

V. Environmental care performance

Basic principles

(Principles 7 and 9 of the UNGC)

Caring for the environment is fundamental because all forms of life depend on it. The environment sustains all people and therefore all companies. Demand is rising steadily for water used in agriculture, households, energy generation, industry, and by nature at large, and the effects of climate change are exacerbating the challenges associated with a lack of quality or availability of this resource. This in turn increases the risks to people, communities, companies, governments, and the planet as a whole.

Aware of the impact of this issue on a global level, Kimberly-Clark de México recognizes the value of ecosystems and takes action to build a sustainable future for this and coming generations.





The General Environmental Policy makes environmental care a priority in the practice of each one of our operations and businesses.

Environmental policies

(Principle 8 of the UNGC, G4-EN31)

In meeting the targets set in our 2015 Vision, correct application of our environmental policies has been crucial. At Kimberly-Clark de México, the General Environmental Policy makes environmental care a priority in the practice of each one of our operations and businesses, and is an integral part of every job description.

On this basis, we established goals and standards for environmental performance in terms of solid waste management, discharge control, energy efficiency, reducing atmospheric emissions and protecting biodiversity, in which we work together with the stakeholders involved in each area (communities employees, suppliers and authorities).

Our environmental policies can be viewed in more detail on our web page at: <http://www.kimberly-clark.com.mx/en/sustainability/environmental-policies>.

INVESTMENT AND SPENDING ON ENVIRONMENTAL CARE IN 2016 (USD thousand) (G4-EN31)	
Air	1,758
Water and wastewater	5,620
Hazardous waste	90
Solid non-hazardous waste	3,170
Pollution prevention	6
Others	849
Total	11,132



Wastewater treatment facilities at the Bajío plant

Environmental management system

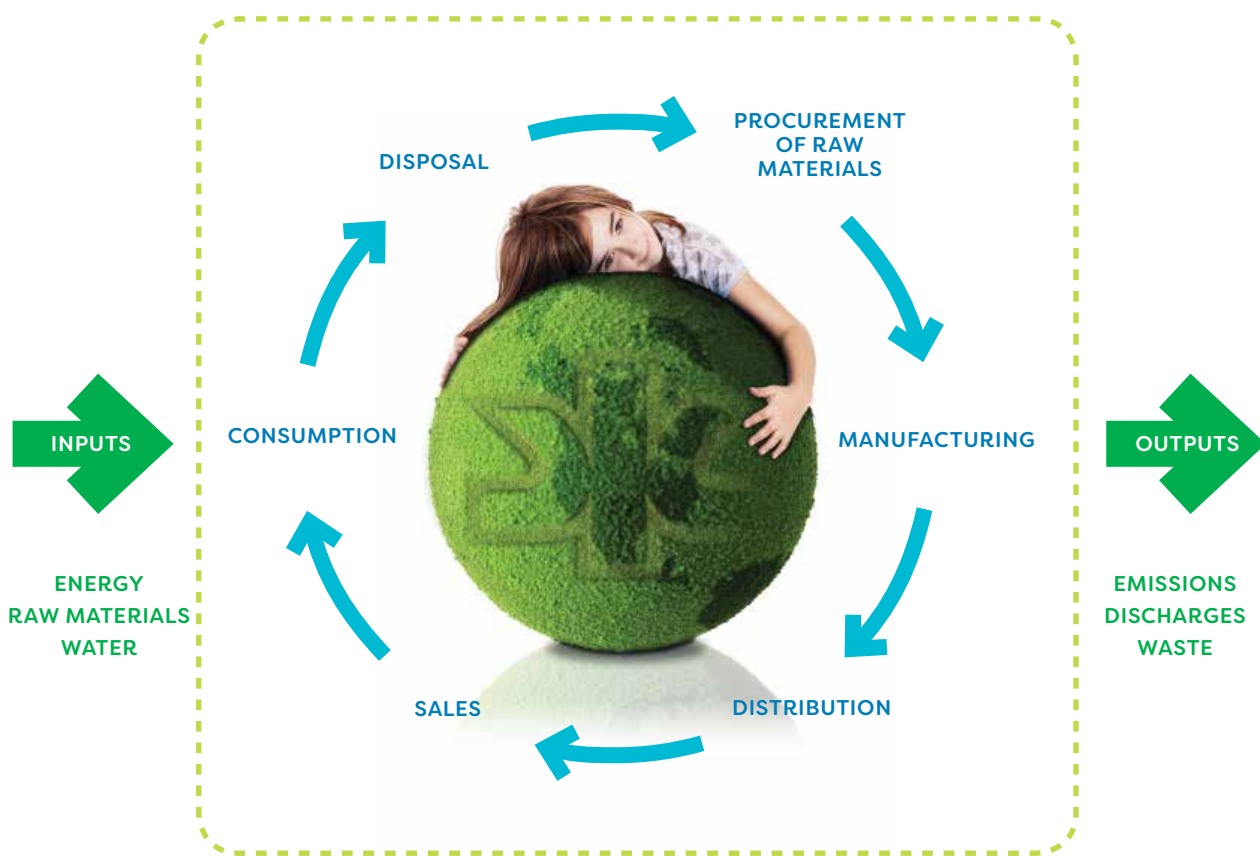
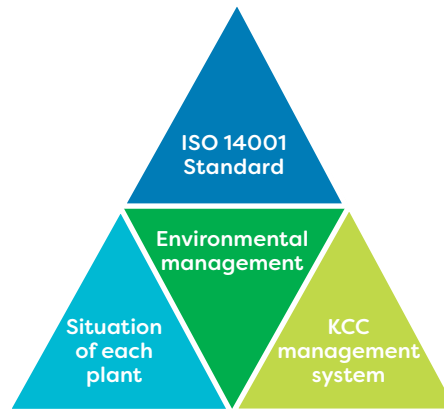
KCM developed its environmental management system based on the considerations of the ISO Standard 14001, the Kimberly-Clark Corporation management system and the specific situation in each our operations, and we keep a centralized record of compliance with environmental laws and standards, tracking progress toward environmental performance and investment projects, cost reductions from energy efficiency, control of water use and quality of wastewater discharge, solid waste management, atmospheric emission control and regulatory changes, and other matters.

