

SUSTAINABLE INNOVATION

Every day,
for a lifetime.



Kimberly-Clark de México



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for a lifetime.



Letter from the Chief Executive Officer

(GRI 102-14)

In 2018, global economic activity slowed as a result of uncertainty and volatility arising from geopolitical events that have had an impact on global trade, particularly in China.

Consumer confidence in the United States recovered strongly as a result of the tax reforms implemented. With this, the U.S. economy continued generating jobs and growing more rapidly. This led the Federal Reserve to increase benchmark interest rates, putting pressure on currencies from emerging markets. This, in addition to tariffs imposed by President Trump on imports from China and the latter's economic rebalancing process, led to slower economic growth and the subsequent impact on commodities and exporting countries. Such was the case of Germany, which came close to a technical recession during the second quarter of 2018, which, in conjunction with the uncertainty surrounding Brexit and the opposition to reforms made in France and other countries from the European Bloc, leading to lower than expected growth in the Eurozone, despite on-going support from the European Central Bank.

In Mexico, the drops in gas and oil production, public investments and construction, as well as an inflation rate of close to 5%, had a negative impact, meaning the country's economic performance was similar to that of last year, significantly below what is needed. On a positive note, employment, tourism, remittances and exports, in addition to domestic consumption, despite the decreasing intensity of the latter, propped up the economy.

However, marked uncertainty over the modernization of the North American Free Trade Agreement, now called USMCA, presidential elections in the country, and some of the decisions taken by the new administration, especially the cancellation of the new airport in Mexico City, as well as those relating to the energy sector, led to uncertainty and a reduction in investments.

Despite this complex outlook, Kimberly-Clark de México achieved reasonable results. Our revenue hit a record high, and we saw growth in our operating income, EBITDA and net income, but our margins are still under pressure.

Moderate consumer growth, in addition to a solid brand positioning strategy and the deployment of our innovation and promotion plans for numerous categories, helped us drive increases in sales totaling 8.6%, mainly due to improvements in volume, price and mix. Despite increased sales, operating efficiency and an ongoing cost and expense reduction program that brought record savings to the company, the overall results were affected by a sharp and continuing rise in costs, particularly pulp and fibers, which, over the past two years, rose by more than 50% in dollar terms.

The company's operating income and EBITDA rose by 7.5% and 5.7%, respectively. Net income grew by 4.7%.

At the same time, energy costs decreased during the first half of the year but then increased by more than 60% in the second half of the year, and the peso has depreciated by approximately 50% since 2014.

Due to these factors, in addition to increased export sales of master paper rolls, the company's operating income and EBITDA rose by 7.5% and 5.7%, respectively. Net income grew by 4.7%, also hit by higher financing costs and lower capitalized interest.

In the area of Sustainability, our results in the economic pillar permit us to maintain our firm support for our two other pillars: social and occupational safety, and environmental care. In this report, We are committed every single day to ensuring Sustainable Innovation for a Lifetime, focusing primarily on the following aspects:

1. The results of our materiality analysis, which was updated every two years, provided valuable information on how to advance in areas that our stakeholders consider most relevant to the company. This report was prepared using the GRI Standards methodology of the Global Reporting Initiative and the ESG (Environmental, Social and Governance) principles of the institution that assesses the companies included on the Mexican Stock Exchange's Sustainable IPC Index; and 2. Ongoing progress in our sustainable strategies, particularly in the areas of Social Responsibility and Environmental Care.

As for the first point, throughout this report and, specifically, in the Strategy chapter, we detail the results of our materiality matrix and focus on responding fully to each of our stakeholder groups regarding the material aspects of which they informed us. Aware of its social responsibility in the industry, KCM abides by the ten principles of the United Nations Global Compact (UNGC) for companies, the Sustainable Development Goals (SDG) and Corporate Governance and Business Ethics principles of the OECD.

On the second point, our website and this report provide information about our goals and achievements in the area of sustainability, in addition to outlining our advances in areas such as Corporate Governance, Environmental Care and Social Responsibility. This report is evaluated every year by the IPC's ratings group, and KCM has successfully made advances in its sustainable performance rating thanks to our results and on-going improvements.

In terms of Social Responsibility, we continued our KCM Inspires initiative, whose motto, Caring, Educating, Encouraging, highlights our commitment to our stakeholders, meeting their needs through our employee volunteering programs and the support we offer to 200 social assistance programs and non-profit organizations.

This year, our Huggies® brand, launched the Abrazando su Desarrollo initiative, a holistic program created in conjunction with child development specialists to help promote baby movements through practical exercises at different stages of their development. Huggies® knows that movement and emotional contact are important for brain development among babies, given that moving around helps babies create neural connections and drives the maturity of areas of brain control that are of key importance to their future. Kotex® has a School Tour program that focuses on the younger generation, which is why, every year, we visit more than 90,000 girls to offer information about intimate care to help boost their confidence.

Our Escudo® Antibacterial brands launched a school Health and Hygiene education program for children, providing information they can share with their parents, in addition to promoting best practices and healthcare.

In addition to these efforts, our main brands adopt and promote social causes that are important to our consumers, such as the fight against breast cancer.

Recently, as part of the company's social responsibility efforts, we are supporting the new government program entitled Young People Building the Future, which is why we have welcomed more than 180 trainees to our operations, and we expect to offer this opportunity to more young people over the coming months. We are convinced that this workplace inclusion program will have a positive effect on our society and our country as a whole.

Lastly, but by no means least, in terms of environmental care, we achieved outstanding results that earned us a continuing place at the forefront of our industry.

We redoubled our efforts in areas like water consumption (where our consumption of water per metric ton of production remains an industry benchmark), procurement of sustainable fibers, use of recovered fibers, efficient energy consumption in our operations, and reductions to our greenhouse gas (GHG) emissions. In terms of energy consumption, our Ramos Arizpe and Bajío plants use co-generation processes to produce electrical energy and steam efficiently. In the logistics area, we continued to increase the amount of finished product and volume per kilometer traveled, optimizing packaging and stacking, using more efficient transportation vehicles, training our drivers and optimizing our use of resources.

As a result of these measures, Kimberly-Clark de México was included in the FTSE4Good Index Series, the London Stock Exchange's sustainability and social responsibility index, in addition to the Mexican Stock Exchange's Sustainable Price and Quotations index (IPC).

We thank our people for their passion, innovation and leadership. We reiterate our commitment to achieving concrete results on issues relating to the environment, and in favor of society, contributing positively to the lives of Mexican families every day, for a lifetime.



Lic. Pablo R. González G.
Chief Executive Officer

Executive Summary of Results



Financial Results (MXN Millions)

	2015	2016	2017	2018
Net Sales	32,206	35,660	37,766	41,026
Operating Income	7,138	8,018	6,981	7,508
Income Before Taxes	6,273	6,945	5,711	5,995
Consolidated Net Income	4,333	4,793	4,037	4,227
Earnings per Share (MXN)	1.40	1.55	1.31	1.37
EBITDA	8,803	9,619	8,581	9,070

Environmental Results

	2015	2016	2017	2018
Total Water Used per Ton of Production at KCM (m³/Ton produced)	12.2	12.1	11.6	12.19
Cellulose Waste sent to Landfill (Thousands of Tons)	0	0	0	0
GHG Emissions (Ton CO ₂ -e/Ton of production)	0.73	0.72	0.72	0.67
Energy Consumption (Millions of BTU/Ton of Production)	8.2	8.4	8.4	8.4

Occupational Safety and Social Results

	2015	2016	2017	2018
Employees and Community Impact				
Number of Employees	8,023	8,378	8,423	8,673
Donations (MXN Millions)	33.90	17.65	12.72	30.00
Employee Profit Sharing	721	741	643	679
Training Index (% Worker Hours)	3.12	3.33	3.37	3.38
Fines or Sanctions for Non-compliance with Environmental Law	0	0	0	0
Occupational Safety				
Frequency Index (Total Accidents)	0.76	0.65	0.72	0.91
Severity Index	10.30	12.56	4.76	12.67
Serious and Critical Accident Index	0.14	0.1	0.09	0.11
Serious and Critical Accidents	14	10	8	12

Summary of Key Performance Indicators

Economic (MXN Billion)

