

# Corporate **GOVERNANCE**

Our corporate governance safeguards the company's administration in favor of our shareholders, transparently aligning their interests with those of the company. Good practices in this area lend greater economic and legal security and support sustainable growth for this company.

**KIMBERLY-CLARK DE  
MÉXICO** S.A.B. de C.V.  
(KCM) is a Variable Stock  
Corporation, and its Corporate  
Bylaws are subject to the  
General Corporations Law  
and the Securities Market  
Act (GRI 102-5).

## CORPORATE GOVERNANCE

Corporate governance is what we call the set of rules, principles and procedures that regulate the structure and correct functioning of a company's governance bodies. The principles of good corporate governance are key to companies' ability to increase their market value, reduce capital costs and expand their base of equity investors.

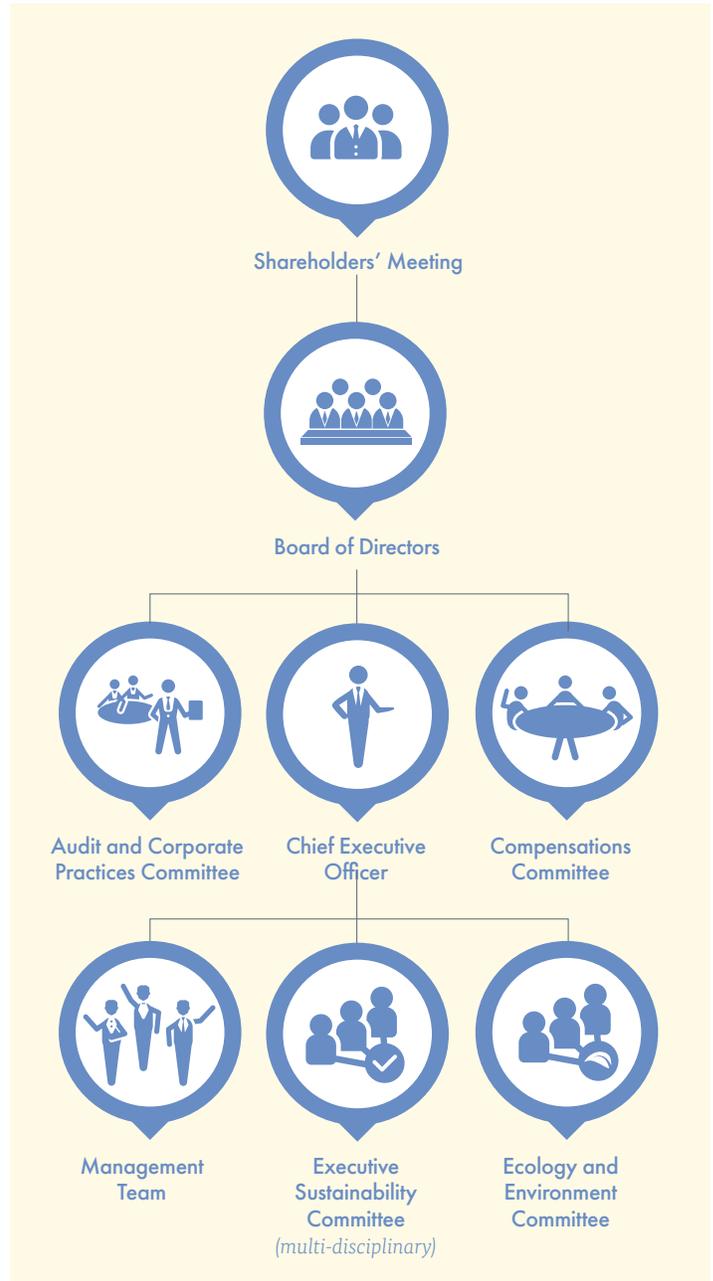
In line with the Code of Best Corporate Practices, KCM has a good and healthy governance structure that creates the conditions necessary for making strategic decisions that serve as a lever for increased competitiveness and value generation.

Our solid and transparent system of corporate governance ensures correct management of the company's performance, in the interests of KCM shareholders and other stakeholders.

(GRI 102-18)

## CORPORATE GOVERNANCE STRUCTURE

The Board of Directors of KCM is responsible for its administrative performance, its fulfillment of the goals established by the corporation, its compliance with applicable laws and regulations, and the protection of shareholder rights and interests. A legally established and effective board of directors is key to good corporate governance.



## SHAREHOLDERS' MEETING

The Shareholders' Meeting is attended by owners of stock in the company. Meetings are held to ratify and approve all KCM operations, to appoint members of the Board of Directors and to authorize any proposals made by the latter. This meeting is held ordinarily once a year, and when necessary an extraordinary meeting may be convened, pursuant to the General Corporations Law and the Securities Market Act.