There is an Environmental Coordinator responsible for managing the environmental aspects at each of our plants, and with the support of various area managers, this person creates work groups to carry out the annual environmental management plan in manufacturing and conversion operations. The Executive Sustainability Committee is responsible for designing and implementing the strategy and reviews salient aspects of environmental performance every quarter.

The sustainability group, the environmental coordinators for plants and, from time to time, the Environmental Control and Regulatory Affairs group of Kimberly-Clark Corporation, audit the efficiency of the Environmental Management System and our performance in occupational health and safety matters.

Environmental performance

At KCM, we understand environmental systems as a cycle, so we are concerned not only about the source of our raw materials but their use, consumption and disposal, in ways that ensure a more sustainable future.



SYSTEMIC VISION

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Sustainability culture

(Principle 8 of the UNGC)

Presenting this report on the results of our environmental performance and our progress toward sustainability to our stakeholders is a high priority for the company.

The Executive Sustainability Committee, which is responsible for designing and implementing the Sustainability Strategy, goes over the salient aspects of our environmental performance every quarter. The conclusions of these meetings are passed on to the Chief Executive Officer, who in turn reports on the most relevant aspects of our environmental performance and progress toward the goals of our long-term vision in meetings of the Board of Directors.

Internally, the results of the environmental management and operating eco-efficiency system are reviewed monthly in operations meetings with the area director, manufacturing directors, and plant managers, along with heads of purchasing, quality assurance, engineering and maintenance, operating comptrollers and industrial safety.

To develop a culture of environmental care, we made use of various tools to build awareness within the company regarding the importance of achieving our goals, and of communicating our progress or challenges in specific areas, and through a process of continuous improvement, we can reformulate or reinforce plans and actions to achieve the targets.

Among the tools we used to communicate our Sustainability Strategy and progress toward our sustainable targets are the following:

1. Monthly operating meeting (see above).
2. Quarterly meetings of the Executive Sustainability Committee.

3. Reports to the Chief Executive Officer, the Audit and Corporate Practices Committee and the Board of Directors, including presentation of the Annual Sustainability Report to the board members.
4. Publication of articles on sustainability in our quarterly digital magazine IN HOUSE KCM.
5. Publication of our environmental policies on posters and bulletin boards in all company plants and operations.
6. Publication of the annual sustainability report on the internet and on our website.
7. Specific training for employees whose jobs directly involve meeting environmental goals, such as compliance with environmental laws and standards, operation of eco-efficiency systems (wastewater treatment, waste management, climate change, energy efficiency, use of recycled fibers, etc.), sustainability forums, participation in environmental audits and PROFEPA environmental leadership program, and international principles like the UNGC and those of the OECD.
8. Explanation of the Sustainability Strategy and its goals to all newly hired employees or those undergoing job reorientation

Throughout the years, KCM has encouraged a culture of achievement; in other words, results are what count in our pillars of economic performance, social and occupational safety, and environmental performance.

Raw materials and waste

[\(G4-EN1, G4-EN2, G4-EN23, G4-EN24, G4-EN25, G4-EN27\)](#)

Sustainable selection of raw materials

All of our plants try to make optimum use of their raw materials and keep their production lines as efficient as possible. We have a program centered around what we

In developing our environmental care culture, we made use of various tools to build awareness within the company regarding the importance of achieving our goals.

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.

call the five Rs: Reduce, Reuse, Renew, Recycle and Results. Among the most representative of our direct materials (those present in our end products) are:

TOTAL	2015	2016	UNIT
Virgin wood fiber	253,208	280,706	mton/r
Fiber for recycling (G4-EN2)	719,121	732,730	mton/r
Nonwoven fabric	14,672	13,845	mton/nr
Cardboard	29,453	29,263	mton/r, nr
Boxes and corrugated material	277.5	178.4	millions of pieces/r
Polymers and flexible film	94,534	98,212	mton/nr

r = renewable
nr = nonrenewable

In 2016, 66.6% of the fiber used in our tissue paper products was recycled, and we increased recycled material collection while increasing tissue paper production by 4%.

