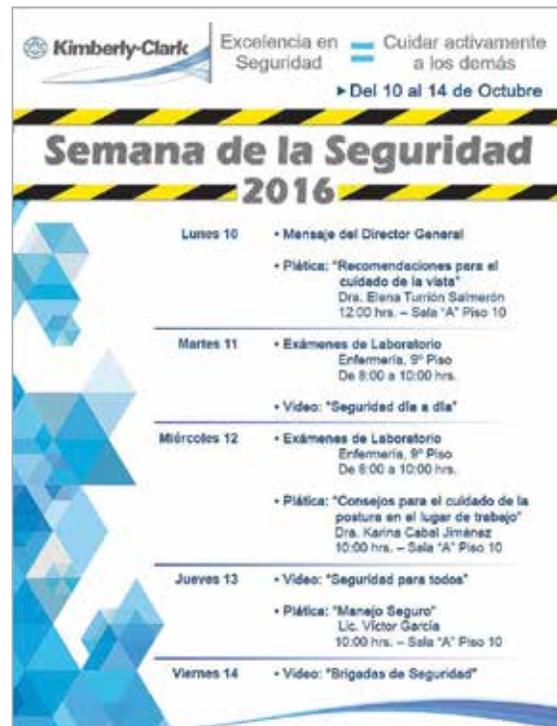
Specialists gave talks on matters such as:

- Eyesight care
- Everyday safety
- Advice on workplace ergonomics
- Safety for all
- Safe driving
- Safety brigades

The keynote this year was “Excellence in Safety = Actively Caring for Others,” inviting participants to reflect on the importance of constantly watching out for the safety of our co-workers and friends. For Kimberly-Clark, safety is an essential value that is part of our organizational DNA, and we want to be sure that everyone gets home safe and sound at the end of every day.

Our goal is to instill a culture of safety that revolves around the human being, in which everyone is concerned about others and takes care of them; a culture of support in which orientation is given and everyone’s safety is monitored

as part of our way of working; in short, a culture of responsibility and concern for safety, where people actively care for one another with courage, care and solidarity.



(G4-LA6, G4-LA7)

SAFETY INDICATORS	2016	2015	2014	2013
Average absenteeism	1.15	1.33	1.23	1.03
Number of work-related illnesses	0	0	0	0
Total index of accidents	0.65	0.76	0.77	0.89
Severity index	12.56	10.3	8.4	9.9
Serious and critical accidents index	0.1	0.14	0.9	0.15
Serious and critical accidents	10	14	9	15
Fatalities	1	0	0	0

Our goal is to instill a culture of safety that revolves around the human being, in which everyone is concerned about others and takes care of them.



We have a Safety Administration and Evaluation System (SAES) through which we are developing a comprehensive Loss Prevention program to identify and control risks proactively and systematically.

Learning and improving

Our prevention programs have kept our absenteeism index at highly competitive levels, 0.88% for non-unionized personnel and 1.41% for unionized personnel, 23 and 13 basis points lower, respectively, than in 2015.

In 2016, we also reduced the total accident index by 11 basis points from 2015, because we had fewer accidents during the year.

Our serious and critical accidents index was 0.1 (number of accidents per 200,000 work hours), .04 percentage points lower than in 2015, also because of a reduction in the number of accidents, but our severity index (days lost per 200,000 work hours) was 12.56, indicating an increase in the severity of accidents.

Despite this progress, we know that the only truly important result is zero accidents. That is why we will be putting all our efforts behind achieving this goal, to honor our late co-worker Antonio Mejía Macías, who died in a highway accident while driving a truck for our subsidiary SODISA. We will continue to work toward zero accidents, a frequency index of less than 0.2 and a severity index of less than 5.0.



We have made safety a primordial value in this organization, and an integral part of every job and all activities that take place within the company. With this, we are committed, together with our personnel, to maintaining a safe and healthy workplace.

On this basis, we have developed a Safety Administration and Evaluation System (SAES) to introduce safety, occupational hygiene and environmental protection in all our operating locations, and to create a comprehensive Loss Prevention program to identify and control risks proactively and systematically. With this we hope to avoid injuries and work-related illness as well as economic loss and damage to the environment, company property or equipment, and the company's image.



The system consists of 29 elements distributed into 8 administrative directives. Twelve of these are Critical Central Elements that are considered to have a preponderant impact on risk prevention and control, and their effective implementation determines the business unit's level of performance.

The Critical Central Elements are:

1. Safety committees
2. Safety goals
3. Management activities
4. Risk and control report
5. Programmed inspections
6. Safety rules and corporate standards
7. Change engineering and control
8. Maintenance of critical equipment
9. Analysis of critical operations
10. Training and preparation systems
11. Accident and incident investigation
12. Corrective action system

Safety Administration and Evaluation System Audits

In addition to routine audits by SAES Coordinators at all the plants where they are located, we have an audit program carried out by our strategic partner KCC, which acts as an independent auditor according to strict OSHA system standards.