On February 12, 2019, shareholders of KCM were convened through the Mexican Stock Exchange's Emisnet website, the company's webpage and widely circulated newspapers in Mexico, for an ordinary and extraordinary meeting held on February 28, 2019, at which 97.48% of the outstanding shares were represented. The foregoing in keeping with Best Practice 6 of the Code of Best Corporate Practices.

For the shareholders' meeting, a form was sent to shareholders fifteen calendar days beforehand, providing detailed, relevant and accurate information on the company, profiles of its board members, and possible voting choices, in order for shareholders to exercise their right to vote on each point on the order of business. Among the matters approved during the ordinary annual meeting were:

1. Approval of the report of the CEO of Kimberly-Clark de México, S.A.B. de C.V. (the "Company"), presented pursuant to Article 172 of the General Corporations Law and regarding the Company's conduct and operations during the fiscal year from January 1 to December 31, 2018.
2. Approval of the Board of Directors' opinion on the Chief Executive Officer's report, presented pursuant to Article 28, Section IV, Point c) of the Securities Market Act.
3. Approval of the report of the external auditor regarding the progress of the Company and its operations in the fiscal year ending December 31, 2018, presented pursuant to Article 28, Section IV, Point b) of the Securities Market Act.
4. Approval of all parts of the Company's individual and consolidated financial statements as of December 31, 2018.
5. Approval of the Board of Directors' report to the shareholders' meeting, presented in keeping with Article 172 Point b) of the General Corporations Law, regarding the main accounting and information policies and procedures followed in preparing the Company's financial information for the fiscal year from January 1 to December 31, 2018.
6. Approval of the report presented pursuant to Section XIX of Article 76 of the current Income Tax Law regarding compliance with the company's individual tax obligations for the corporate and fiscal year ended December 31, 2018.
7. Approval of the report submitted pursuant to Article 28, Section IV, Point a) of the Securities Market Act on the activities of the Audit and Corporate Practices Committee for the fiscal year ended December 31, 2018.
8. Allocation of the full amount of net income for the year ended December 31, 2018, which totaled MXN 4,226,712,218.00 (four billion two hundred twenty six million seven hundred twelve thousand two hundred eighteen Mexican pesos), which includes equity in the results of subsidiary companies in the amount of MXN 705,385,000.00 (seven hundred five million three hundred eighty five thousand Mexican pesos), as reflected in the Company's Individual Income Statement for the year ended December 31, 2018, to the retained earnings from previous fiscal years account.

The Board of Directors is responsible for administrative performance, meeting goals, compliance with applicable laws and regulations and protection of shareholders' rights and interests.

9. Ratification of all related regular and alternate members of the Board of Directors of the Company; ratification of the position of Emilio Carrillo Gamboa as Chairman of the Audit and Corporate Practices Committee, effective as of the Meeting date, and in accordance with the provisions of Article 26 of the Securities Market Act, confirmation of the independence of outside board members.
10. Ratification of independent board members and the nonmember secretary of the Board of Directors pursuant to Article 26 of the Securities Market Act.
11. Remuneration of the members of the Board of Directors, both regular and alternate, who are not full-time employees receiving a salary from the company, as well as the Secretary, for the fiscal year ending on December 31, 2019 and until resolved otherwise in another meeting, in the amount of MXN 90,000.00 (ninety five thousand Mexican pesos 00/100), for each meeting of the Board of Directors and of the Committees it has created, which they attend during said fiscal year (GRI 102-35).
12. Approval of the report presented by the Chairman of the Board of Directors to the Shareholders' meeting, regarding the Company's policy on repurchase of its own shares.
13. A dividend payment of MXN 1.55 (one point fifty-five Mexican pesos) per share, payable in 4 (four) installments of MXN 0.3875 each.
14. Reduction the theoretical value of the shares representing the fixed portion of the Company's capital stock, and a capital reimbursement for each of the currently outstanding ordinary, nominative shares with no face value, series A and B, of MXN 0.3875 per share in each of four installments payable on April 4, July 4, October 3 and December 5, 2019, of which MXN 0.000010 per share per installment corresponds to the reduction in the theoretic value and MXN 0.387490 per installment corresponds to capital stock and other shareholders' equity items, including



the retained earnings from previous fiscal year accounts, not subject to the provisions of Article 135 of the General Commercial Corporations Law. Reimbursement will be paid against the balance of the Contributed Capital Account referred to in Article 78 of the Income Tax Law.

15. Reimbursement due to the capital reduction in four installments of MXN 0.387 each, payable April 4, July 4, October 3 and December, 2019, on each of the ordinary series A and B shares representing paid-in capital stock which are issued, subscribed, paid in and released on each of the dates on which those installments are scheduled, against coupons 61, 62, 63 and 64 of the outstanding shares.
16. Approval for the Board of Directors, through its Secretary, to publish the corresponding informational notices, along with the notice referred to in Article 9 of the General Corporations Law and to make whatever determinations it considers appropriate in relation to the reduction in the capital

stock, such as the publication of notices. Shareholders also approved a resolution that the Secretary certify the composition of the Company's capital stock and that new stock certificates be issued to represent the number of shares that make up the Company's capital stock.