Sustainable innovation

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.

Procurement of sustainable fibers

We recognize our responsibility for sustainable forest management and combating deforestation, so in accordance with our environmental policy on this aspect

(see: <http://www.kimberly-clark.com.mx/en/sustainability/environmental-policies>) we use two types of absorbent fibers in making hygiene and personal care products:



Virgin fiber

The virgin wood pulp we acquire comes from forests that have been certified under international sustainability criteria. One of our responsibilities is to request and check that 100% of our suppliers of this resource have one of the certifications shown in the following diagram.



¹ KCM preferred certifications

In 2016, we continued to report to CDP Forests on our management of forestry risks, and for the fourth year in a row we obtained a grade above the industry average, while rising from Management level to Leadership level.

Our suppliers work to generate this type of resources sustainably, with reforestation programs, biodiversity protection (G4-EN13), soil quality, wood pulp transformation according to international standards, etc., with which they establish appropriate sites for making wood pulp.

In 2016, we continued to report to CDP Forests on our management of forestry risks, and for the fourth year in a row we obtained a grade above the industry average. We also increased from the Management level (obtained in 2015) to Leadership level. This excellent result for Kimberly-Clark de México is the product of a series of actions taken within the company to appropriately manage the risk of deforestation.

KCM's industry leadership also earned a leadership recognition in 2016 for CDP Latin America, headquartered in São Paulo, Brazil.

For more details, visit our web page: <http://www.kimberly-clark.com.mx/data/pdf/CDP2016.pdf>

Recycled fibers

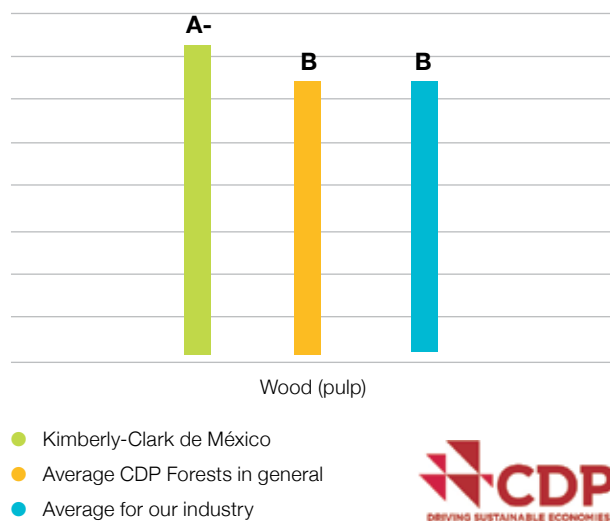
(Principle 9 of the UNGC) (G4-EN2, EN23, EN27)

KCM has three plants equipped with state-of-the-art technology for recycling postconsumer paper fiber, in San Juan del Río, Querétaro; Ramos Arizpe, Coahuila; and Ecatepec, State of Mexico. These plants enabled us to incorporate 66.6% of recycled pulp produced internally into our manufacturing mix in 2016, equivalent to more than 401,076 metric tons of recovered fiber.

We obtain postconsumer fiber primarily from suppliers who collect waste generated at offices, stores, industry, printers and homes, the characteristics and properties of which are appropriate for reincorporation into processes as raw material.

The waste generated from our production lines, along with product lots that do not meet internal quality standards are also in some cases put through processes designed to recover the high-value materials that retain the required specifications and reuse them in our processes.

Score CDP



One hundred percent of the waste paper generated at our corporate offices is recycled at a plant in Ecatepec, State of Mexico, which last year meant around 11,916 metric tons of paper collected (G4-EN2).

Our incorporation of recycled fibers in our production chain has prompted the creation of collection centers for these materials, which brings other participants into the economic chain and helps further reduce environmental impacts (G4-EN23).

To obtain recycled fiber, in 2016 we acquired more than Ps.1.80 billion worth of paper, cardboard, printed magazines and post-consumer newspaper from our suppliers to be used in our operations. For our export sales we have the Green Seal™ certification as a supplier of products with up to 60% recycled fiber content.



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WASTE GENERATED IN 2016		
TYPE OF WASTE	DESTINATION	
	MONETIZATION	LANDFILL
Wastewater sludge treatment	381,285	–
Paper	6,641	95
Plastic	5,956	357
Blended plastic	3,078	498
Plastic mixed with pulp	1,457	–
Wood	2,024	129
Metal	1,977	53
Cardboard	5,062	37
Others	2,680	59
Total by type	410,160	1,228
Grand total (mton)	411,388	

In 2016, we monetized 99.70% of our waste and sent 0.30% to a sanitary landfill.

Solid waste management system

Everyone working at KCM is responsible for reducing, reusing, and recycling the waste from our activities to the greatest extent possible, and for innovating in the design of our products and packages to reduce solid waste generation, as established in KCM's Environmental Policy. <http://www.kimberly-clark.com.mx/en/sustainability/environmental-policies>





Comprehensive waste management

Each of our operating plants has a management plan for specific kinds of waste—special handling, solid urban and hazardous—structured in accordance with the General Law on Prevention and Comprehensive Management of Waste and Regulations thereto, and also with Official Mexican Standard NOM-161SEMARNAT-2011, to minimize generation and maximize the reuse and monetization of the waste we generate.