For every one of KCM's plants, our partner KCC conducts annual reviews together with SAES Coordinators from other plants, identifying and establishing national and global rankings as to the degree of implementation and compliance with the established directives.

KCM only does business with suppliers who share our social values, business ethics and concern for environmental care.

Commitment to our suppliers (G4-EC1, G4-EC8, G4-EC9, G4-EN30, G4-EN32, G4-EN33, G4-LA14, G4-LA15, G4-SO9, G4-SO10, G4-HR4, G4-HR5, G4-HR6 y G4-HR7, G4-HR11, G4-HR12, G4-PR1)

Our suppliers play a highly important role in KCM's success, in the effectiveness of our social responsibility and in the environmental performance of our value chain. KCM only does business with suppliers who share our social values, business ethics and concern for environmental care.

Value chain strategy

To continually improve our value chain, we are committed to incorporating our suppliers into the Sustainability Strategy.

To implement it, we carried out a materiality study to identify the material aspects and align them with the value chain strategy.





(Principles 8 and 9 of the UNGC)



In the area of the environment, we pursue energy efficiency, water optimization, waste discharge quality, GHG mitigation actions—including the use of recycled fiber and virgin fiber from certified forests, and the monetization of solid waste.

This is done through the selection, evaluation, continuous improvement, and innovation and development of suppliers, in order to improve not only the inputs we acquire but their performance in environmental care and impact.

Supplier selection (G4-LA14, G4-EN32, G4-EN33)

To support the creation of indirect jobs in Mexico, our supplier selection processes are based on the following criteria:

- Commitment to KCM's Sustainability Strategy
- Geographic location
- Compliance with the Code of Social and Environmental Standards for Suppliers
- Compliance with industrial quality standards and legislation
- Cost
- Performance evaluations (including indicators of quality, service and environmental care, among others)
- Compliance with health and safety guidelines in the use of materials (Safety Clearance)
- Financial stability (current and future supply capacity)
- Capacity to innovate on their own or together with KCM research and development areas
- Signing of confidentiality agreements as required by the parties to ensure the proper conduct of commercial relations (domestic supply refers to the production of a product or raw material within Mexico, either by SMEs or large corporations).
- Our social compliance standards for suppliers contain KCM guidelines and principles (Code of Social Standards for Suppliers) <http://www.kimberly-clark.com.mx/en/about-kcm/supplier-compliance-standards>

Our social compliance standards for suppliers contain KCM guidelines and principles and reflect our values of Good Corporate Citizenship, Social Responsibility Commitment, Respect for Human Rights and transparent operations.

In the area of the environment, we pursue energy efficiency, water optimization, waste discharge quality, GHG mitigation actions—including the use of recycled fiber and virgin fiber from certified forests and the monetization of solid waste.

Evaluation (G4-HR4, G4-HR6, G4-HR7, G4-HR11, G4-HR12, G4-SO10, G4-EN32, G4-EN33)

Our supplier evaluation system takes into account the quality of the goods and services they supply us, and their level of service and commitment to our Sustainability Strategy in the value chain, including human rights protection, environmental care, and operational transparency.

KCM expects its suppliers to comply fully with all laws, regulations and official standards applicable to them in areas like the environment, social and labor issues, human rights and transparency, not only in Mexico but in any country where they operate.



As part of our evaluation system, we regularly order independent audits of the facilities of strategically selected suppliers.

These audits not only look into technical aspects such as quality control and raw materials processing, but require that suppliers prove that they are not in breach of any of the following principles: freedom of association, dignity and respect for personnel, protection against child labor, non-discrimination and equal opportunities, working conditions free of imminent risk of serious injury, and compliance with environmental laws and regulations.

The results of these audits, together with other criteria like cost, quality, service, supply capacity, innovation capacity, commitment to a Sustainability Strategy, etc., are used by KCM in the process of selecting and approving commercial agreements with suppliers that are incorporated into its supply chain.

In 2016, 32 supplier audits were performed and, in 47% of the cases these aspects were found to be “well controlled” or “generally well controlled.” No significant deviations in the areas of human rights, transparency and environmental care, and with no indication of significant negative environmental impact, either real or potential, in our supply chain. We also had follow-up reviews conducted of the findings of 2015 audits to in-bond manufacturers (maquiladoras), and these will be audited again in 2017.

Our suppliers and maquiladoras agreed to the audits, and more importantly, accepted the support we gave them for improving their quality systems. We found that most suppliers and maquiladoras had areas of opportunity, primarily in workplace environment conditions (lighting, noise, pest control, chemical handling, etc.) and infrastructure (maintenance) as well as non-compliant product controls and testing methods.

As part of our evaluation system, we regularly order independent audits of the facilities of suppliers who are selected strategically.



We did not receive any claims regarding human rights violations in 2016, and in order to maintain this result, in 2016 we audited not only significant suppliers but also those where we detected a potential risk of human rights violations. As a preventive measure, those who might present a risk were removed from the supply chain to avoid potential negative impacts on product quality and safety and/or human rights (*Principles 1 and 2 of the UNGC*).