17. Approval for the Secretary of the Board of Directors to certify the composition of the Company's capital stock and certify that the necessary amendment has been made to the first paragraph of Article Five of the corporate bylaws, in accordance with the resolutions passed in the Meeting.
18. Approval for the Secretary of the Board of Directors to publish the informative notice or notices related to payment of the installment approved in the Meeting, in whatever media and on whatever dates that he considers appropriate, as well as the notice to the shareholders regarding the reimbursement referred to in the foregoing resolutions, in accordance with applicable legal provisions, and to make whatever determinations he considered appropriate, to certify the composition of the Company's capital stock and to certify that the necessary amendment has been made to the first paragraph of Article Five of the corporate bylaws.

(GRI 102-22)

## BOARD OF DIRECTORS

The effectiveness of our Board of Directors is vital for good corporate governance. Various studies have found that companies that have specific procedures and practices in place to guarantee the accountability of its board of directors and a close alignment with shareholders' interests perform better than those that do not.

The Board of Directors is the company's highest governance body, and it has the power to determine the company's strategy, which is voted on by the shareholders' meeting. In other words, it is responsible for managing and directing the company, ensuring that it adheres to its mission and vision, and protecting the interests and equity of its shareholders as stipulated in the Corporate Bylaws, all applicable Mexican laws and the Code of Best Corporate Practices (CBCP).

(GRI 102-26).

Furthermore, the Board of Directors establishes general strategies to guide the company's businesses and oversee its management and operations in an effort to create value for the company itself and for its stakeholders. In addition, an alternate is appointed for each independent board member, and these may be reelected during the Annual Shareholders' Meeting (CBCP Best Practice 10).



## INTEGRATION OF THE BOARD OF DIRECTORS

Regular Members	Position	Date appointed
Claudio X. González Laporte	Chairman / Related Regular Member (GRI 102-23)	December 13, 1961
Valentín Diez Morodo	Vice-Chairman / Independent Regular Member	April 21, 1983
Sr. Thomas J. Falk	Vice-Chairman / Related Regular Member	February 28, 1992
Lic. Pablo R. González Guajardo	Related Regular Member	February 25, 2010
Sr. Esteban Malpica Fomperosa	Independent Regular Member	March 20, 1996
Sr. Fernando Senderos Mestre	Independent Regular Member	February 23, 1994
Sr. Antonio Cosío Ariño	Independent Regular Member	February 25, 1987
Sr. Jorge Ballesteros Franco	Independent Regular Member	February 28, 1997
Sr. Emilio Carrillo Gamboa	Independent Regular Member	February 26, 1981, ratified each year since then, except for 1998 when he was serving as Mexico's ambassador to Canada.
Sra. Sandra McQuillan	Related Regular Member	March 2, 2017
Sra. María Henry	Related Regular Member	February 25, 2016
Sr. Michael Hsu	Related Regular Member	February 27, 2014

## Alternate Board Members

Guillermo González Guajardo
Jorge Babatz García
José Antonio Noguera Castillo
Fernando Ruiz Sahagún
Jorge Barrero Stahl
Juan Carlos Machorro Guerrero
Antonio Cosío Pando
José Antonio Mondragón Pacheco
Agustín Gutiérrez Espinosa
Jorge A. Lara Flores
Sergio Chagoya Díaz
Jesús González Laporte



In the Ordinary Meeting held February 28 2019, shareholders ratified each of the Regular and Alternate members of the Board of Directors.

(GRI 102-24)

## BOARD MEMBER APPOINTMENT PROCESS

In keeping with the company's bylaws and article 26 of the Securities Market Act, both independent and related board members are evaluated and selected on the basis of their experience, capacity and professional prestige, and they are also expected to perform their duties free from conflicts of interest and without regard for their own personal, equity or economic interests.

Members of the Board of Directors are appointed or ratified by shareholders in the ordinary annual meeting, which invests them with the authority necessary to manage the company and to take all legal and material actions directly or indirectly related to the corporate purpose.

Minority shareholders who hold at least 8.5% of the capital stock have the right to appoint one regular member and that member's alternate on the Board of Directors.

In the Ordinary Meeting held on February 28, 2019, shareholders confirmed the positions of each regular and alternate board member and ratified Emilio Carrillo Gamboa as chairman of the Audit and Corporate Practices Committee, effective as of the date of that meeting.

## BOARD MEMBER EXPERIENCE

Corporate boards are tasked with overseeing the management teams of companies on behalf of their shareholders and other stakeholders.

These boards are the direct representative of the stakeholders and are one of the most important components of corporate governance.

This is why it is crucial that board members have the appropriate experience and skills, are sufficiently independent, and act for the benefit of all stakeholders.

All of KCM board members have ample industry experience, as detailed below.