	2015	2016	2017	2018
Net Sales	32,206	35,660	37,766	41,026
Operating Income	7,138	8,018	6,981	7,508
Income Before Taxes	6,273	6,945	5,711	5,995
Consolidated Net Income	4,333	4,793	4,037	4,227
Earnings per Share (MXN)	1.40	1.55	1.31	1.37
EBITDA	8,803	9,619	8,581	9,070

Social

	2015	2016	2017	2018
Number of Employees	8,023	8,378	8,423	8,673
Unionized Employees (%)	66.10	67.14	67.01	66.77
Men/Women (%)	90.3/9.7	89.9/10.1	89/11	88.2/11.8
Women in Administrative Posts (%)	37.50	36.00	40.18	40.60
Women in Executive Posts (%) ⁽¹⁾	20.9	36.41	42	23.46
Salaries and Benefits (MXN Million)	2,034	2,872	2,038	2,565
Employee Profit-Sharing (MXN million)	721	741	643	679
Employee Turnover (Annual Average %)	11.80	11.96	15.38	15.88
Absenteeism (Monthly Average %)	1.39	1.14	1.25	1.51
Job Retention (Average Seniority in Years)	9.50	9.34	9.32	9.72
Training Index	3.12	3.33	3.37	3.38
Fines or Sanctions for Non-compliance with Environmental Law	👎	👎	👎	👎
Fines or Sanctions for Non-compliance with Regulations	👎	👎	👎	👎
Non-compliance with Human Rights Principles/ Complaints	👎	👎	👎	👎
Proven Violations to the Code of Conduct	2	10	16	13

Community

Employee Social Programs	👍	👍	👍	👍
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⁽¹⁾Directors, Managers and Heads

Social

	2015	2016	2017	2018
Occupational Safety				
Frequency Index (Total Accidents)	0.76	0.65	0.72	0.91
Severity Index (Days/200,000 Worker Hours)	10.30	12.56	4.76	12.67
Serious and Critical Accident Index	0.14	0.1	0.09	0.11
Serious and Critical Accidents	14	10	8	12

Environmental

	2007 (Baseline 1)	2010 (Baseline 2)	2015 (Baseline 3)	2018
Total Use of Virgin Wood Fiber (Tons)	-	-	239,801	276,110
Procurement of Certified Fibers				
Certified Fiber (%)	80	84	100	100
Use of Recycled Fiber - Tissue (%)	65	64	69.6	62.9
GHG Emissions				
CO ₂ -e/Ton of Production	1.04	0.77	0.73	0.67
Waste Management				
Cellulose Waste sent to Landfill (Thousands of Tons)	246.6	55	0	0
Monetized Waste (%)	N.D.	86.1	99.75	99.58
Landfill (%)	N.D.	13.9	0.25	0.42
Water Management				
Total Volume of Water Used (Thousands of m ³)	13,603	13,072	13,074	13,551
Groundwater	5,160	4,540	5,202	5,734
Surface Water (Fresh and Post-Consumer)	8,443	8,532	7,872	7,817
Post-Consumer Surface Water (%)	44.7	46.9	47.7	47.87
Total Water Used per Ton of Production at KCM (m ³ /Ton)	16.7	14	12.2	12.19
Volume of Water Discharged (Thousands of m ³)	10,610	10,105	10,954	11,438
% Discharge within Applicable Regulations ⁽²⁾	100	100	100	100
Energy				
Energy consumption per Metric Ton of Production (Millions of BTU/Ton of Production)	10.2	8.9	8.2	8.4

⁽²⁾Pursuant to DBO, SST, etc. NOM-001 SEMARNAT-996 and state and local laws.



About Us

KCM is part of the Fast-Moving Consumer Goods (FMCG) sector, and we focus on the Manufacturing and Marketing of Consumer and Healthcare Products.

(GRI 102-1)

Kimberly-Clark de México S.A.B. de C.V. (KCM) is a listed stock corporation, which has been operating without interruption since 1959.



In 2018, we celebrated
56 years
of being listed on the
Mexican Stock Exchange
(BMV).



Since 2011
we have been included in its
Sustainable IPC Index.

In 2017
we were added to the
FTSE4Good Index Series.



FTSE4Good



Products designed
for you (GRI 102-2)



Babies

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



Home

Toilet paper, napkins, facial tissue, paper towels.



Professional

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



Adults

Underwear, protectors, feminine pads, prefolded.



Beauty

Bar soap, liquid hand soap, foaming liquid soap, liquid body wash.



Women

Feminine pads, panty liners, tampons, intimate wipes.



Our Brands

With prestigious, well-known brands, we are market leaders in the vast majority of our business categories. We play an essential role in the everyday lives of Mexican families, bringing our products to millions of consumers every day throughout their lives.

Our leading brands include Huggies, KleenBebé®, Kleenex®, Kimlark®, Pétalo®, Cottonelle®, Depend®, Kotex®, Evenflo®, Blumen®, Solei® and Escudo®.

Business Lines

We are committed to a business strategy that allows us to reach every segment and age bracket within Mexico through a range of different sales and distribution channels.

KCM distributes its products to consumers throughout Mexico via diverse sales channels, including:

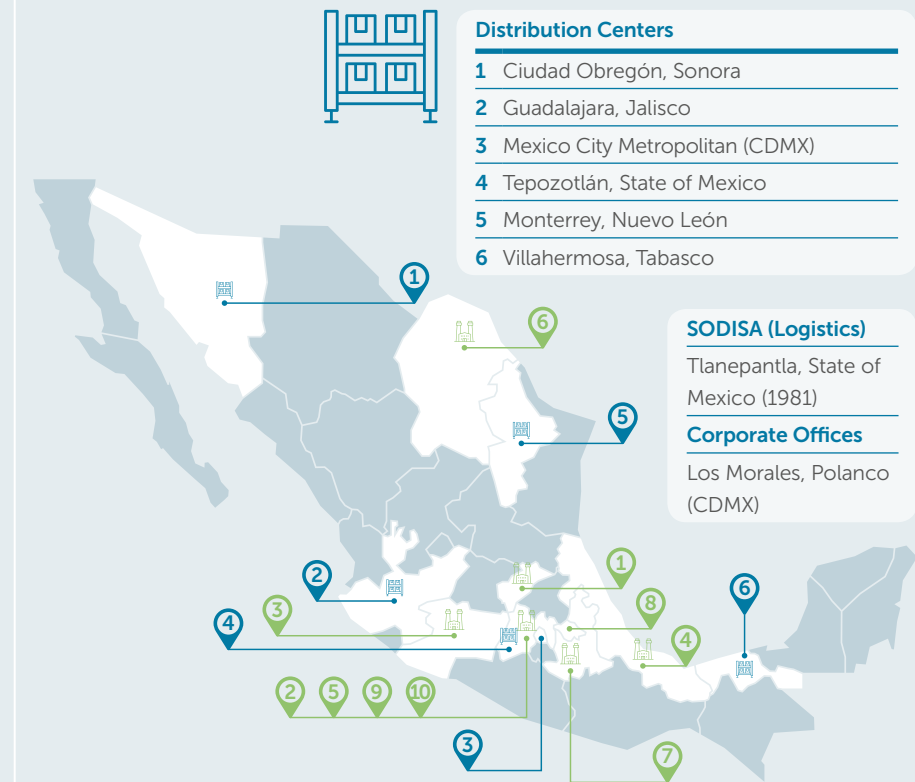
- Supermarkets
- Wholesalers
- Drugstores
- Price Clubs
- Convenience Stores
- Government Stores
- Department Stores
- Hospitals
- E-commerce

Geographic Distribution (GRI 102-6)

Corporate Offices: located at Jaime Balmes No. 8, Piso 9, Los Morales Polanco, Miguel Hidalgo, Mexico City. (GRI 102-3)

Production Plants (10): located in the states of Coahuila, State of Mexico, Michoacán, Puebla, Querétaro, Tlaxcala and Veracruz. (GRI 102-4)

Distribution Centers (6): strategically located in the metropolitan zone of Mexico City, and in the northern, Pacific and south-eastern regions of the country, helping bring the benefits of our products to the people of Mexico.