Innovation and development

Our strategy of continuous improvement in every phase of the value chain seeks to maximum the value and quality of our products by using renewable and non-renewable resources responsible, and striving to reduce the environmental footprint of our operations. In order to do “more with less,” we seek out more competitive, flexible and efficient suppliers, encouraging the optimum use of natural resources and identifying risks and opportunities at each plant.

We share best practices with our suppliers in the area of sustainability, and work with them on ways to develop raw materials made with the highest standards of environmental care, quality and safety.

To this end, we encourage suppliers to set medium- and long-term targets for reduced consumption of water, energy, production waste and atmospheric emissions, and to put in place programs to reduce, recycle and monetize their solid waste. We also urge them to develop performance indicators that can be reported annually.

We share best practices with our suppliers in the area of sustainability, and work with them on ways to develop raw materials made with the highest standards of environmental care, quality and safety. In matters of product safety, we conduct medical testing of all raw materials and packaging that have been cleared in technical terms.

Results (G4-EC1, G4-EC8, G4-EN30, G4-HR5, G4-HR6, G4-PR1)

In 2016, Kimberly-Clark de México had 284 domestic supplier and 106 foreign suppliers. This generated an economic flow of Ps.14.88 billion in the year, in the area of raw materials alone.

Our most significant suppliers issue annual sustainability reports or publish their social responsibility, corporate ethics and environmental care actions on their webpages, with an emphasis on GHG emission mitigation, certification of wood from sustainable forests, and management of their water use.

Thanks to this strategy with our suppliers, we use close to 66.6% recycled fiber (more than 732,730 metric tons) of post-consumer paper that is thus diverted from landfills or dumps, and avoid GHG emissions like methane gas, which has a high impact on global warming. One hundred percent of our virgin fiber comes from certified forests.

In 2016, we made further progress on estimating the environmental impact of our most significant products (more than 8% of our net sales) through the lifecycle analysis methodology. The conclusions of these studies offer further evidence of the importance of integrating suppliers into our strategy and helping reduce the environmental footprint associated with our raw materials supply.

KCM handles logistics on an outsourcing basis, and, to a lesser extent, through our subsidiary SODISA. In our distribution system, we continue our efforts to reduce costs, emissions, and kilometers traveled, and to improve service to customers, among other indicators.

Logistics Administration System:

- Alliances with companies to take advantage of transportation spaces, in strict compliance with weight and measurement restrictions.
- Consolidation of cargo and orders to maximize use of transport capacity.



We are committed to fair, above-board and efficient relationships with our clients, giving them access to quality products in all market segments and helping to sustainably develop the value chain.

- We try to reduce CO₂ emissions by hiring external transport firms with newer fleets and more efficient motors.
- In conjunction with the planning area, we work to make products as near as possible to the places where the end product is distributed
- Backhaul and fronthaul to avoid trucks returning empty once they deliver their product to the client. This is done through alliances with other companies or working with transporters who can return with raw materials.
- Analysis of production by order and client depending on the geographic zone, so we can move orders between plants instead of moving products inefficiently.
- A pallet design that leaves more room for product in the truck, and uses less pallets overall, meaning fewer trips.

We traveled a total of 90,239,517 kilometers in 2016 to bring our products to our clients (including our transport subsidiary and external truckers), all of this optimized in 189,197 trips.

Commitment to clients and consumers

(G4-PR1, G4-PR2, G4-PR3, G4-PR4, G4-PR5, G4-PR6, G4-PR7, G4-PR8, G4-PR9)

We are committed to fair, above-board and efficient relationships with our clients, giving them access to quality products in all market segments and helping to sustainably develop the value chain.

We work with our clients on a number of fronts to generate a wide array of quality hygiene and personal care products for Mexican families, in the presentations they require, and through active programs to make them accessible to those with lower purchasing power.

Through our corporate sustainability area and its allies, we are working together to identify and execute projects to support sustainable development of our value chain.

Our sales and logistics areas also work to identify and launch initiatives for continuously improving client service.

E-commerce. The presence of the Internet in Mexico continues to spread, reaching 59% of the population in 2016, which in turn has translated into an increasing number of Mexicans buying through digital channels. KCM has an area and a team dedicated to this sales channel, which focuses on transferring and growing our brand leadership in digital spaces and developing this channel among existing clients, as well as new players exclusive to this medium, offering mainly convenience solutions and product variety.



KCM is convinced about the potential of this sales channel and its growth in coming years.

Brands with a social cause. KCM's brand strength is sustained by its history of added value, and is supported by various factors, among them safe, efficient performance, constant innovation, value generation for various socioeconomic segments, keeping brand promises, and improving people's lives through hygiene and personal care.