### Regular Members

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



**Thomas J. Falk:** Elected Board member by the General Ordinary Shareholders' meeting on February 28th, 1992, and his election has been continuously ratified since then in subsequent meetings. He is a Public Accountant and is currently Chairman of the Board and Chief Executive Officer at Kimberly-Clark Corporation, located in Irving, Texas, USA.

**Pablo R. González Guajardo:** Appointed Board member by the General Ordinary Shareholders' meeting on February 25th, 2010. He graduated from Law School and holds a MBA degree from the Stanford University. Currently, he is KCM's Chief Executive Officer. He is a Board member for several companies, among them América Móvil, Grupo Sanborns and Grupo Lala, and also of various investment funds managed by the Capital Group. He is a member of the International Advisory Council for the Brookings Institution, a founding member of Mexicanos Primero and México, ¿Cómo Vamos? As well as president of the Education Commission of the Business Coordinating Council and chairman of the board of UNETE for Mexico City and State of Mexico.

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

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

**Sandra MacQuillan:** Appointed regular board member in the General Ordinary Shareholders' Meeting of March 2, 2017, she is now Senior Vice President and Chief Supply Chain Officer of Kimberly-Clark Corporation, headquartered in Irving, Texas..

**Valentín Díez Morodo:** Appointed regular board member in the General Ordinary Shareholders' Meeting of April 21st, 1983 and his appointment has been ratified without interruption in subsequent shareholders' meetings since then. He holds a Bachelor's degree on Business Administration and is 78 years old. He is

Chairman of the Board of Directors of Grupo Financiero Citibanamex, S.A. de C.V., chairman of the Advisory Council of Grupo Modelo, S.A.B. de C.V., Chairman of the Mexican Business Council on Foreign Trade, Investment and Technology (COMCE), President of the Mexican Institute for Competitiveness (IMCO) and is a member of the Board of Directors of several companies, among them: Grupo Aeroméxico, S.A.B. de C.V., Grupo Kuo, S.A.B. de C.V., Grupo Dine, S.A.B. de C.V., ProMéxico, Zara México, S.A. de C.V., Telefónica México, S.A. de C.V., Instituto de Empresa, Madrid and Bodegas Vega Sicilia, S.A.

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

**Fernando Senderos Mestre:** Appointed to the board as a regular member in the General Ordinary Shareholders' meeting on February 23rd, 1994, and his position has been continuously ratified by subsequent shareholders' meetings since then. He holds a Bachelor's degree in



Business Administration and is currently Chairman of the Board and Executive President of Grupo Kuo, S.A.B. de C.V., Dine S.A.B. de C.V. and Grupo Desc S.A. de C.V. Mr. Senderos is also a board member for several companies, such as: Industrias Peñoles, S.A.B. de C.V., Grupo Televisa, S.A.B. de C.V. and Grupo Nacional Provincial, S.A.B. de C.V. He is a member of the Mexican Business Council.

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

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

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

(GRI 102-28)

## DUTIES OF THE BOARD OF DIRECTORS

The duties of the Board of Directors are as follows (CBCP Best Practice 7):

- › Define the strategic Mission and Vision and oversee company operations with the aim of creating value and ensuring the sustainable development of the company.
- › Appoint and evaluate the Chief Executive Officer and other senior management.
- › Ensure that shareholders are treated with dignity and have access to sufficient information.
- › Promote the ethical management of the business and the transparency of its administration.
- › Promote the establishment of efficient internal control mechanisms.
- › Establish policies on and approve transactions with related parties.
- › Ensure mechanisms are put in place to identify, analyze, manage, control and disclose risk (GRI 102-30).
- › Promote the company's social responsibility, declare its ethical principles and fundamental values, involving stakeholders in decisions on responsible business conduct and sustainability programs in the social and environmental spheres (GRI 102-31).
- › Respond to shareholder concerns through quarterly conference calls, press releases and notices of relevant events communicated to BMV (CBCP Best Practices 4 and 6); ensure that the Investor Relations areas prepares a prompt response to any concerns presented.
- › Address inquiries or concerns from any stakeholder regarding economic, social or environmental issues, which may be dealt with, depending on its importance, in meetings of the Board of Directors, of the intermediate board committees and the Executive Sustainability Committee (depending on its importance); when necessary, involving the Institutional Communications and Sustainability areas.

## BOARD MEETINGS

The chairman of the Board of Directors shares with the board members his view on the economic, environmental and social outlook, as well as domestic and global political matters, enriching the collective knowledge of the company's highest governance body.