KCM comprehensively manages all of its waste by type:

Solid waste that requires special handling

Waste materials like plastic, cardboard (not recyclable within our operations), metals and wood are sold as monetizable materials and turned over to external recycling processes (G4-EN28).

One of our achievements was that, for the sixth year in a row, we sent 100% of our sludge for co-processing through synergies with the cement industry.

In manufacturing processes that include the use of recycled fibers, we derive cellulose sludge from our wastewater treatment, and separate out impurities like inks and adhesives from post consumer paper. For this type of waste, we have CRETI certification, which means the residues produced by our productive activities are not corrosive, reactive, explosive, toxic or flammable.

Another achievement was that for the sixth year in a row, we sent 100% of our sludge for co-processing through synergies with the cement industry, avoiding its final disposal in sanitary landfills or other types of containment (G4-EN23, G4-EN28).

In addition, we monetized 275.92 metric tons of cellulose dust and superabsorbent sodium polyacrylate (byproducts of our baby care product waste recycling plant), to be used in soil regeneration (G4-EN25).

Hazardous waste

In handling our hazardous waste we comply with the provisions of the General Law on Comprehensive Waste Prevention and Management, its corresponding regulations and other standards in this area. In 2015, we managed and transported 537 metric tons of hazardous waste in full compliance with the law.

Monetization of solid urban waste and waste for special handling (G4-EN23)

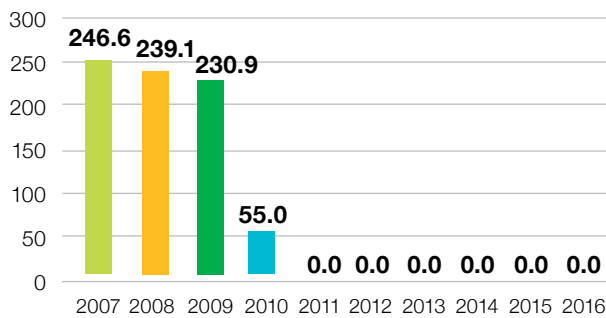
Each of our operating plants has a Special Handling and Solid Urban Waste Management Plan, to minimize generation and maximize the reuse and monetization of the waste we generate.

In 2016, we consumed Ps.2.71 billion worth of raw materials recovered from our processes.

In making the tissue paper, we included in our manufacturing mix, 57,000 metric tons of recovered waste paper having the specifications required by our quality standards for finished product.

In 2016, we had no fuel, residue or chemical substances spills (G4-EN24).

Thousands of metric tons of cellulosic sludge deposited in sanitary landfills



Water and discharges

(G4-EN8, G4-EN9, G4-EN10, G4-EN22)

Water is essential to the manufacture, delivery and use of our products and services.

Few companies are immune to the uncertainties and dilemmas associated with water consumption, and we are no exception, so this element is highly important in our Evaluation of Risks and Potential Impacts. KCM's Environmental Policy regarding efficient water use and discharge control makes all of our manufacturing operations responsible for improving water management processes, in order to reduce consumption and comply with current regulations on water use and wastewater quality. <http://www.kimberly-clark.com.mx/en/sustainability/environmental-policies>



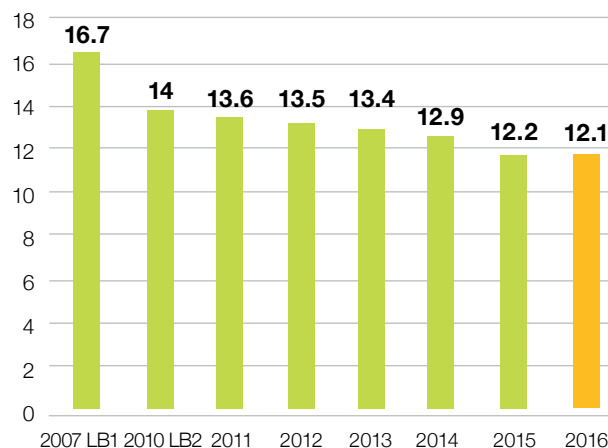
Wastewater treatment facility at the Tlaxcala plant

In operations at our Ecatepec plant, in 2016 we used 6,077 cubic meters of postconsumer water, equivalent to 96.1% of the plant's needs, and recovered 3.76 billion cubic meters of water to replace the use of fresh water.

VOLUME OF WATER USED BY SUPPLY SOURCE (thousands of m ³) (G4-EN8)							
SOURCE	2010	2011	2012	2013	2014	2015	2016
Ground or well water	4,539	4,812	4,660	4,975	5,186	5,202	5,655
Surface water	8,532	7,961	8,175	8,378	7,911	7,872	7,743
Total	13,071	12,773	12,835	13,354	13,097	13,074	13,398
Total water use (m ³ /mton)	14	13.6	13.5	13.4	12.9	12.2	12.1

In 2016, our operating units used a total of 13.7 billion cubic meters of water extracted under concession from the subsoil and surface water bodies (including use of postconsumer water). This was a slight increase from 2015, but this should be considered in light of the 3.35% increase in total production volume in the same period (G4-EN10).