Arte Kleenex is an artistic, socially responsible initiative in which fifteen urban artists were invited to intervene Kleenex tissue boxes; the proceeds from the sale of these special-edition boxes go to renovation of public spaces throughout Mexico City, where giant replicas of the artists' creations were also on display. Kleenex Tissue is committed to restoring public spaces that benefit society and particularly our youth, promoting family togetherness, sports and artistic expression and keeping Mexican kids away from crime and drugs.



Mission and Values. For KCM, our consumers are our reason for being. Our mission is designing, making and selling products for hygiene and personal and family care, to improve people's quality of life both in and outside of the home.

Our values are defined in our Code of Ethics, which can be viewed at: <http://www.kimberly-clark.com.mx/en/about-kcm/code-of-conduct>, along with the four values that guide our daily actions: leadership, innovation, passion and achievement (G4-56).

Promoting health and hygiene habits and service to consumers. We encourage the adoption of best hygiene and personal practices that can contribute to consumers' health and wellness. To do so, we work with passion, innovate constantly, and use our market leadership to reach all segments of the population, with quality products sustained by brands' widespread prestige.

In pursuit of our concern for encouraging better hygiene and personal care practices, three years ago we created an e-marketing platform called KCM 2.0, through which we can stay constantly in touch with our consumers on these and other issues.

#ARTEKLEENEX Parque Lincoln CDMX

Arte Kleenex® es una iniciativa artística y socialmente responsable de Pañuelos Kleenex® en la que se invitó a quince artistas urbanos a realizar intervenciones en las cajas de Pañuelos Kleenex® para su exhibición en distintos espacios públicos, así como para su venta al público en general en 2017.

Arte Kleenex® es una exposición itinerante que se exhibió en distintas ciudades del país y en espacios públicos que la marca rehabilitará con los ingresos generados por la venta de las cajas de Pañuelos Kleenex® intervenidas por los artistas.

Pañuelos Kleenex® se compromete con la **recuperación de espacios públicos**, los cuales tienen un impacto positivo en la sociedad y sobre todo en la juventud, al fomentar la **convivencia familiar, el deporte y la expresión artística** logrando que los jóvenes de México se mantengan alejados de la delincuencia y la drogadicción.

Arte Kleenex® estará en el **Parque Lincoln** durante las siguientes semanas, asíte con tu familia y amigos, tómate una foto con tu caja favorita y súbela a las redes sociales usando el hashtag **#ArteKleenex**.





Consumers in the “millenials” category (those born between 1980 and 2000) particularly enjoy interacting with our brands through social networks, where they can find useful information and answers to their questions so they can make informed shopping decisions. As a result, for each of our product categories, we have conceived and developed digital strategies that bring our brands closer to our main stakeholders, particularly information

Three years ago we created an e-marketing platform called KCM 2.0, through which we can stay constantly in touch with our consumers on various issues.

on improving personal care habits, better hygiene, and other recommendations on improving wellness and quality of life. Our goal is to provide consumers with in-depth information in real time, which adds value for them.

Through our social networks, we have created blogs on a wide variety of health and hygiene topics. In 2016 we continued improving the environmental impact of our most significant products, based on the previous year's lifecycle analysis. The conclusions of these studies further prove how important it is that we include suppliers in our strategy, and help to reduce the environmental footprint associated with our raw material supply. There is a special section on this issue in the Environmental Care chapter of this report.

KCM 3.0. At KCM, we recognize that digital communication media are central to the daily life of our consumer, and affect their consumption habits and the way they relate to brands.

For each of our product categories, we have developed and consolidated digital brand strategies to provide relevant and useful information to our main stakeholders at each point of contact, helping improve their personal care and hygiene practices and other aspects that improve their quality of life. All of this translates into a more lasting relationship with each consumer.

In our out-of-home product division (KC Professional®), for almost four years we have used the “Exceptional Workplaces” platform to offer comprehensive out-of-home hygiene solutions that prevent the spread of illness.

Through KCM 3.0, we maintain close communications with our consumers, providing them proper attention and care through telephone lines as well as digital media that encourage direct dialogue in real time and in depth, to best meet their needs.

Through a line of products developed specifically for this purpose, we try to reduce workplace absenteeism and improve productivity in the workplace.

In 2016, the focus of the platform was the “Your Health is in Your Hands” program, created to build awareness among employees and visitors to our workplace and people in public places about the importance of properly washing and drying hands to prevent illness and interrupt the germ transmission chain.

By identifying critical zones in each workplace and using the right communications materials, we work to improve health, hygiene and wellness among people outside of their homes.

For our baby care brands, we generate content specifically for parents who want to give the best care possible to their children, along with information that helps them make better decisions regarding child care and development. We also have web series about the many styles of motherhood that exist today, through examples that forge a closer connection between consumers and our brands. Our content is supported by pediatricians who can answer questions about the various phases of an infant’s development.

Another important area is education, not just in the use of our products, but in consumer wellness in general. Kotex, for example, provides health content for women to learn more about their bodies and how to care for them.