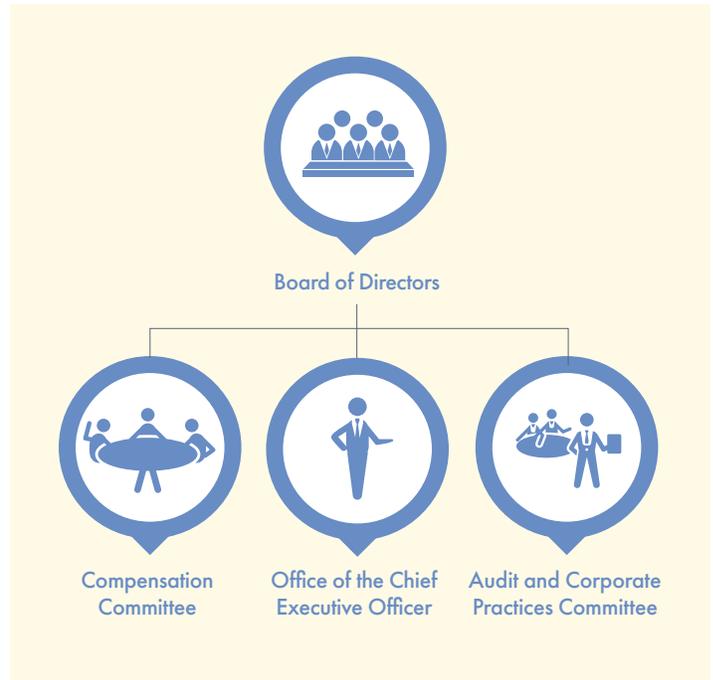
Recognizing the importance of maintaining solid and transparent corporate governance, the Board of Directors met seven times last year, which is three times more than is required under the Securities Market Act and the CBCP (Best Practice 17). Average attendance by regular board members was 80%. The dates of those meetings were:

- › January 21
- › February 11
- › March 17
- › April 21
- › July 21
- › October 13
- › December 15

(GRI 102-22)

## SUPPORTING ENTITIES

In the fulfillment of its duties to guide the organization in key matters and protect the interests of shareholders through senior management control, thus acting as an intermediate body between shareholders and management, the Board of Directors had the support of the following (CPCP Best Practice 15):



(GRI 102-36)

## COMPENSATION COMMITTEE

This committee supports the Board of Directors in handling issues relating to human capital and compensation (CBCP Best Practices 39, 40, 41, 42, 43, and 44).

The Compensation Committee reviews the individual performance of company officers and executives and establishes compensation policies, considering, among other factors, the competitiveness of the labor market and the extent to which the executives have met company goals. The Board of Directors appoints members of the Compensation Committee, which is currently made up of the following members:

### MEMBERS OF THE COMPENSATION COMMITTEE

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

In January 2019, this committee met to discuss the following specific matters:

## AUDIT AND CORPORATE PRACTICES COMMITTEE

The main duties and responsibilities of this committee have to do with approval, follow-up, review, opinion and oversight of:

- › Internal and independent audits
- › Internal Control Systems
- › Legal and regulatory issues
- › Various matters involving corporate practices
- › Code of Conduct
- › Compliance with resolutions of Shareholders' Meetings and Board Meetings
- › Risk management
- › Auditor selection

(Best Practices 23, 24, 25, 28, 30, 31, 32, 33, 34, 35, 36, 37 and 38 of the CBCP.)

In accordance with the Securities Market Act, the committee receives and, when necessary, investigates observations from the company's stakeholders regarding any possible breaches of the areas mentioned above.

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

### MEMBERS OF THE AUDIT AND CORPORATE PRACTICES COMMITTEE

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

- › Reviews undertaken during the period: Audits conducted during the four-month period (in corporate office and other locations) are discussed, along with their results.
- › Progress report for annual audit program: Progress against the annual audit program is reviewed.
- › Statistical review of onsite evaluations: Review of both plants and corporate offices are discussed, alongside their respective rating.
- › Review of complaints received regarding Code of Conduct violations: The Committee is informed of each Code of Conduct violation received during the quarter, in addition to the subsequent investigation, the follow-up process and whether the complaint has been closed or not.
- › Meeting between the Audit Committee and the internal or external auditor without the presence of company executives: The Committee is informed of any issue that have come to the attention of the internal or external auditors and which should be brought to the Committee's attention in view of its importance.

- › Review of the financial statements for the period: During the first meeting of each year, the consolidated financial statements are reviewed and any major changes to the auditor's report are discussed. Every quarter, brief comments are made regarding the results achieved during the period, in addition to any other relevant financial event.
- › Presentation of relevant aspects regarding the company's Sustainability Report: The report is presented by the CEO, focusing on the methodology, the rating obtained and the most relevant indicators.
- › Report on major lawsuits the company is involved: The company's Lead Counsel provides a yearly report regarding the major lawsuits KCM and its subsidiaries are involved in.
- › Key external auditing issues and new accounting standards: During the third quarter, the external auditor presents the key areas to be reviewed, the scope of the annual review, and any new accounting standards that could affect KCM's financial statements.
- › During each meeting, issues may be presented to the Audit Committee; however, during the 4 meetings held in 2019, no concerns were raised with the Committee by the Internal Audit department.

## CODE OF CONDUCT TRAINING

In 2019, we took on the task of ensuring the 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 digitally to all personnel at all our plants and corporate offices.