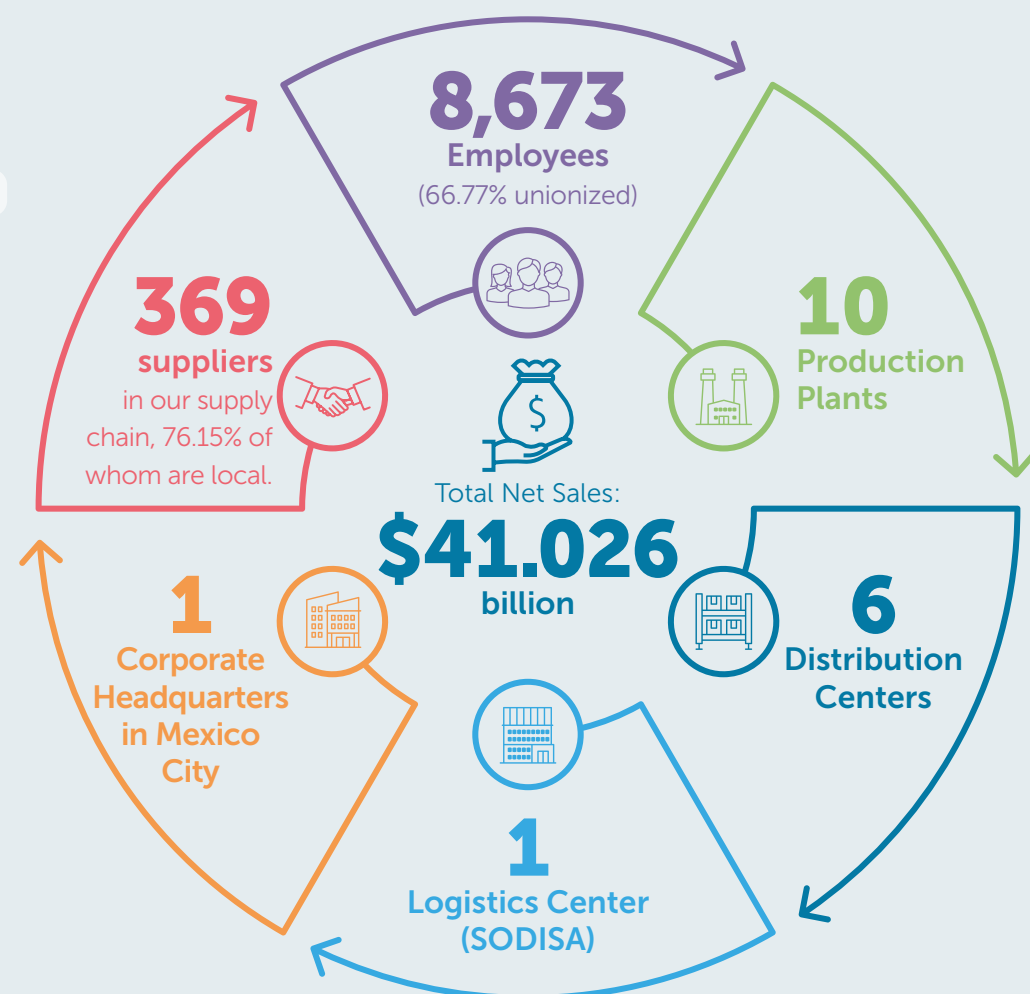
Plants		
1	BAJÍO	San Juan del Río, Querétaro (1981)
2	ECATEPEC	Ecatepec, Estado de México (1951)
3	MORELIA	Morelia, Michoacán (1973)
4	ORIZABA	Orizaba, Veracruz (1968)
5	PROSEDE	Cuautitlán, Estado de México (1981)
6	RAMOS ARIZPE	Ramos Arizpe, Coahuila (1993)
7	TEXMELUCAN	San Martín Texmelucan, Puebla (1973)
8	TLAXCALA	Tlaxco, Tlaxcala (1995)
9	TOLUCA	Parque Vesta, Toluca, State of Mexico (2011)
10	EVENFLO	Cuautitlán, State of Mexico (2012)



Thanks to the hard work of our employees, we achieved total net sales of MXN \$41.026 billion, an 8.6% increase compared to 2017.

Organizational Scale (GRI 102-7, GRI 102-8)

To the end of 2018, Kimberly-Clark de México S.A.B. de C.V. (KCM) had the following elements:



Foreign Trade

(GRI 102-6)

In terms of our export products, our sales have grown steadily in recent years, as has the number of countries in which KCM operates.

In 2018, export sales were 28.1% higher than in 2013.

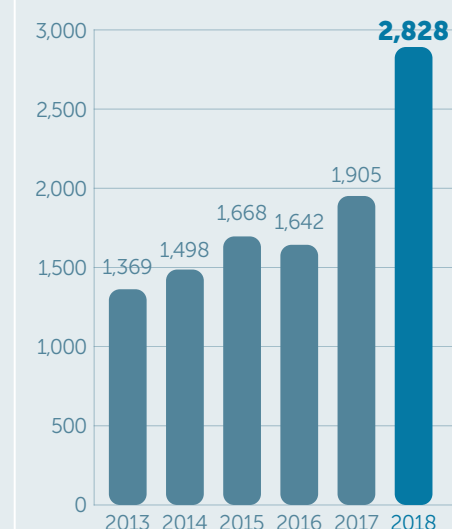
2018 Export Sales

(MXN Million)

Net sales	2,828
Gross sales	2,844

Net Sales Abroad

(MXN Million)



The net sales of our Evenflo Feeding Inc. subsidiary in the United States of America increased by 5.47% in a year-on-year comparison.

Evenflo Feeding Inc.

(MXN Million)

	2017	2018
Gross sales (Ps. million)	365	324
Net sales (Ps. million)	329	286



Our partnership with Kimberly-Clark Corporation (KCC) makes both companies more competitive and generates added value that translates into economic, environmental and social results.



Engagement with Related Parties

Kimberly-Clark Corporation (KCC) supplies us with technical services that are of key importance in executing product and process innovation initiatives, developing cutting-edge technology, and participating in global purchasing agreements.

It is also through our partnership with KCC that we share world-class information on operating and commercial practices and sustainability. .

In short, our relationship makes both companies more competitive and generates added value that translates into economic, environmental and social results.

In 2018, KCM was involved in the following related party transaction:

Related Party Transactions

(USD Thousands)

	2017	2018
Procurement and Technical Services	\$ 1,550,454	\$ 1,595,935
Machinery and Equipment	380,344	76,070
Net Sales and Others	306,734	568,557
Accounts Payable	324,125	275,541
Accounts Receivable	75,692	120,276

Membership in Associations (GRI 102-13)

Kimberly-Clark de México, S.A.B. de C.V. is an active member of:

- The National Chamber of Pulp and Paper Industries (CNICP)
- The Mexican Employers' Confederation
- The Communications Council
- The Business Coordinating Council (CCE)
- The Commission on Private Sector Studies for Sustainable Development (CESPEDES).

Furthermore, our strategic partner, Kimberly-Clark Corporation (KCC), and with whom we share development tools, is a member of:

- The Corporate Eco Forum (a community of global leaders focused on promoting business sustainability).
- Forest Stewardship Council ® (FSC®)¹ License FSC-C140370 (a non-profit organization that protects forests for future generations).
- The World Business Council for Sustainable Development (WBCSD) (an organization led by global CEO's that encourages the business community to create a sustainable future for business, society and the environment).

As part of KCC's Global Sustainability Group and through our relationship with KCC, we have access to the activities and programs coordinated by Kimberly-Clark Corporation with these organizations. In 2018, we were once again included in the Sustainability Committee of the Mexican Stock Exchange, whose purpose is to promote actions that drive the sustainable performance standards of the issuers listed on the Mexican stock market. The members of this forum analyze international sustainability trends and identify challenges and opportunities for Mexican companies in particular.

In 2018, alongside other companies from the IPC Sustainable Index and the BMV, we created the Sustainability Guide, a sustainable development reference document for Mexican companies.

Compliance with OECD and UNGC Principles

This Report explains the importance for KCM of ensuring solid and transparent Corporate Governance, consistent with the principles of Business Ethics, Company Bylaws and the Code of Best Corporate Practices, in addition to the creation of value for its stakeholders.

KCM abides by the OECD principles on Corporate Governance, which include promoting efficient and transparent markets, complying with existing laws, ensuring the fair treatment of shareholders, recognizing stakeholder rights, ensuring the disclosure and transparency of relevant corporate information, and upholding the duty of board members to oversee and strategically direct the company in order to achieve effective management and shareholder accountability.



Kimberly-Clark Corporation is a signatory of the United Nations Global Compact (UNGC), which means that Kimberly-Clark de México is committed to and abides by the guidelines of this global accord, to the benefit of society at large.