Use of water per metric ton of product in total KCM operations m³/mton



Our total use of water per metric ton produced in all of the company's operations was below the established 2015 target of 12.7 m³/ton produced, ending 2016 at 12.21 m³/ton, an excellent result because it continues the reduction in consumption reported the previous year.

Use of post-consumer water (G4-EN10)

Over the years, as we focus on using less fresh water in our operations, we have invested in advanced technology that today gives us coagulation, sedimentation, flocculation, flotation, aeration and disinfection systems for the internal treatment and recirculation of water in our processes, and for the reuse and exploitation of alternative supply sources.

In operations at our Ecatepec plant, in 2016 we used 3.75 million cubic meters of postconsumer water, equivalent to 96% of the plant's needs, and used only 4% fresh or well water.

In 2016, KCM's total use of postconsumer surface water was 44.46%.

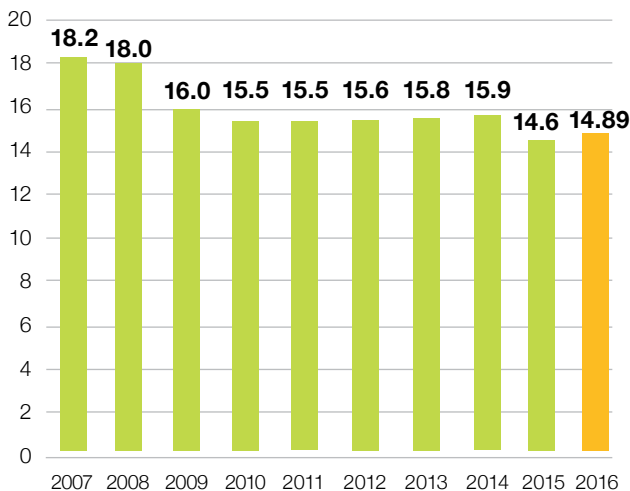
YEAR	GROUND (m ³)	SURFACE		TOTAL (m ³)
		FRESH (m ³)	POST-CONSUMER (m ³)	
2011	4,812,223	1,733,490	6,228,209	12,773,922
2012	4,660,270	1,760,118	6,415,807	12,836,195
2013	4,975,079	1,711,940	6,666,996	13,354,015
2014	5,186,118	1,724,419	6,187,187	13,097,724
2015	5,201,752	1,642,215	6,230,279	13,074,246
2016	5,655,029	1,666,296	6,077,277	13,398,602

100% of our plants operate with the necessary equipment to optimize water use, like closed-cycle systems at the Ramos Arizpe, Bajío, Ecatepec and Orizaba plants, so we can recirculate the water used in our processes up to 4.5 times (G4-EN10).

Use of water in tissue paper manufacturing operations

Water is a fundamental component in our tissue paper manufacturing and our process for recovering recycled fiber from postconsumer paper, because it serves as a vehicle for transporting raw material during paper manufacture. At the global benchmark level, Kimberly Clark Corporation has established a target for water use

Use of water per metric ton of tissue produced m³/mton

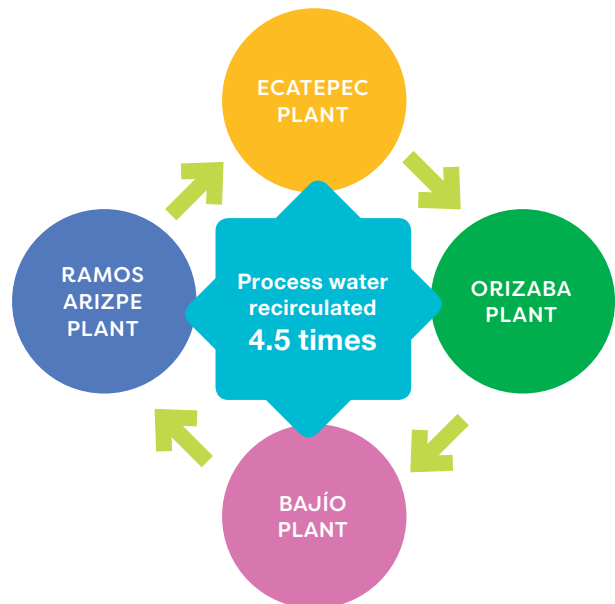


per metric ton of tissue paper produced of 30 m³/mton for machines that started up before 2010 and 20 m³/mton for machines that started up operations after 2011.

In 2016, there was a minor 1.72% increase in the proportion of water used in tissue paper manufacturing operations, due to a rise in production capacity at the Ecatepec, Bajío and Ramos Arizpe plants.

All of KCM's machines (except for Bajío #4) began production before 2010, and use an average of 14.63 m³/mton.

It should be noted that public paper industry reports indicate water consumption even above 25 m³ per metric ton of paper, so KCM has become the industry's benchmark in this regard.



Wastewater discharge (G4-EN13, G4-EN22, G4-EN29)

This year, our discharge of treated wastewater into national water bodies totaled 11.22 billion cubic meters, with a quality (in SST and DBO terms) within regulatory limits: (NOM 001 SEMARNAT 1996, the National Water Law, the Federal Rights Law and the Regulations of the Federal Water Law.