Although each member of the KCM team is responsible for safeguarding the company's integrity, directors and managers are especially required to regularly guide their personnel and the areas of their responsibility in the effective application of the Code of Conduct.

In 2019 we improved our Code of Conduct and, using technology we developed a course and a certification in this area, which must be passed by all employees.

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

In addition to training, the CEO sent 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.

## 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 offers access to all our stakeholders through internal information systems (Intranet) and external systems, like the public website for anonymous reporting on violations of the Code, by e-mail to [codigo.conducta@kcc.com](mailto:codigo.conducta@kcc.com) and external phone lines (55-5282- 7223, 55-5282-7320, 55-5282-7336) through which we can investigate and address violations of our Code. We have a policy for addressing complaints (KCM Policy 48: No reprisals for reporting sundry violations), which is available to 100% of KCM employees.



We have a whistleblower system through which we can appropriately channel complaints, suggestions or reports of violations of the Code of Conduct, without fear of reprisal.

Complaints, suggestions and reports are investigated by various areas of the company, such as Industrial Relations, Property Safety and Internal Auditing, which decide on the pertinent measures.

This team generates quarterly reports, which are presented to the Audit and Corporate Practices Committee. The measures imposed depend on the seriousness of the violation.

(GRI 205-3)

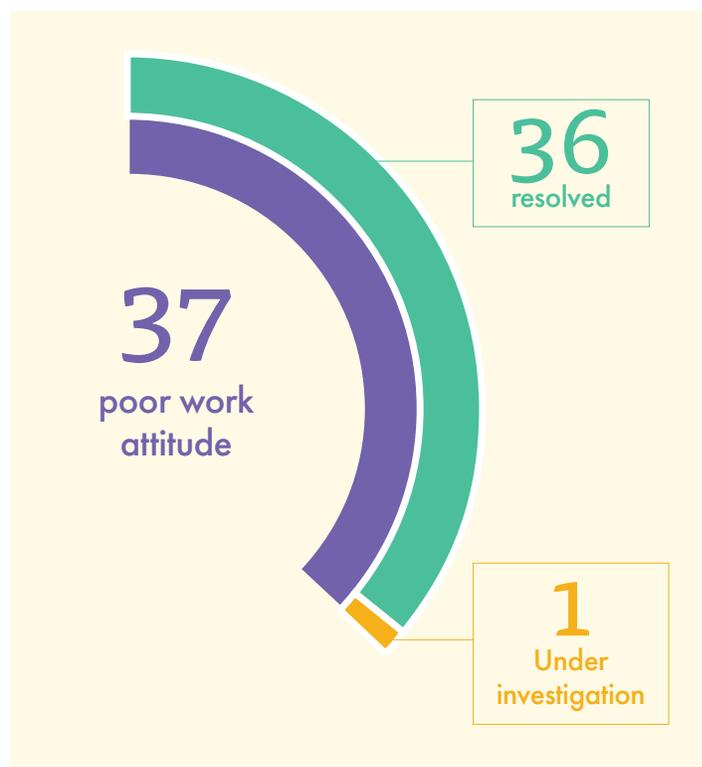
### CODE OF CONDUCT GRIEVANCES

In 2019, 37 complaints relating to Code of Conduct violations were reported, which were investigated by the Property Safety and Internal Audit areas, supported in some cases by the Managers of Industrial Relations at the locations in question and the immediate superiors of the persons involved. All 37 complaints were reported to the Audit Committee in its quarterly meetings.

The most frequently reported issues were poor work attitude and requests for kickbacks.

In the case of mistreatment on the job, the Manager of Industrial Relations and the immediate superior speak with the personal involved and urge them to change their attitude and treat their coworkers or others better. In cases where suppliers were asked for kickbacks, the matters were invested by the Manager of Property Safety and Internal Audit, and if the complaint was found to be valid, the employee involved was dismissed and, in some cases, legal charges were filed.

As of December 31, 2019, 36 complaints had been resolved and one remained under investigation.



## INTERNAL CONTROL RISKS

In terms of internal control risks, we review the appropriate segregation of duties in the cash, accounts receivable, inventories, payroll, and purchasing and service areas, primarily. Through complaints relating to the Code of Conduct, we identify risky areas or operations, so we can focus our reviews on these.