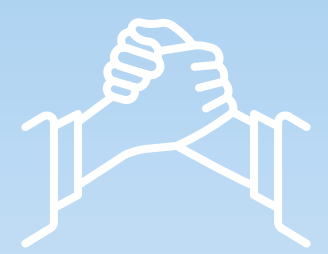


Three-Pillar Sustainability Strategy

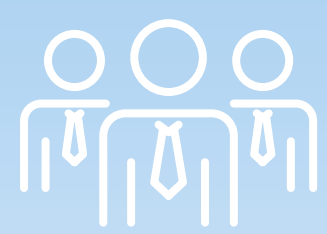
KCM's sustainability strategy is based on three basic pillars: Environmental Care, Social and Occupational Safety and Economic.



Environmental Care Performance



Social Responsibility and Business Ethics



Corporate Governance



The goals and results of our sustainability strategy directly impact our evaluation of the individual performance of our directors and managers.



Economic Pillar.

This pillar plays an essential part in implementing sustainability efforts within KCM. Without positive results from this pillar, we simply cannot carry out social responsibility or occupational safety programs within our plants, nor can we focus on the environmental conservation activities we undertake. This is why we are committed to meeting the needs of all our stakeholders, in order to achieve economic results that are consistent with our Vision.

Social and Occupational Safety Pillar.

Generating social value in the world around us, ensuring the physical safety of our employees, and helping them achieve higher standards of living are the fundamental goals of this pillar.

Environmental Pillar.

There are two key goals in this area. The first is ensuring compliance with all applicable environmental laws and standards, going above and beyond the call of duty. The second is identifying and taking advantage of opportunities to improve our energy efficiency, reduce CO2 emissions, monetize our solid waste, reduce water consumption and install efficient effluence treatment systems to help protect waterways and their biodiversity.

Our environmental strategy is based around the 5 'R's' (Results, Reuse, Reduce, Recycle and Renew) throughout the value chain, from suppliers and production processes to administrative offices, logistics, support areas and clients. To do this, we are meticulous about design and execution of our Environmental Management System, which is aligned with the global guidelines of Kimberly-Clark Corporation and ISO 14001.

Materiality (GRI 102-47)

As part of the exercise of drafting sustainability reports in earlier years, Kimberly Clark de México surveyed its stakeholders to learn about the issues they considered most important, whether social, environmental, economic, or corporate governance. The prioritized list of the sustainability issues for the company is as follows:

- 1 Employee health and safety
- 2 Product innovation
- 3 Water consumption
- 4 Compliance with environmental laws
- 5 Use of recycled fiber
- 6 Waste water
- 7 Safety and performance of personal care and hygiene products
- 8 Employee training and preparation
- 9 Development of local communities
- 10 Economic performance
- 11 Electrical energy consumption
- 12 Analysis of environmental risks and impacts on communities
- 13 Consumption of water from renewable sources
- 14 Emissions / Climate change

- 15 Leadership in market share
- 16 Reputation and risk to KCM and its brands
- 17 Mission, vision and values
- 18 Responsible advertising
- 19 Raw material sourcing
- 20 Environmental investment and spending
- 21 Product design and package recycling
- 22 Code of Conduct
- 23 Solid municipal and hazardous waste
- 24 Campaigns to promote health through hygiene and personal care
- 25 Corporate governance
- 26 KCM's actions to support society (product donations, natural disasters)
- 27 Incorporation of suppliers into KCM's sustainability strategy
- 28 Public environmental policy and environmental strategy
- 29 Performance evaluation
- 30 Diversity and equal opportunities for women and men
- 31 Support and information on products via digital media
- 32 Impact on flora and fauna surrounding plants
- 33 Memberships, certifications and awards for social responsibility
- 34 Mechanisms for company-employee communication





We determine the opportunities, actions and goals in every aspect of our operations in order to keep them profitable, sustainable and resilient.

To build the materiality matrix, we used the GRI advanced reporting methodology, evaluating the relative position of each issue with respect to the others. Taking all 34 issues into consideration, we assigned a value of 1 to the most important issue for stakeholders, and so on down, until assigning a value of 34 to the least important topic for these groups. We did the same to rate the relative impact of each issue.

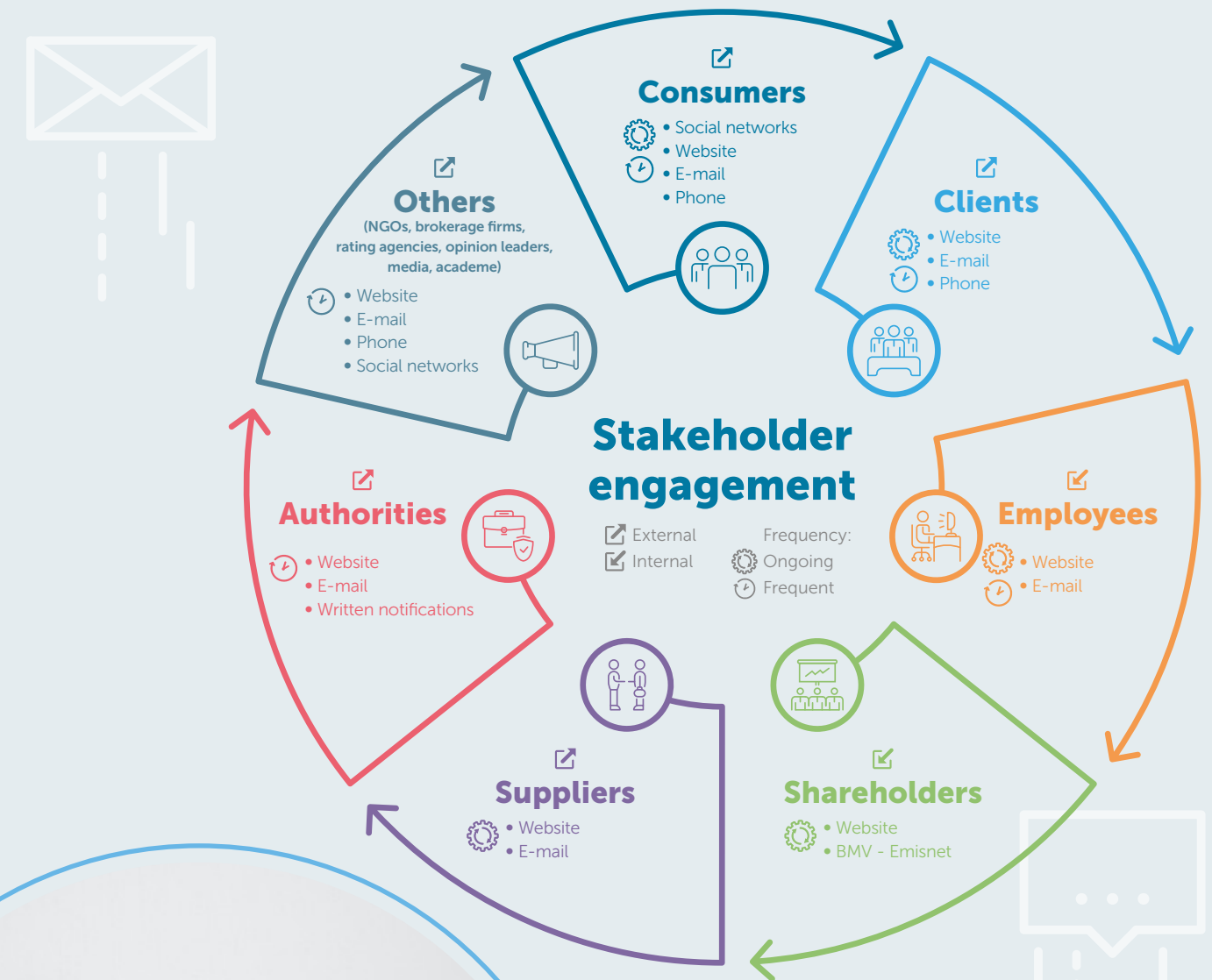
We then identified issues that had a high level of relevance or impact, and these were considered the to be the issues with the highest level of materiality for Kimberly-Clark de México (in alphabetical order):

- Analysis of environmental risks and impacts on communities
- Code of Conduct
- Compliance with environmental laws
- Consumption of energy from renewable sources
- Development of local communities
- Diversity and equal opportunities for women and men

- Economic performance
- Electrical energy consumption
- Emissions / Climate change
- Employee health and safety
- Environmental investment and spending
- Leadership in market share
- Product innovation
- Raw material sourcing
- Reputation and risk to KCM and its brands
- Safety and performance of personal care and hygiene products
- Solid municipal and hazardous waste
- Use of recycled fiber
- Water consumption
- Water waste

Stakeholder Engagement

Involving our stakeholders in identifying KCM's material aspects has enabled us to decide on the frequency, mechanisms and parties responsible for communication between the company and its stakeholders, helping us address their concerns.