Depend also generated more than 450 relevant articles for people with incontinence and their family members, helping clear up common misconceptions and learn about the right products to recover their quality of life.

In our Home brands, we generated 180 videos containing useful advice on housekeeping, lifestyles, recipes and pet care, supported by 540 articles on the websites and social network pages of the Kleenex®, Cottonelle®, Pétalo®, and Suavel® brands, among others.

Through KCM 3.0, we maintain close communications with our consumers, providing them proper attention and care through telephone lines as well as digital media that encourage direct dialogue in real time and in depth, to best meet their needs.

Additionally, in the Consumer Attention and Care area, we fielded questions from more than 4,500 individuals through traditional and digital media, offering recommendations and more detailed information on each product, enhanced by the warmth, proximity and disposition of each conversation.

All of this consumer attention and care was provided in strict respect for their ARCO rights (access, rectification, cancellation and opposition), in keeping with current regulations on data privacy.



In 2016, we had no incidents of non-compliance with regulations regarding marketing, advertising and promotional activities.

In 2016 there were no formal claims regarding violations of privacy or loss of personal data.

We received no complaints about privacy violations or the theft of personal information on our consumers (G4-PR8).

Furthermore, there were also no incidents of non-compliance with regulations regarding the supply and use of products and services in 2016 (G4-PR9).

Respect for the environment. Our consumers have let us know that one of their biggest concerns is preserving the environment. In particular, they expect our industry to take action to combat deforestation, preserve water use and refrain from polluting the environment with toxic waste, poor quality water discharge, or gas emissions that affect the quality of the air we all breathe, and to show a growing concern for climate change, amid

growing evidence about the risk it implies to the future of our planet.

Responsible advertising. Besides maintaining a responsible communication strategy with our clients and consumers about the advantages and benefits of our products in various media like television and print, we and our creative agencies abide by the code of advertising ethics and all laws on this matter, including those governing promotional activities and sponsorships.

In 2016, we had no incidents of non-compliance with regulations regarding marketing, advertising and promotional activities (G4-PR7). During the year, we followed Policy 49: Self-Regulation and Ethical Practices for the use of Advertising, Promotion and Marketing Tools.

Furthermore, our internal control procedures establish the principles that should govern the handling of advertising for our brands, such as legality, ethics, good faith, social responsibility, respect for the environment, accuracy, scientific information, positive self-image, competition and comparative advertising.

Product safety and performance. The safety of our products and their ability to perform as consumers expect are the highest priority for KCM.

In 2016, there were no reported health or hygiene issues relating to our products, nor any fines or sanctions for failing to comply with laws on product health and safety during their lifecycle (G4-PR2, G4-PR6, G4-PR9).

Because of the nature of the products we offer our consumers, introducing strict controls that ensure that no product will harm a consumer is a daily task that encompasses everything from the conceptualization of the product through research in developing its components, the technology used to make it, the certifications it must obtain, controls over its production and marketing, and the way consumers use it.



All of our plants have a program called Hazard Analysis and Critical Control points (HACCP) and others to make sure we comply with product health and safety regulations and appropriately manage sanitary risks. For some products that are sold outside Mexico, we must also abide by the regulations of the U.S. Food and Drug Administration (FDA), as well as specific regulatory aspects required by public health authorities in other countries.

Depending on the product, medical clearance and public health registry may also be required to ensure that the components meet the highest health and safety standards. KCM conforms to KCC's global Medical Clearance guide, which describes user safety review practices that involve a product performance checklist, including clinical testing to ensure that each component and the final product are safe to use (G4-PR1,G4-PR3).

In all cases the labeling of our products meets official Mexican standards, or, for exports, the standards of the country where the product is sold (G4-PR3).

Guaranteeing the safety of our products and their components requires us to avail ourselves of technical and scientific expertise in fields like analytical chemistry, cosmetic product safety, dermatological science, microbiology, and human toxicology, among others.

Product quality assurance. Maintaining the quality of our products in line with technical, functional and safety specifications required by our consumers is a priority in all our operations. Kimberly Clark de México's quality management system is based on the guidelines established in Kimberly-Clark Corporation's Quality



Management System (QMS), which conforms to the ISO 9001:2008 standard. KCM's plants are audited at least once a year by the Corporate Quality Area together with a group of internal and leading auditors trained by SGS. The system is in turn evaluated and rated through a tool known as QMART, which provides a series of questions of each section of the standard and rates compliance as total, partial, or non-compliant, assigns a point score and rating to the overall compliance rating assigned of "well controlled," "generally well controlled," "concerns about control," "not well controlled," and "serious deficiencies in control."



There were no reported health or hygiene issues relating to our products, nor any fines or sanctions for failing to comply with laws on product health and safety during their lifecycle.

In 2016, we had no incidents of non-compliance with regulations regarding marketing, advertising and promotional activities.

In 2016 there were no violations of voluntary codes on product information or labeling regulations (GRI-PR4).