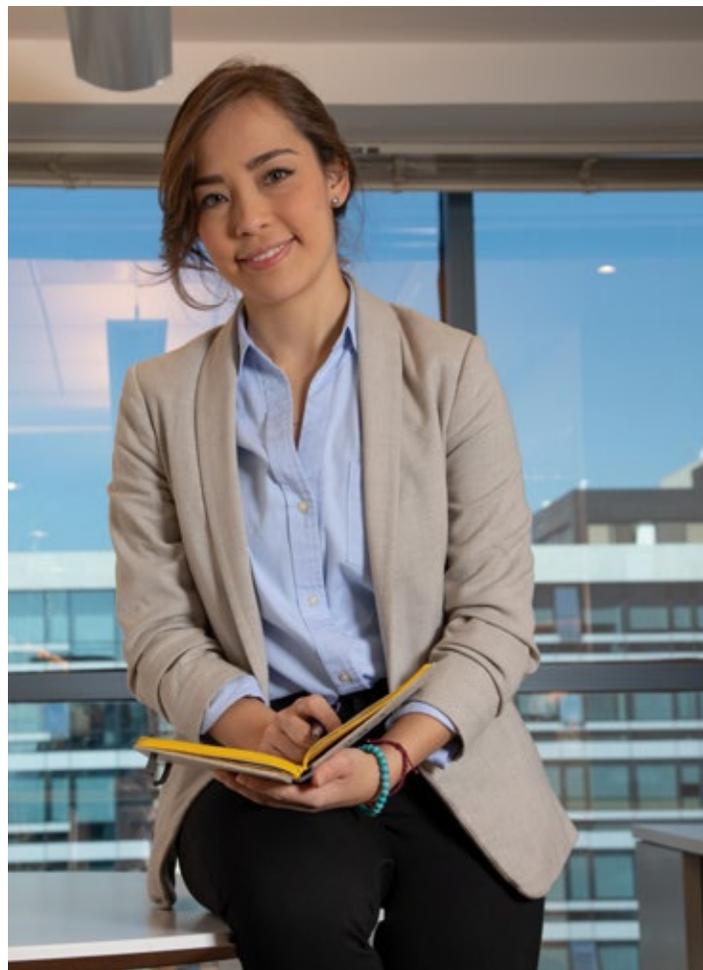
In terms of economic risks, we review the consistency and reasonability of some plant and acquisition expenditures (expenses and purchasing), ensuring that inventory levels are reasonable. In our expenditure review, we usually check the proper authorizations are in place, that goods and services are effectively received or rendered, and that transactions are conducted at reasonable or market prices.

Environmental and social risks are discussed with Plant Managers, along with relevant events in this area, and we conduct a tour of the Plant (without being experts in these areas).

(GRI 102-25)

## TRANSACTIONS WITH RELATED PARTIES AND CONFLICTS OF INTEREST

In the year ended December 31, the company had the following transactions and balances with related parties:



## INTERNAL AUDIT

### Meetings of the Audit Committee

During fiscal year 2019, the Audit Committee met four times:

- › February 11
- › April 22
- › July 15
- › October 14

### Risks detected by the Audit Committee

The Audit Committee identified cybersecurity as a risk, voicing its concern that KCM may not be currently prepared for a cyberattack. The IT director detailed the controls and protections currently in place at KCM, thus easing the Committee's concerns.

In each committee meeting, concerns may be brought by the internal audit department.

Kimberly-Clark Corporation:	2018	2019
Purchasing and technical services	\$ 1,595,935	\$ 1,685,187
Machinery and equipment	76,070	14,827
Net sales and others	568,557	873,053
Accounts payable	275,541	314,566
Accounts receivable	120,276	222,542

Others: As of December 31, 2019 and 2018, the amount of benefits paid to key or senior management employees of the Company totaled MXN 228,311 and MXN 217,831, respectively.

During the four meetings held in 2019, no concerns were brought to the committee by the internal audit department.

The only audit of commercial partners was conducted regarding 4e Global in 2019.

#### Internal Control Policies regarding Internal Audits

- › 1-3000-03 Report of Code of Conduct Violation.
- › KCM Code of Conduct.
- › Policy 19 – Information security.
- › Policy 32 – Internal Control Policies.
- › Policy 33 – Conflicts of Interest, Third-party Favors, Gifts and Confidential Information (GRI 102-25)
- › Policy 41 – Anticorruption.
- › Policy 42 – Federal Law on Prevention and Identification of Transactions with Proceeds of Illegal Origin (Anti Money-laundering Law).
- › Policy 44 – Confidentiality toward Third Parties.
- › Policy 45 – Protection of Personal Information Held by Private Parties
- › Policy 48 – No Reprisals against Whistleblowers.
- › Policy 49 – Self-Regulation and Ethical Practices for the Use of Advertising, Promotions and Marketing Tools.
- › Policy 52 – General Environmental.

#### Internal Control Financial Instructions (CFIs):

- › CFI-07 – Internal Control
- › Appendix A – Accounts Receivable and Sales
- › Appendix B – Receipt of Purchase and Payable Accounts
- › Appendix C – Production and Inventory
- › Appendix D – Cash and Banks
- › Appendix E – Property, Plant and Equipment
- › Appendix F – Investment in Debt and Equity
- › Appendix G – Advance Expenditure and Others
- › Appendix H – Liabilities and other Accounts Payable
- › Appendix I – Shareholders’ Equity and others
- › Appendix J – Payroll and Pensions
- › Appendix K – Information Systems
- › Appendix L – Letter of Representation

#### Number of Planned and Unplanned Audits in 2019

In 2019, 38 audits were conducted (36 planned and 2 unplanned), and most resulted in ratings of “well controlled”, while some were rated “generally well controlled” and 2 were rated “not well controlled.”