In 2016, our discharge of wastewater increased by only 2.46% vs. 2014 despite a 3.35% increase in production.

Also in 2016, our Bajío plant once again obtained Quality Water Certification from the National Water Commission (CONAGUA). This certification demonstrates the extra effort we have made in treating wastewater and in going beyond the regulatory minimum requirements. Thanks to our constant management of discharge use and quality, no aquifers were damaged nor supply sources affected by our operations (G4-EN29).

No water source has been affected by KCM's use of water in its operations (G4-EN9).

Energy and emissions (G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN20, G4-EN21)

ENERGY CONSUMPTION BY SOURCE (billions of BTU) (G4-EN3)						
YEAR	TOTAL	NATURAL GAS	STEAM	FUEL OIL	WIND	NATIONAL ELECTRICAL NETWORK
2010	8,336	4,933	285	2	303	2,813
2011	8,257	4,830	257	0	291	2,879
2012	8,174	4,693	256	0	383	2,842
2013	8,353	4,816	235	0	212	3,090
2014	8,537	4,962	241	0	207	3,125
2015	8,808	5,132	236	0	42	3,398
2016	9,275	5,227	418	0	73	3,630

Most of the energy we use is electricity from the national supply network (CFE) and Iberdrola, and the generation and acquisition of steam and natural gas.

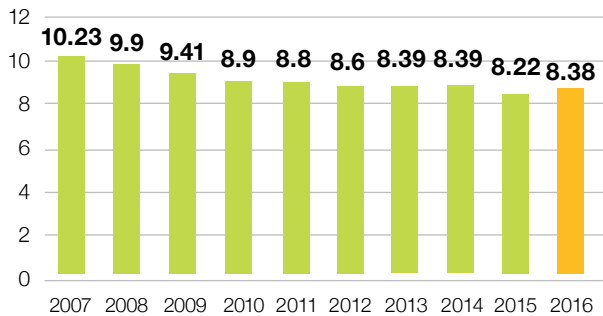
In 2016, 60.9% of our energy came from direct sources (natural gas and steam), while 39.1% came from indirect sources (wind energy and the national electrical network) (G4-EN3).

No water source has been affected by KCM, thanks to water capture systems in our operations.



Our energy efficiency initiatives in 2016 brought savings of Ps.22.56 million.

Energy consumption per metric ton produced millions of BTU/mton



In 2016, there was an insignificant 1.92% increase in our energy consumption index due to a rise in production capacity at the Ecatepec and Bajío plants.

Our energy efficiency initiatives in 2016 brought savings of Ps.22.56 million, and among the most important of these measures were the cogeneration project at the Ramos Arizpe plant and a variety of operational improvements at other plants.

Within our analysis of business risks and potential impacts, KCM recognizes the importance of taking action to mitigate and adapt to climate change, making all personnel jointly responsible for efficiently using energy resources and introducing technological solutions to reduce our emissions (*Principles 8 and 9 of the UNGC*).

Managing atmospheric emissions

We recognize that climate change poses a risk to the company and to society, and we take part in actions to mitigate and adapt to it by reducing our emissions. In analyzing business risks and potential impacts, KCM recognizes the importance of implementing actions to mitigate and adapt to climate change, giving all its personnel responsibility for the efficient use of energy resources and for implementing technological solutions to reduce our GHG emissions.

This means that in accordance with our environmental policy on energy efficiency and reduction of greenhouse gases (GHG), KCM adheres to the national strategy on climate change and establishes goals to optimize its productive and administrative processes, identifying and executing projects to reduce its energy consumption and GHG emissions (G4-EN19). <http://www.kimberly-clark.com.mx/en/sustainability/environmental-policies>

At KCM, we monitor and report on atmospheric emissions through the Energy and Maintenance System (SIM).

In 2016, we received no fines or sanctions for non-compliance with environmental laws and regulations, nor any environmental claims from stakeholders (G4-EN29, G4-EN34).

Starting in 2015, in accordance with the General Law on Climate Change and its Regulations, which oblige companies that emit more than 25,000 metric tons of CO₂ equivalent a year to report on their emissions through the National Emissions Registry (RENE), we have kept an account and report on GHG emissions using the criteria established by SEMARNAT regarding emission calculation methodologies and the warming potential of greenhouse gases and compounds that must be considered. Our calculation of direct and indirect emissions is based on our consumption of fuel, electricity (both from CFE and Iberdrola) and the acquisition and generation of steam. These figures include data from our subsidiary SODISA—the transport company that distributes some of KCM's products to distribution centers and clients. These emissions have historically amounted to between 4% and 4.5% of our total emissions (EN30).

Our energy efficiency projects in 2016, record productivity levels in various operations, and the use of indirect energy from combined cycle sources and wind energy supplied by Iberdrola, combined to lower our index of CO₂-e/metric tons produced during the year (G4-EN19).

We are aware that climate change will heighten existing risks to the company and society; we therefore strive to join in mitigation and adaptation actions by reducing our emission levels.

In other atmospheric emissions, we reported a slight increase in NOx and PST emissions (G4-EN21).