Based on our materiality analysis, we conducted a systematic operations study to identify and prioritize risks according to their magnitude, likelihood of occurrence, and impact on the company. These are reviewed and updated annually.



Risks and opportunities (GRI 102-15, 102-30, 102-31, 201-2)

Risks	Real or potential impacts	Specific Activities and Opportunities
Environmental		
Water		
High Levels of Waste and Water Consumption	<ul style="list-style-type: none">Low water availabilityPoor quality water supply for operations	<ul style="list-style-type: none">Investment in supply and discharge water treatment plants . Comply with / exceed regulationsUse of post-consumer water instead of fresh waterClosed water cycles (4.5 X recirculation)
Poor Handling of Management System	<ul style="list-style-type: none">Regulatory changesImpact on biodiversity	<ul style="list-style-type: none">Best practices to obtain discharge quality certifications (quality higher than that required by regulations)Investment in cutting-edge technology
Solid waste		
Poor Handling and Waste Performance Indicators	<ul style="list-style-type: none">Impact on environmentImpact on third partiesExcessive use of landfill options	<ul style="list-style-type: none">Development of RSU and special handling management system / compliance with applicable laws and normsCo-processing of cellulose sludge instead of sending to landfillMonetization of waste for recycling and co-processing - zero-landfill goal
Obsolete Management System	<ul style="list-style-type: none">Changes to applicable laws and standards in this area	<ul style="list-style-type: none">Increase in operational productivity / waste reductionSustainable innovation. Less for More programLifecycle analysis

Risks	Real or potential impacts	Specific Activities and Opportunities
Energy		
Elevated Consumption	<ul style="list-style-type: none">Increase in prices and availabilityCompetition within the industry	<ul style="list-style-type: none">Energy management systems and trainingIdentification and deployment of energy efficiency investments and projectsSupply contracts with companies that produce energy with low GHG emission factors
Poor Handling of Management System	<ul style="list-style-type: none">Impact on operating costsGHG emissions	<ul style="list-style-type: none">Use of energy from clean sourcesCo-generation of thermal and electrical energyIncrease in operational productivity
Deforestation and climate change		
Elevated GHG Emissions		<ul style="list-style-type: none">Use of 100% virgin fibers from certified forestsCommitment to zero reforestationUse of recycled fibers from post-consumer paper (above 60%)CDP Forests report and benchmarkReport of official emissions from fixed and mobile sources through the National Emissions Registry (RENE)Waste water discharge that complies with legislation and exceeds quality standardsRisk prevention and asset protection manualResilience of our production in eliminating or mitigating material damageInsurance to cover potential financial losses in the event of material losses stemming from hydrometeorological events.
Poor Handling of Management System	<ul style="list-style-type: none">Impact on protected habitats and forestsImpact on biodiversity as a result of water discharge or impact on forestsImpact of natural disasters on our facilitiesComplianceRegulatory changesCommitment to COP 21Supply of required amounts of virgin fibers	<ul style="list-style-type: none">Training in evacuation and damage containment proceduresRisk management programs to identify, assess, reduce and prevent lossesCompliance with national strategy on climate changeIdentification of adaptation and mitigation measures. Capital investments to ensure complianceMitigation projects to reduce GHG emissionsSupply contracts with companies that produce energy with low GHG emission factors and clean energiesTransition toward the use of cleaner energies / co-generation and renewable energies

Risks	Real or potential impacts	Specific Activities and Opportunities
Social		
Occupational Health and Safety / Loss Prevention		
Low Performance Indicators	<ul style="list-style-type: none"> Possibility of serious, disabling or fatal accidents Absenteeism / decreased productivity as a result of injuries or illnesses Natural disasters associated with climate change or earthquakes that have an impact on our operations 	<ul style="list-style-type: none"> On-going improvements to SAES system Preventive health programs for employees and their families Development and deployment of training plans to prevent accidents using the highest industry standards Events during Health Week Training in evacuation and containment procedures Drills Programs in conjunction with Civil Protection Adequate personal protection equipment Training and creation of fire teams / instructors Hazardous waste and chemical handling systems Training for product distribution and transport operators Theft prevention/tracking systems for trucks Training on how to handle situations of risk Investment in asset protection insurance (2015 and 2016: MXN \$81 and \$74 million, respectively).
Poor Handling of Management System	<ul style="list-style-type: none"> Safety of our carriers Possibility of fires or earthquakes at our facilities 	
Relationship with Communities and Unions		
Bad Relationship with Communities and Unions	<ul style="list-style-type: none"> Lack of acceptance by community Possibility of strikes Impact on productivity Negative social impacts in the communities in which we operate Retention of highly skilled employees 	<ul style="list-style-type: none"> Communication of the company's Mission, Vision and Values Support for local social programs Dialog with community representatives Consolidation of working relationships with unions / incentives for productivity and occupational safety Salary negotiations and collective bargaining agreements Mixed Health and Safety commission Cultural and family events Safety Week events Promotion of good working practices Benefits exceeding those required by law

Risks	Real or potential impacts	Specific Activities and Opportunities
Competitiveness on Labor Market		
High Employee Turnover	<ul style="list-style-type: none"> Retention of key employees for the company who have high growth potential 	<ul style="list-style-type: none"> Training and career development plans Competitive compensation system Promotion of KCM's Mission, Vision and Values Board of Directors Compensation Committee - performance evaluation and succession plans Performance evaluation and feedback Financial results - profit sharing results Programs to reduce turnover and absenteeism rates Measures that favor work-life balance
Social Responsibility		
Bad Human Rights Management and Corruption	<ul style="list-style-type: none"> Non-compliance with stakeholder expectations Respect for Human Rights Operational and financial transparency Prevention of bribery and corruption Safety and quality of our products Compliance 	<ul style="list-style-type: none"> Creation of stakeholder dialog strategies and measures Definition of plans of action for material / relevant aspects for stakeholders In-kind donations to low-income communities and institutions Structure and scope of annual sustainability report Actions to support stakeholders Solid corporate governance Financial reports Employee code of conduct training Induction and monitoring Social compliance standards for suppliers Comprehensive audits of the supply chain: quality, service, internal control systems, transparency and respect for human rights Anonymous complaints procedure and exhaustive investigation into each case / report to the Board of Directors' Audit and Corporate Practices Committee Medical endorsements for materials and products and the HACCP system Strict compliance with applicable laws and standards for each product category Process control and quality assurance processes / quality and statistical indices in real time (EWMA) Health and hygiene campaigns Reading Makes You Great campaign On-going review of compliance and changes to product, fiscal, environmental, health and hygiene, labor, stock exchange, accounting, and personal data protection laws and regulations, etc.