By law, some of our products are required to provide a detailed description of their components. KCM does not make any product with ingredients that may be considered toxic or a risk to health by the Federal Commission for the Prevention of Sanitary Risks.

Finally, in keeping with our policy of addressing 100% of complaints to make sure that clients and consumers are satisfied, we investigate the probable causes of these complaints and, when necessary, take corrective actions.



Personnel from KCC visited our Research, Innovation and Development Lab to conduct an audit in order to certify it as a Regional Laboratory, and to evaluate the four technicians working there.

Their audit included aspects relating to environmental conditions, infrastructure and equipment, as well as all the documentation necessary for the laboratory's management. They also conducted individual evaluations of each technician in each of the testing methods used by the Research and Development department.

At the end of the audit, the laboratory was certified as the Kimberly-Clark de México Regional Laboratory, and the four technicians obtained the highest grade, and are now considered testing method training technicians. The Quality Assurance area certified five technicians in a skills evaluation, and these were assigned the levels of certified technicians and training technicians.

Product accessibility. We are committed to a commercial strategy by which we can offer high-quality products in all segments and channels of the market, and facilitate access to hygiene and personal care products for households with lower purchasing power. We reach all segments of the population through various sales and distribution channels, including supermarkets, wholesalers, drugstores, retailers and convenience stores across Mexico.

Through our KC-Professional business, we reach companies, hospitals, hotels, stores and public places with innovative hygiene and personal care solutions.

As described in our business model, we focus on offering differentiated, added-value products and prestigious brands for the premium, high, middle and value segments of the market, and we work through our market research areas to understand the needs and expectations of the population at various levels of the income scale, in order to offer the best products at the best prices for each segment of the market.

For Kimberly-Clark de México, constant, meaningful innovation is a fundamental pillar for sustainable growth.

Sustainable innovation. Sustainable innovation is a strategic priority, as evident in the following practices and measures:

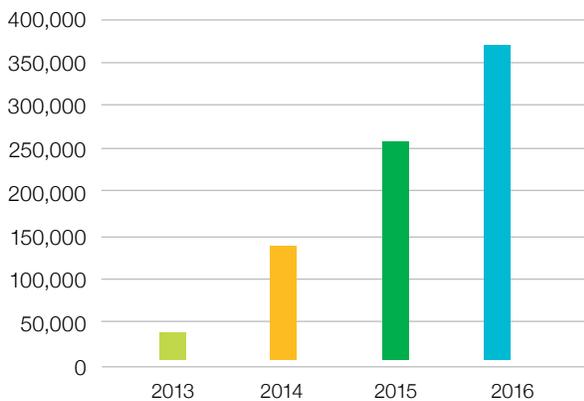
- a. The use of raw materials that keep production sustainability standards high according to the industry in question.
- b. Responsible use of renewable and non-renewable resources.
- c. Research and development of more functional materials with a smaller environmental footprint in terms of weight, volume and use of resources.
- d. Development of innovations using sustainable design criteria and life cycle analysis. Four years ago we launched a Bio-Compact toilet paper whose proprietary cardboard core compression system optimizes the transportation and design of packaging material and reduces GHG emissions by up to 35% (G4-EN27). The product has earned broad acceptance in the market, and sales volume has been growing year after year.
- e. Ongoing optimization in the use of materials, operational productivity, recycling and monetization of solid waste according to the strategy of reduce, reuse, renew and recycle.

We saved a total of Ps.1.03 billion in 2016, mainly through cost-cutting measures such as energy savings, reduced use of materials and services, packaging modifications, change in product design, process optimization, alternating procurement, and improvements in shipping and prices.

In 2016, we continued reporting good quality performance indicators, as can be seen in the table below, showing the historic complaints and claims index (IQR) for our main product categories (G4-PR5).

QR INDEX	
2008	2.59
2010	1.46
2012	1.19
2013	1.03
2014	0.85
2015	0.92
2016	0.73

Sales of Biocompact Kleenex (StdU)



SALES OF KLEENEX BIOCOMPACT TOILET PAPER				
Year	2013	2014	2015	2016
Volume (StdU)	41,470	144,457	253,412	365,989

Consumer protection. At KCM, we believe that effective consumer protection begins with full compliance with the applicable laws on product safety, labeling and information, personal data protection, responsible advertising, consistent quality, friendly and swift attention, and in general complying with all laws, rules or regulations regarding the supply and use of our products.

At KCM, the responsibility of continuously innovating our products is a multi-functional task, involving areas like Innovation, Market Research, Marketing, Sales, Operations, and in general, any employee who comes up with a potentially successful idea.

Product innovation and technological development.

At Kimberly-Clark de México, continuous, meaningful innovation is fundamental to our sustainable growth, the reputation of our brands and the construction of value, which we do by making superior products that have an impact on our consumers' quality of life.

It is also the way we respond to our stakeholders' concerns, because they see innovation as meaningful if it adds value to the company and the consumer, one of the core aspects of our strategy's social pillar.