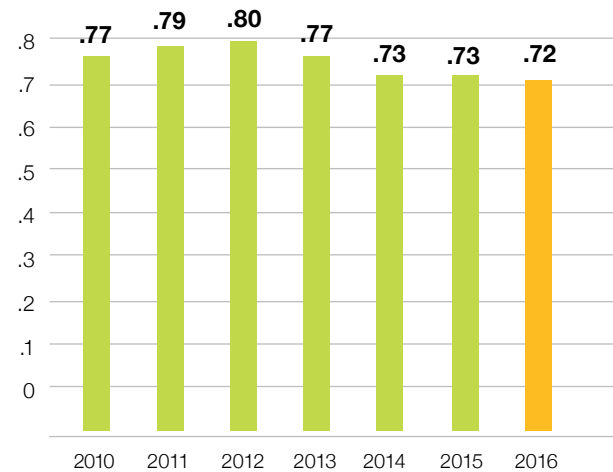
The company has no significant emissions of volatile organic compounds or gases like SF6, NF3, HFC or CFC11 which affect the planet's ozone layer (G4-EN20).

In terms of GHG emission intensity, we experienced a slight 1.6% increase in direct emissions compared to the past year, and a 3.5% rise in indirect emissions. Total emissions rose slightly by 3.6% due to the increase in overall production capacity at KCM.

OTHER ATMOSPHERIC EMISSIONS (mton) (G4-EN21)					
	2012	2013	2014	2015	2016
NOx	281.4	287.2	293.9	300.9	310.74
SO2	1.53	1.56	1.6	1.7	1.69
PST	20.88	21.29	21.8	22.56	22.85



CO₂-e emissions/mton produced



TOTAL ANNUAL EMISSIONS OF GHG (mton) (G4-EN15, EN16)			
YEAR	DIRECT GHG EMISSIONS (G4-EN15)	INDIRECT GHG EMISSIONS (G4-EN16)	TOTAL GHG EMISSIONS
2010	337,752	414,434	752,186
2011	335,206	438,564	773,770
2012	325,535	465,444	790,979
2013	331,096	472,622	803,718
2014	348,514	394,305	742,819
2015	360,166	424,362	784,528
2016	365,927	439,045	804,972

Our accounting and reporting of GHG emissions was carried out according to SEMARNAT guidelines, based on agreements with that ministry that establish, among other aspects, the methodologies for calculating emissions and warming potentials of greenhouse gases and compounds that must be considered, and of course, within the context of the General Law on Climate Change and its Regulations regarding the National Emissions Registry. Most of these calculations are performed on

the basis of our consumption of fuel, electricity and steam, taking into account the calorific power determined according to these guidelines and emissions factors published by SEMARNAT itself and, when applicable, suppliers of electrical energy.

Economic impact of climate change (G4-EC8)

Despite emitting just 1.6% of the world’s greenhouse gases, Mexico is one of the countries most vulnerable to climate change. The financial consequences of addressing risks to our operation include the expense of insuring our assets.

YEAR	INSURANCE EXPENSE (Ps. million)
2015	81
2016	74

We are aware that climate change will heighten existing risks and create new risks to natural and human systems. We are mindful of the repercussions of climate change on the states and municipalities where our productive plants are located and strive to adapt our loss reduction and prevention programs to the changes, while maintaining protection and safety levels for both our personnel and for the company’s assets and operations.

We have a well-structured contingency plan to enhance the resilience of each productive unit and reduce potential human and material losses.

In addition to loss identification, reduction and prevention programs, we have insurance against weather-related losses stemming from climate change. Our investment in this program totaled Ps.74 million in 2016.

The above-mentioned contingency plan, along with measures taken by each unit to eliminate or reduce material damages caused by natural phenomena and the insurance coverage acquired to cover the potential losses, are all part of our risk prevention and control program.

In 2016, our index of CO₂-e emissions/mton produced was reduced from .73 to .72.



We take other actions as well in our efforts to combat and deal with climate change, which include:

- Participating in the national strategy to combat climate change.
- Active participation in the Market Exercise for Simulating Trading in GHG Emissions, an initiative coordinated by the Ministry of the Environment and Natural Resources and MéxiCO₂, the environmental market platform of the Mexican Stock Exchange. Countries and sub-national jurisdictions on all continents are developing mechanisms to price carbon and help them meet their GHG mitigation goals in a more cost-effective manner.



- In the second quarter of 2016 we started up a co-generation power facility at our plant in Ramos Arizpe, Coahuila, to produce electrical energy and steam. With this and other energy saving programs we made great progress toward reducing GHG.
- We are currently examining various alternatives for eco-efficiency programs that are part of the targets of our 2022 Vision.

Logistics

Logistics at KCM is handled through subcontractors and, to a lesser extent, through a subsidiary called SODISA. In our distribution system, we are continually working to reduce costs, emissions, kilometers traveled and service visits, among other indicators.

Logistics Administration System:

- Alliances with companies to take advantage of transportation spaces, in strict compliance with weight and measurement restrictions.

We have a well-structured contingency plan to enhance the resilience of each productive unit and reduce potential human and material losses.