Risks	Real or potential impacts	Specific Activities and Opportunities
Economic		
Economic Disparity in Mexico		
Economic Disparity in Mexico	<ul style="list-style-type: none">Domestic financial crisis or slow growth in domestic consumption and the economyImpact on sale of frequently consumed productsIncreased inflationIncrease in financing costsImpact on profit margins	<ul style="list-style-type: none">Technological innovation to generate added value for our productsInvestment in prices to generate scale and safeguard market shareOn-going consolidation of fair and transparent relationships with our customersGeneration of added value for our products, helping reflect increasing raw material costs to compensate any possible impact and ensure our competitivenessStrategic promotion of the use of our brands in public places outside the homeOperational efficiency and cost reduction programs / Less is More programUse of derivative financial instrumentsIncreased use of domestically-sourced recycled fibersOn-going promotion of domestic supplier developmentContinuous assessment of new avenues of growth – (M&A)
Global Economy and US Economic Trends		
Sluggish Global Economy and US Economic Trends	<ul style="list-style-type: none">Complex global economic situation that affects the domestic marketExchange rate volatility and depreciation	<ul style="list-style-type: none">Technological innovation to generate added value in our productsEfficient investments and preparation for accelerated periods of growthConsolidation of competitive advantages in terms of innovation and costsLimited exposure to exchange rate and variable interest rate risks through cross-currency swapsStrategic promotion of categories that represent high growth/investment potential for markets and segments in which we can offer competitive advantagesExport growth projectsImport substitution projects. Vertical integration and domestic supplier developmentCost-saving and operational efficiency programs (costs and expenses) to mitigate impact of exchange rate
Liquidity Risk		
Low Liquidity Risk	<ul style="list-style-type: none">Insufficient cash flow for operations and debt payments	<ul style="list-style-type: none">Healthy cash flow and position through sales and profits, in addition to efficient administration of working capitalUse of debt instruments with staggered maturity datesDebt rating in MXN and 'investment grade' in foreign currency
Cost of Energy, Water, Solid Waste Management and Atmospheric Emissions Control		
High Cost of Energy, Water, Solid Waste Management and Atmospheric Emissions Control	<ul style="list-style-type: none">Increase in water and energy costs. Increase in cost of adequate solid waste management, atmospheric emission control and complianceGreater environmental regulation	<ul style="list-style-type: none">Private electrical energy supply contracts. Use of energy from co-generation and clean sourcesFuel efficiencyProjects to increase energy efficiency and reduce energy useUse of post-consumer water and closed water systemsInvestment in waste water treatment-discharge qualityWater quality certificationsCompliance with obligations stemming from current water permitsMonetization of solid waste through recycling and co-processingIncreased productivity and operational efficiencyEfficient spending and investment in environmental performance and control

Risks	Real or potential impacts	Specific Activities and Opportunities
More Aggressive Competition and Lower Brand Strength		
More Aggressive Competition and Lower Brand Strength	<ul style="list-style-type: none">Highly competitive industry could affect financial resultsGlobal brands with a specific quality problem in a given country, leading to local repercussions on brandLimited resources for a multi-brand strategy and its long-term sustainability	<ul style="list-style-type: none">Leadership in innovation and value generation for consumers/efficacy of differentiating brands and productsInvestment in cutting-edge technology for the efficient manufacturing of value-added productsInvestment in brand relevance / voltage.Research into market tendencies, habits and customsConvert studies in changing /unmet consumer needs and preferences into differentiators and value-added goods and servicesUse customer and consumer insights to create specific measures to consolidate brands and trade marketingMulti-segment and multi-channel strategy. Optimal management of product portfolios, focusing on resources and priorities for channels and segments that represent the greatest long-term potential for KCMCompetitive advantages in product performance and cost and expense structureContinuous improvement strategies for brand reputation and positioningAdequate management of social networks and stakeholder engagementDigital strategies for stakeholder engagementExcellence in quality management, customer and consumer service and support
Transport and Distribution Network		
High Transport and Distribution Costs, Theft and Low Availability of Transport	<ul style="list-style-type: none">Increase in price of dieselIncrease in KCM fleet maintenance costsIncrease in freight costs through external carriersProduct losses as a result of a lack of highway securityTransport availability to meet customer service commitments	<ul style="list-style-type: none">Efficient and controlled logistics planning. Decrease in empty runs to reduce diesel use, freight costs and emissionsEfficient procurement and management of spare part inventories and preventive maintenance programsStreamlining strategies for freight and loading and unloading with customers and external carriersOn-going analysis of customer service (fill rate) and continuous improvement measures.Efficient planning for scheduled deliveries, invoicing, production and inventoriesEfficient and opportune investment in cutting-edge transport equipmentOn-going optimization program for packaging and cubic capacityTheft prevention/tracking systems for trucksTraining for operators on how to handle situations of riskOn-going dialog with the authorities for prevention and monitoring activities
Supply Chain		
Increased Supply Chain Costs and Low Resource Availability	<ul style="list-style-type: none">Sudden interruptions to supply as a result of uncontrollable market variables or cases of force majeureIncrease in raw material costsInconsistent quality of materialsProduct safety and hygiene	<ul style="list-style-type: none">Two or more suppliers that offer sufficient supply capacity and high quality standards for each key raw materialEfficient inventory management of raw materials at greatest market risk and contingency plans for key materialsCustomer-supplier operational efficiency programsSustainable innovation (Less is More) and operating cost reduction programsQuality assurance systems for raw materials that include medical endorsements for materials, world-class good manufacturing practices and the HACCP systemCompliance audits for the supply chain



The organization has a General Safety and Loss Prevention Policy, which highlights the corporation's commitment to the health and safety of its employees, facilities, community and the environment.

Description of Risk Management and Corporate Risk Management Structure (GRI 102-30)

The first step in managing risks is to identify them in the company's different locations and operations. This is done in coordination with the Risk Management department and key personnel at all facilities and operations, with the support of independent loss prevention consultants.

Once the risks have been identified, we assess them to determine the likelihood of occurrence and severity of the losses or damage they might cause. The next step is to establish measures to eliminate and/or control the identified and assessed risks.

To this end, we analyze various alternatives and select the one most appropriate depending on the conditions of the risk that is being eliminated and/or reduced.

If these measures are not successful in eliminating the risk or reducing the impact of its possible materialization toward levels closer to the organization's defined range of tolerance, additional measures are taken, such as acquiring insurance policies to cover the potential financial losses.

To this effect, we contact leading local and international insurance and re-insurance firms.

The main risks we have identified are continually monitored and evaluated to make sure they are kept under control according to corporate policies and current legislation.

Furthermore, we have procedures in place at all of the company's operations to evaluate the risks when new operations are opened, or when substantial changes are made to existing operations. Depending on the magnitude of the new operation or change, various levels of management in each area are involved, including the Risk Management department and various area heads.

Organizational Risk Culture Strategy

The organization has a General Safety and Loss Prevention Policy, which communicates the company's commitment to the safety and health of its employees, facilities, community and the environment.

As a tool for ensure compliance with this Policy, we have developed a Safety Management and Loss Prevention System (SMLPS), which consists of nine areas of action covering the necessary safety, industrial hygiene and environmental protection activities for all facilities. These activities provide a comprehensive loss prevention framework and ensure the promotion of a culture of safety throughout the organization.

Economic Consequences of Climate Change

We are aware of the increasing frequency of hydrometeorological phenomena, such as hurricanes, electrical storms, flooding, unusually heavy rains and drought, among others, as a result of rising temperatures across the planet. These have affected human settlements in coastal regions but also regions much farther inland. The result has been substantial economic and human losses, and, in many cases, as national and international insurance companies have made payments, an increase in the cost of insurance coverage and reduced availability. This increase in insurance costs eventually affects the cost of companies' insurance programs.

Internally, and as part of the Risk Management Program, this type of risk is evaluated using information generated by the National Disaster Prevention Program (CENAPRED) regarding vulnerability to climate change by town, and the pertinent steps are taken to reduce this exposure.

Risks and Opportunities associated with Climate Change

The increasing frequency and intensity of natural risks, such as hurricanes, rain, landslides, flooding, etc., can affect the infrastructure near the company's productive facilities or the infrastructure used by our key suppliers. We must therefore monitor zones affected by disasters and identify damages that might impact our operations or prevent the distribution of our products to customers, developing contingency plans and reducing the impact of such phenomena.

Seeking out safe and reliable sources of information for tracking these phenomena is vitally important in the preparation of contingency plans.



KCM's vision is focuses on sustainable results, through the values that underpin the company's organizational culture: Leadership, Innovation, Passion and Achievement.



Sustainability Strategy

An in-depth understanding of all areas of the organization, internal and external stakeholders, material aspects, and the risks we face and their potential effects, allow us to detect opportunities for generating value for the company and for society. With this in mind, the Board of Directors, supported by the CEO and the Sustainability Committee, created a business strategy to generate value in every fundamental aspect of KCM, helping the company achieve profitable and sustainable growth. This strategy is based on targets in areas including corporate governance, ethics and integrity, social responsibility and environmental care. These actions are consistent with our Mission and Vision, in an effort to respond more effectively to the challenges around us and those facing our stakeholders.

The company's long-term vision is focused on achieving sustainable results that drive profitable and sustainable growth through the constant generation of value through the three areas of our sustainability strategy: Economic Value for shareholders and stakeholders, a positive Social Impact on an increasing number of people, and outstanding Environmental Performance in our industry. KCM has a mission of significantly improving people's quality of life from the most essential elements. KCM's vision is focuses on sustainable results, through the values that underpin the company's organizational culture: Leadership, Innovation, Passion and Achievement.