The innovation process for KCM products begins with our unceasing effort to understand our consumers, their needs, habits and customs and the way they use our products, using a variety of market research techniques (G4-PR5). Our leadership position entails an obligation to generate more added value through meaningful innovation that fully satisfy those needs and expectations, better than any competitor.

At KCM, the responsibility of continuously innovating our products is a multi-functional task, involving areas like Innovation, Market Research, Marketing, Sales, Operations, and in general, any employee who comes up with a potentially successful idea.

In addition to our own resources, our strategic partnership with Kimberly-Clark Corporation is crucial for supporting product innovation initiatives and selecting cutting-edge technology, whether proprietary or external, to increase productivity, optimize raw material use and reduce the consumption of resources like water and energy.

FEMININE PROTECTION

We revamped the Kotex portfolio with a new technology and image and a differentiated presence within the category.

- Re-launch of the Nighttime Napkin with an Ultra Absorb core, incorporating 3D absorption technology that captures flow in seconds and distributes it to keep it inside the napkin and away from the skin.
- Complete line of Kotex Naturals napkins with differentiated channels in front and back.
- Re-launch of Panty protectors with a new, more anatomical form and new embossed channels.



BABY AND ADULT CARE PRODUCTS

- Launch of an improvement to KBB Suavelastic Max diapers with 4 grip points.
- Improved absorbency in KBB Suavelastic Max diapers.
- Increased absorbency in KBB Comodisecc diapers.
- Introduction of new "Fit Barriers" in Huggies Ultraconfort diapers.
- Launch of Huggies Econatural diapers, a new product made with more bio-degradable and natural-origin materials, without sacrificing the absorbency and softness that Huggies are known for.
- Improved fit in Depend Underwear and peach-colored covers.

- Launch of Dermo Protect cover for Huggies Supreme early stage diapers.
- Improved internal covers with more softness and anti-leak barriers in KBB Suavelastic Max diapers.
- Improved large-sized Depend diapers with more length.



- Kleenex Class Multi-Cut Kitchen Towels —2-ply laminated technology.
- Kleenex pocket facial tissue—2-ply laminated technology.
- Imported Scott naturals 1000s for Professional use
- Imported Wiper Wyperall X80 Quarterfold for Professional use.



KIMBERLY-CLARK PROFESSIONAL

We introduced the Experience Life System, which offers a line of sustainable high-performance, high-yield products focused on the needs of institutional restrooms.

HOME, PROFESSIONAL AND FACIAL CARE PRODUCTS

We completely overhauled our Premium line to aim at a younger consumer segment.

- Kleenex Cottonelle Soft Care toilet paper (renewed texture)—UCTAD laminated 2-ply technology.
- Kleenex Cottonelle Beauty Care toilet paper (triple-ply and finely embossed for more softness and strength)—LDC 3-ply technology.
- Laminated Pétalo Rendimax Hybrid toilet paper/ Kleenex Brand Hybrid Engraved —LDC/2-ply TAD technology.
- 200H Scott Control Jumbo toilet paper—2-ply LDC technology.
- Kleenex Calorie Absorb kitchen towels (absorbs food grease more thoroughly and rapidly than any other product on the market)—Hybrid TAD/LDC 2-ply laminated technology.



Higiene Sustentable



LIST OF PRODUCTS PRESENTED ON INNOVATION DAY

- Kleen Bebé Suavelastic Max GRAVITY Project (4 grip points).
- Kleen Bebé Suavelastic Max Softer Covers Project.
- Huggies Ultraconfort FENIX Project (Comfort Flex).
- Huggies Supreme Petits MALIBU Project (3Dermo Protect Cover).

With our new sustainable innovation program, focused on reducing our use of materials and increasing energy efficiency, we generated savings for the company during 2016.



CATEGORIES WITH HIGH GROWTH POTENTIAL

In 2016, the categories we consider to have high growth potential, which include incontinence protection underwear, kitchen towels, shampoo and lotion for kids, pocket Kleenex®, wet wipes for household cleaning and disinfection, intimate wipes, nursing pads and our ecological KC-Professional line, all saw double-digit sales growth.

This year our donations totaled Ps.17.65 million, benefiting people through 133 institutions in Mexico.

With innovation, leadership and passion, we are advancing into new businesses that offer our consumers more hygiene and personal care product options.