- Consolidation of cargo and orders to maximize use of transport capacity.
- Reduction of CO₂-e emissions by hiring external transport firms with newer fleets and more efficient motors.
- In conjunction with the planning area, making 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 (G4-EN30).
- We traveled a total of 90.24 billion 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.

Biodiversity

(G4-EN11, G4-EN12, G4-EN13, G4-EN14, G4-EN26, G4-EN28)

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As a result, KCM has a policy of protecting existing biodiversity at the locations where we operate, in line with international agreements on biological diversity signed by our country.

Through our water use and discharge control policy, we recognize our responsibility for protecting existing biodiversity at the locations where we operate, and make it a priority in our environmental management system and policies.

All of our plants have Environmental Impact Statements (EIS). In preparing these reports, we evaluate all the elements involving the condition of our operational sites.

Among the elements evaluated in these Statements are the existence of protected areas neighboring our operations, and identifying endangered species (G4-EN14).



An area within our Tlaxcala plant was reforested by employees and their families in 2016, and there is also a lake where various species of fish and freshwater live.

The land surrounding the Morelia plant, which is located in the Cointzio ejido at Morelia, Michoacán, is classified as a Natural Protected Area (NPA). The reserve covers 420 hectares of land marked for environmental preservation. Our company does not interact with these protected sites, or with any endangered species there.

The zone was declared an NPA in 2004, 30 years after the Morelia plant was built (1973) (G4-EN11). The NPA surrounding the Morelia plant was created to protect the La Mintzita natural spring, the main supply source for our operations.

Our operations have no significant impact on this water body, because administration by the local authorities provides for the use and exploitation of water under concession, in volumes that preserve that source (G4-EN12).

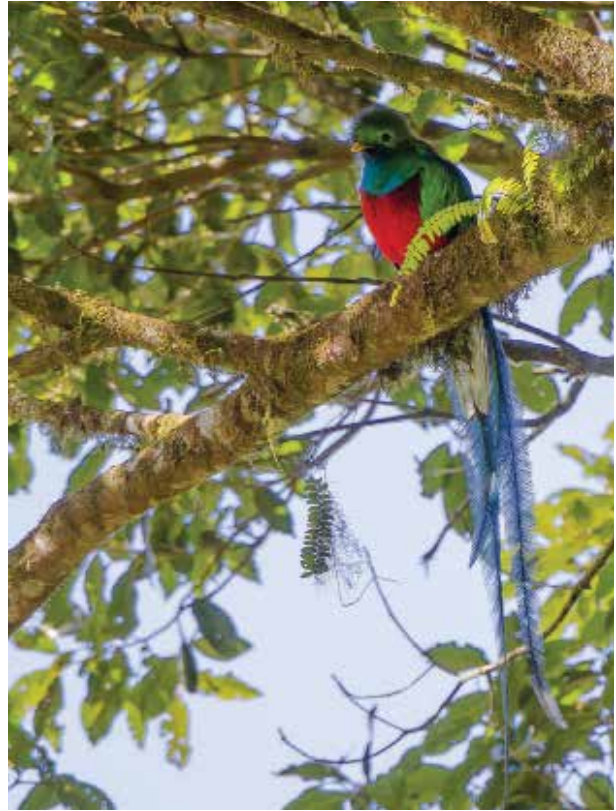
Another aspect of our raw material supply is that 100% of our virgin fiber comes from certified forests, which are managed sustainably and have no negative impact on biodiversity.

Through our Huggies and Kleen Bebé brands, KCM shares responsibility for biodiversity and for 18 years has worked with Naturalia, Megacasitas and the Mexican Nature Conservancy Fund to protect endangered Mexican species. In 2016, the support was channeled to prairie dogs, otters, Monarch butterflies and the quetzal. Through these efforts, KCM reiterates its commitment to our country's biodiversity.

Certifications and recognitions

- The technology used for making wet wipes at our Tlaxcala plant is ranked among the most advanced in the world.
- In our export sales we have the Green Seal™ certification as a supplier of products with up to 60% recycled fiber content.
- Plants operating according to the most advanced sustainability standards now make up more than 90% of this company's aggregate value, earning us Clean Industry Certification from the Federal Environmental Protection Agency (PROFEPA).
- We were recognized by the PROFEPA for our participation in the Environmental Leadership for Competitiveness Program and related projects, which strengthens our commitment to sustainability and helps promote this work culture in all our plants.
- In 2016 we received no sanctions or monetary fines for non-compliance with environmental laws or regulations (G4-EN29).

Our Bajío plant discharges water that can interact with the San Juan River; this facility once again received Water Quality Certification from the National Water Commission.



KCM is committed to preserving Mexico's natural heritage.



We also invested additionally in wastewater treatment in order to continue exceeding the most demanding regulatory requirements in this area.

CDP Forests leadership recognition. This excellent result indicates that Kimberly-Clark de México has taken a series of actions to combat deforestation. Companies that have attained Leadership level have shown at least one of the following: full integration of deforestation risk management, ambitious traceability targets and certification and active commitment by suppliers, multiple stakeholders and the market at large, to support the sustainable production of forest risk products.

An important aspect of our raw material supply is that 100% of our virgin fiber comes from certified forests.