This means we incorporate the precautionary principle into the company's very DNA, which is reflected in our processes,

regulatory systems and the technologies we use in productive processes and in our product design, development and safety. It is also why we are continually perfecting, innovating and making constant progress toward reducing the environmental footprint of every one of our activities, while generating the greatest prosperity and satisfaction possible for our stakeholders.

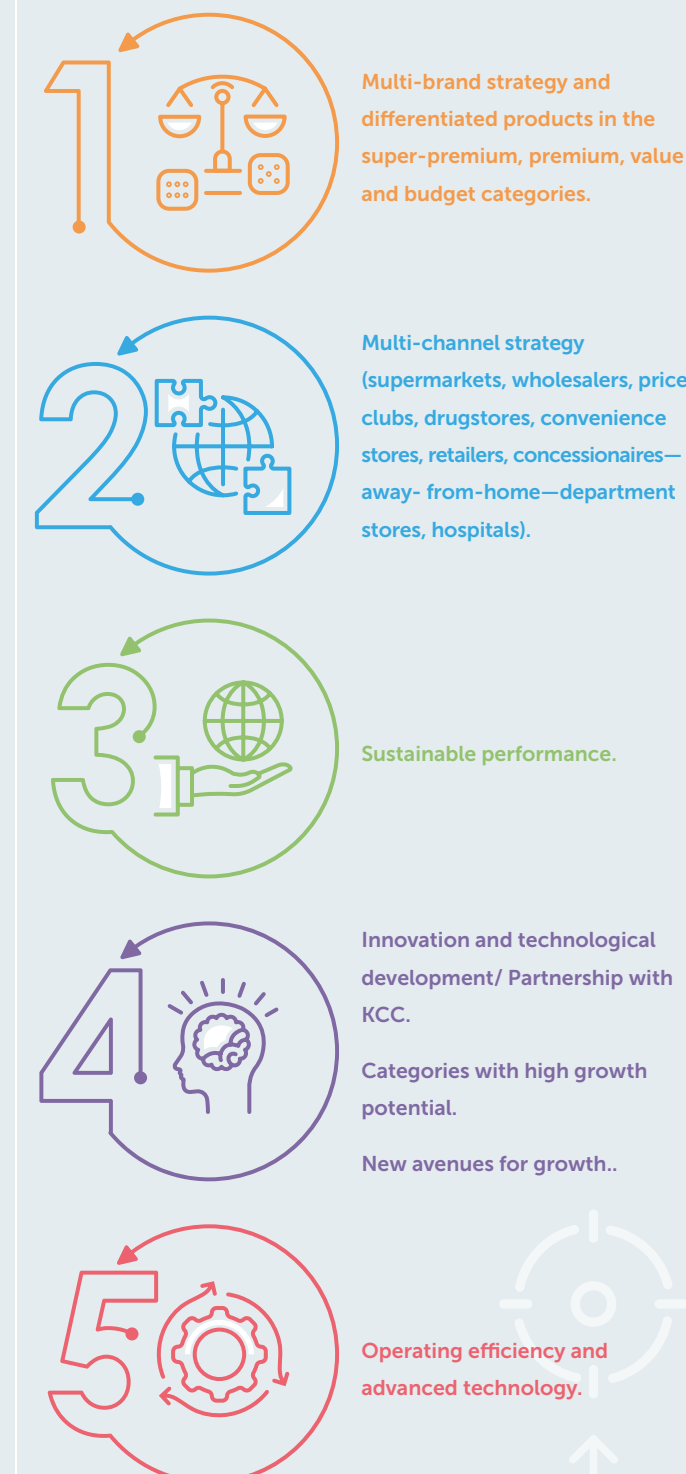
Keeping our employees and stakeholders informed about our sustainability strategy is a high priority for the company. The Executive Sustainability Committee, which is responsible for designing and implementing the sustainability strategy, reviews the relevant aspects of our environmental performance every quarter.

The conclusions of these meetings are passed on to the Chief Executive Officer, who in turn reports on the most salient aspects of our environmental performance and the progress being made in terms of the goals of our long-term vision in meetings of the Board of Directors. In developing culture of sustainability, we use various tools to raise awareness within the company regarding the importance of achieving our qualitative and quantitative goals and of communicating our progress or challenges in specific areas, so that, based on our continuous improvement program, plans and measures can be reformulated or reinforced in order to achieve targets.

Among the tools we use to communicate our sustainability strategy and make progress toward achieving our sustainable targets are the following:

1. Monthly operating meeting (see above).
2. Anually meetings of the Executive Sustainability Committee (CES).
3. Reports to the Chief Executive Officer, the Audit and Corporate Practices Committee and the Board of Directors, including the presentation of the Annual Sustainability Report to the Board members during their July meeting.
4. Publication of articles on specific issues, such as water, climate change, energy efficiency, waste management, sustainability trends, etc., in our quarterly e-magazine, IN HOUSE KCM.
5. Publication of our environmental policies on posters and bulletin boards at all the company's plants and operations.
6. Publication of the annual sustainability report on the internet and on our website.
7. Energy saving and service projects in 2018 amounted to 5.2 billion pesos and the results of the Cost Reduction Program were 1,414.8 million pesos equivalent to 5.5% of the Cost of Sales.
8. Explaining our sustainability strategy and its goals to all new hires as well as those undergoing re-induction.

Business model





The moderate growth of consumption, hand in hand with the strong position of our brands and the execution of our innovation plans and promotion of the different categories, allowed us to increase sales by 8.6 percent, mainly due to the improvement in volume, price and mix.

Economic Performance

A sustainable economic performance that is aligned with our sustainability strategy allows us to continue generating socio-environmental value, so we can continue pursuing our strategies of innovation, marketing, sales and distribution, cost advantage, operating and administrative efficiency, as well as new avenues for growth based on our business model. All of this is supported by the capital expenditures required to achieve our annual growth targets. The moderate growth of consumption, hand in hand with the strong position of our brands and the execution of our innovation plans and promotion of the different categories, allowed us to increase sales by 8.6 percent, mainly due to the improvement in volume, price and mix.

We further improved our operating efficiency, and our ongoing cost- and expense-trimming program allowed for record savings. This, together with higher sales prices and a more profitable sales mix, helped us absorb some of the negative repercussions of the peso's steep depreciation during the year. Overall, operating income increased by 7.5% and net income by 4.7%, allowing us to remain profitable despite an increasingly complex cost environment.

In keeping with our policies to hedge against exchange-rate risk, we signed derivative contracts involving a conversion of both principal and interest on the loan from dollars into pesos. Thus, all of the company's debt remains in Mexican pesos. The consolidated financial statements of KCM, which are reported publicly, include those of Kimberly-Clark de México, S.A.B. de C.V. and its subsidiaries, of which it owns 100%:

- Crisoba Industrial, S.A. de C.V. provides property rental and other services to KCM.
- Servicios Empresariales Során, S.A. de C.V. provides financing, equipment rental and, through its subsidiaries, distribution and other services to Kimberly-Clark de México, S.A.B. de C.V.
- Taxi Aéreo de México, S.A. provides air transport services to employees of KCM, its subsidiaries and the general public.
- Evenflo México, S.A. de C.V. and Evenflo Inc. are engaged in producing baby feeding accessories in Mexico and the United States and selling other Evenflo® brand products in Mexico.

Throughout our history, we have maintained steady growth, underpinned by our capacity for innovation and the operating efficiency we achieve by using cutting-edge technology, using a business model focused on serving every segment of the population, developing human capital and building a leading market share and major financial robustness based on operational results. These factors helped us achieve net sales of MXN \$41.026 billion in 2018.

Direct Generated and Distributed Economic Value (GRI 201-1)
(MXN Million)

Stakeholder Impact	2015	2016	2017	2018
Customers (Net Sales)	32,206	35,660	37,766	41,026
Suppliers / Productive Chain (cost of goods sold and operating expenses) (GRI 204-1)	22,362	24,739	27,871	30,260
Employees and their Families (Salaries and Benefits) ¹	2,736	2,872	2,663	3,183
Investment (CAPEX)	1,318	1,993	2,882	1,792
Lenders / Credit Institutions (Net Interest Expense)	865	1,073	1,271	1,513
Federal and State Governments (Taxes)	2,659	2,932	2,705	2,697
Shareholders (Dividends)	4,583	4,703	4,874	4,874

¹ Includes Social Security and Employee Profit-Sharing (PTU).