Commitment to the community (G4-SO1, G4-SO2, G4-G4-SO3, G4-SO4, G4-SO5, G4-SO6, G4-SO7, G4-SO8, G4-SO9, G4-SO10, G4-SO11)

The company's social responsibility activities include programs that encourage education, culture, recreation and volunteer work to benefit lower-income families. Most of these programs are developed in conjunction with the communities themselves. The most influential of our community engagement programs in 2016 involved participation and support in the following areas:

Support for institutions, foundations, and for society at large, disaster support. In 2016, we supported 131 institutions with cash and product donations, giving lower-income segments of the population access to our hygiene and personal care products. Most of these donations were focused on private charitable institutions that care for and rehabilitate sick children or isolated senior citizens who live in assistance facilities and are in dire need. We also provided economic support to foundations such as:



Pedro Xhalpa Child Care Center, State of Mexico

- Fundación Ronald McDonald
- En la Comunidad Encuentro
- Aquí nadie se rinde AC
- Cruz Roja Mexicana IAP
- Damas Voluntarias del Instituto de Perinatología IA
- Fundación TV Azteca
- Kadima AC

We donated a total of Ps.17.65 million in the year, 0.54% of our pretax profit for 2016, benefiting people through 133 institutions in Mexico by improving their quality of life and giving them access to hygiene and personal care products.

Serving Together - Social volunteer work. In 2016, this program completed its fourth year, in which employees of various areas of the company donate a week of their time every year, according to a specific schedule, to help schools, hospitals, and shelters. In these activities, besides helping with aspects such as maintenance and repair of the facilities they visit, they donate toys and KCM products, in order to improve health and hygiene conditions in those locations, and sharing our best practices through our employee volunteers.

Educational and cultural activities. Kimberly-Clark is committed to sponsoring cultural and educational activities that have proven to stimulate mental abilities and processes, helping people develop their cognitive, creative, emotional, social and logical skills, among others. In the area of cultural support, we promote museum visits, Christmas pageants, theater on safety issues, and weekend cultural events listed every week on the company's Intranet.

We have also developed a series of agreements to encourage families to get out and have fun together—these include movie theaters, amusement parks, fitness centers, teaching farms and others, where employees receive discounts ranging from 10% to 25%.



In the area of education, six generations of unionized workers have participated in our high-school equivalency program so far. We also offer re-certification of fork lift operators, training for handling pressurized containers, re-certification of fire brigades, among others.

We continued to offer English classes for employees at four levels, as well as Saturday English classes for children of workers. Furthermore, scholarships were awarded to children with outstanding academic performance in middle and high school, and economic grants were given to unionized workers for the purchase of school supplies.

We invest in promoting sports in the areas where we operate, both for employees and their families and the surrounding community.

In 2016, supervision courses were offered by ETAC University on topics such as Communication, Workplace Environment, Coaching and Teamwork.

We have agreements with various universities to place undergraduate students with us for internship programs on our premises.

TESCI Dual education agreement, a model that links theoretic learning in the classroom with hands-on experience in the productive sector, offering students the opportunity to study for the following careers:

- ✓ Computer systems engineer
- ✓ Business Management engineer
- ✓ Administrative engineer
- ✓ Computer engineer
- ✓ Logistical engineer
- ✓ Electronic engineer
- ✓ Industrial engineer
- ✓ Public accountant



Community engagement. To benefit the communities surrounding our facilities, we carried out the following activities in 2016:

- We welcomed grade school and high school students to our plants and gave them presentations on an industrial plant's organization and operation.
- Talks were organized at various schools regarding the challenges of working life, theoretic talks and field practices about the use of fire extinguishers, first aid and management of disturbing phenomena (disasters that may be associated with climate change).
- In coordination with the civil protection authorities and other companies in the zone, our fire brigade took part in drills.
- Donations to ANSPAC (the National Association for Personal Advancement), which has personal advancement programs aimed at employees' wives and women from surrounding communities.
- Volunteers worked with the Civil Protection department for Easter week and year-end holiday operations.
- Technical assistance and training agreements with the Voluntary Firemen's Endowment.
- We participated in a group called Industrial Mutual Assistance Plan (or PAMI) to coordinate the efforts of companies in the same area with Civil Protection authorities to provide immediate emergency response.
- At our main plants, we worked on industrial safety issues together with neighboring companies in the industrial zone, where we covered issues such as training, disaster prevention and inter-company support in the event of an accident. We also shared our safety practices and standards with SMEs located near our operations, as a way to benefit the area of influence of our plants in their communities.

Promoting sports. We invest in setting up sports facilities and encouraging people to practice sports in the areas where we operate, benefiting both employees and their families as well as the community. At our main locations, unionized and non-unionized workers take part in annual soccer tournaments, for which the company supplies the sports facilities, a medical checkup and uniforms for the participating teams, all within working hours.

We also sponsor a twice-weekly yoga and meditation program, in which participants received a free yoga mat, weights and a towel.

Hygiene, health and safety. During Occupational Health and Safety Week, we held talks and family events on topics like the importance of prevention in health care, preventing accidents inside and outside of the home, and safety for ourselves and our property. In addition to flu vaccines for employees and family members, we also held events focusing on prevention and early detection of breast and cervical-uterine cancer, control of obesity and diabetes, and supported institutions like JUVENIMSSS in campaigns to prevent addictions and AIDS.

Through PREVENIMSS unionized workers and their families were offered basic checkups including mammograms, pap tests, blood tests, hearing exams, lung function tests and throat swabs.



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