## GENERAL MANAGEMENT

The Board of Directors invests the Chief Executive Officer with authority over economic, social and environmental matters. The Chief Executive Officer is appointed by the Board of Directors, and the post is currently occupied by Pablo R. González Guajardo. In keeping with CBCP Best Practice 8, the activities of the CEO are separate from those of the board, in order to ensure a transparent chain of command and a clear delineation of responsibilities.

This area is in charge of strategic planning for the company following the goals established by the Board of Directors. Based on these goals, the office of the CEO establishes lines of action and follow-up for the committees, so they can present operating information to the Board of Directors, which reports directly to shareholders during the Ordinary Annual Meeting.

## EXECUTIVE SUSTAINABILITY COMMITTEE

This Executive Sustainability Committee (ESC) reports directly to the office of the CEO. It is made up of directors from the following areas:

- › Internal Audit
- › Institutional Communications
- › Finance
- › Innovation, Research and Development, and Quality
- › Legal Affairs
- › Marketing
- › Human Resources
- › Social Responsibility
- › Sustainability

The ESC is responsible for designing, implementing and keeping the company's sustainability strategy up to date. It is a multi-functional body because its strategy covers



### Management Team

KCM's senior management is committed to a sustainable future for the company. One of their key areas of concern is maximizing resources, aligned with the goal of always delivering results to our stakeholders, primarily shareholders.

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

**Xavier Cortés Lascrain**  
Finance

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

**Jorge Morales Rojas**  
Transformation and Execution

**Cristina Pichardo López**  
Marketing, Baby and Adult Care

**Regina Celorio Calvo**  
Marketing Beauty and Feminine Care,  
KCM 3.0 and Corporate Communications

**Mara Bonilla Garduño**  
Marketing Family Care

**Armando Bonilla Ruiz**  
Exports

**Luiz Roberto Neves Rodrigues**  
Supply Chain

**Catalina Uribe Restrepo**  
Procurement

**Ernesto Reyes Díaz**  
Personal Care Manufacturing

**Juan Antonio González Urevig**  
Tissue Manufacturing

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

**Jesús González Laporte**  
Strategic Operations Planning

**Alejandro Lascrain Curbelo**  
Human Resources

**Virgilio Isa Cantillo**  
Strategic Products

**Fernando Vergara Rosales**  
Corporate Comptroller

**Alejandro Argüelles de la Torre**  
General Counsel

**Carlos Conss Curiel**  
Information Services

**Salvador Escoto Barjau**  
Treasurer and Investor Relations



essentially all of the company's operations and activities. It is also responsible for designing and submitting the sustainability policies, vision and goals to the company's Chief Executive Officer for approval, so they can be embodied in guidelines that are the basis for specific plans of action.

These plans entail targets and results of the sustainability strategy with regard to economic, social, workplace safety and environmental matters, which are incorporated into individual incentive targets for senior executives and managers.

The committee met with key directors and internal and external auditors. On the basis of these meetings, the Executive Sustainability

Committee informed the Chief Executive Officer of material aspects pertaining to the sustainability strategy, its objectives, global trends and evaluations provided by outside parties on matters of corporate governance, social responsibility, workplace safety and the environment, on which the CEO and support committees inform the Board of Directors. These reports enable the board to evaluate the company's sustainable development based on indicators of its performance against the established targets, in addition to designing strategies to mitigate or eliminate risks and their potential impact. In 2019, the ESC met and decided on a change to bring us closer to sustainability excellence in this organization. The change involves the creation of two specialized committees.

### Executive Sustainability Committee

**Alejandro Arguelles**  
General Counsel

**Alejandro Lascurain**  
Human Resources

**Jorge Morales**  
Transformation and Execution

**José Luis Díaz**  
Internal Audit

**Regina Celorio**  
Marketing, Feminine Protection, KCM 3.0, and Corporate Communication

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

**Salvador Escoto**  
Treasurer and Investor Relations

**Xavier Cortés**  
Finance

Support:

**Juan Escamilla**  
Sustainability

**Marco Esquivel**  
Sustainability



### Executive Ecology and Environment Committee

**Alejandro Arguelles**  
General Counsel

**Ernesto Reyes**  
Personal Care Manufacturing

**José Luis Díaz**  
Internal Audit

**Juan Antonio González**  
Tissue Manufacturing

**Luiz Roberto Neves**  
Supply Chain

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

Support:

**Juan Manuel Lozano**  
Ecology and Environment

**Marco Esquivel**  
Sustainability



With this new organization, the Executive Sustainability Committee is responsible for corporate sustainability issues and the Executive Ecology and Environment committee is in charge of sustainability issues within our operations.