Key KCM sustainability results



We support a large number of institutions with donations in cash and in kind.

Social impact



We used 62.9% recycled fiber in our tissue paper products.
100% of our virgin fiber comes from certified forests

Virgin and recycled fiber



We have remained at Benchmark levels of the industry in terms of water consumption.
We reuse water in our processes 4.5 times.

Water



The energy efficiency initiatives generated savings of \$ 5.2 billion pesos.
At our plant in San Juan del Río, the second Cogeneration plant started, for the production of electric power and steam.

Energy



We are committed to human rights, occupational safety, anti-corruption and environmental protection.

Supply chain





Environmental Care Performance

Environmental conservation is fundamental for every form of life, and preserving the environment is crucial for the lives of every person and of every company.

This is why Kimberly-Clark de México, aware of the global impact of this issues, sees the value of ecosystems and acts to ensure a sustainable future for present and future generations.





Through the Executive Sustainability Committee and the Office of the CEO, the company sees environmental conservation as a fundamental value in every one of the company's operations and businesses.

Environmental Policies

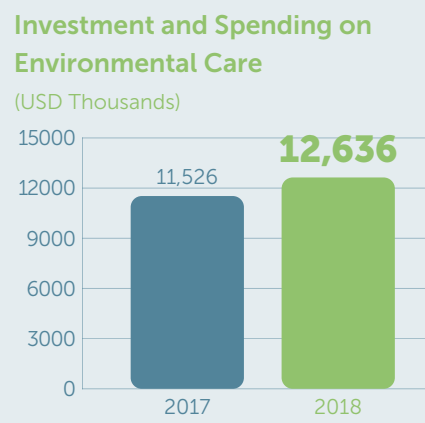
(Principle 8 of the UNGC)
At Kimberly-Clark de México, correctly executing our environmental policies to meet the targets we have established in our vision is of fundamental importance. For this reason, through the Executive Sustainability Committee and the Office of the CEO, the company sees environmental conservation as a fundamental value in every one of the company's operations and businesses. It is also highly important that people at every level of the company are aware of their responsibility in this regard. Based on these targets, we create environmental performance goals and standards: solid waste management, water use, discharge control, energy efficiency, reduction of atmospheric emissions, and the conservation of biodiversity. We achieve this by working together with stakeholders of every kind (communities, employees, suppliers and authorities). More information about our environmental policies can be viewed at:

 <https://www.kimberly-clark.com.mx/data/pdf/KCM-POLITICAS-AMBIENTALES.pdf>

Environmental Management System

Based on a comprehensive environmental management system pursuant to the ISO 14001 Standard, the Kimberly-Clark Corporation (KCC) management system was adapted to the specific situation of each of our operations, and we keep a centralized record of compliance with environmental laws and standards, the monitoring of environmental performance progress 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, as well as other matters. Furthermore, 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 teams to execute the annual environmental management plan in manufacturing and conversion operations. The Executive Sustainability Committee is responsible for designing and implementing the strategy, and it reviews the salient aspects of environmental performance every quarter. The sustainability team, the environmental coordinators for plants and, from time to time, the Environmental Control and Regulatory Affairs group of the Kimberly-Clark Corporation, audit the efficiency of the Environmental Management System and our performance in occupational health and safety matters.

Investment and Spending on Environmental Care		
(USD Thousands)		
	2017	2018
Air	1,821	1,807
Water and Waste Water	5,403	5,908
Hazardous Waste	80	75
Non-Hazardous Solid Waste	3,339	3,899
Pollution Prevention	6	6
Others	877	941
Total	11,526	12,636



Environmental Performance

To help promote a sustainable future, at KCM we see environmental systems as a cycle, so we are concerned not only about the source of our raw materials but also their use, consumption and disposal.



Sustainability Culture

(Principle 8 of the UNGC)
Presenting this report on the results of our environmental performance and the progress we have made in our Sustainability Strategy for our stakeholders is of the utmost importance for the company.

Every year, the Executive Sustainability Committee, which is responsible for designing and implementing the sustainability strategy, goes over the salient aspects of our environmental performance. 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 the eco-efficiency of our operations are reviewed monthly in operations meetings with the Area Director, Manufacturing Directors and Plant Managers, alongside the heads of Purchasing, Quality Assurance, Engineering and Maintenance, Operations and Industrial Safety.

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



We use various tools to build awareness within the company in order to develop a culture of environmental conservation regarding the importance of achieving our goals and of communicating our progress or challenges in specific areas. Through a process of continuous improvement, once we have detected a weakness, we can reformulate or reinforce plans and actions to achieve our targets. Among the tools we use to communicate our sustainability strategy and drive progress in our sustainable targets are the following:

1. Monthly operating meeting (see above).
2. Anually 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 the presentation of the Annual Sustainability Report to the board members.
4. Publication of articles on sustainability in our IN HOUSE KCM quarterly e-magazine.
5. Publication of our environmental policies on posters and bulletin boards at all company plants and operations.
6. Publication of the annual Sustainability Report on Emisnet, the Intranet and on our website.
7. Specific training for employees whose posts directly involve meeting environmental goals, such as compliance with environmental laws and standards, operation of eco-efficient systems, sustainability

forums, participation in PROFEPA environmental leadership program and environmental audits, in addition to international principles, such as those of UNGC and OECD.

8. Explanation of the Sustainability Strategy and its goals to all newly hired employees or those undergoing job reorientation.

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



Materials

Sustainable selection of raw materials

It is fundamental for all of our plants to achieve zero waste in terms of raw materials, which means making optimum use of all materials and keeping production lines as efficient as possible.

We have a program centered around what we call the five R's: Reduce, Reuse, Renew, Recycle and Results. Among the most representative of our direct materials (those present in our end products) are:

In 2018, 62.9% of the fiber used in our tissue paper products was recycled, achieving a greater stockpile for an increase in tissue paper production.


In 2018, we improved raw material performance indicators, increasing the use of recycled fibers by 2.77% and helping reduce certified virgin fiber consumption.

Sustainable Innovation

At KCM, we have a sustainable innovation program that focuses specifically on reducing our use of materials and increasing energy efficiency. We generated savings for the company during 2018.

Sustainable Fiber Procurement

We recognize that, today, sustainability is imperative for development, and we are aware of our responsibility for sustainable forest management and combating deforestation, which is why we operate in accordance with our environmental policy:


 <https://www.kimberly-clark.com.mx/data/pdf/KCM-POLITICAS-AMBIENTALES.pdf>

We use two types of absorbent fibers in the manufacturing of hygiene and personal care products: :



Total	Unit	2016	2017	2018
Virgin Wood Fiber	tons/r	280,706	321,013	303,419
Gross Procurement of Fiber for Recycling	tons/r	732,730	600,347	590,564
Nonwoven Fabrics	tons/nr	13,845	12,034	14,051
Cardboard	tons/nr, nr	29,263	28,452	26,870
Boxed and Corrugated Material	millones de piezas/r	178.4	280	525

r = Renewable nr = Non-Renewable (GRI 301-1)



In 2018, we improved raw material performance indicators, increasing the use of recycled fibers by **2.77%** and helping reduce certified virgin fiber consumption.

Virgen Fibers

It is company policy to use wood pulp that is supplied by responsible operations that safeguard the environment and natural resources, avoiding and controlling any possible risks to forests stemming from their use.

One of our responsibilities is to request and check that 100% of our suppliers of this resource have one of the certifications required. For example, the virgin wood pulp we acquire comes from forests that have been certified under international sustainability criteria.

Our suppliers work to generate this type of resources sustainably through reforestation programs, biodiversity protection, soil quality, wood pulp transformation based on international standards, etc., helping them set up appropriate sites for making wood pulp.

- Forest Stewardship Council ® (FSC®)¹ License FSC-C140370
- Sustainable Forest Initiative¹
- Canadian Standards Association's National Sustainable Forest
- Program for the Endorsement of Forest Certification Schemes
- Canadian Sustainable Forest Management (CSA)
- Brazilian Forestry Certification System (Sistema Brasileiro de Certificação Florestal)¹

¹ Certificaciones preferidas por KCM

We continued to report to CDP Forests on our management of forestry risks, and, for the fifth year in a row, we obtained a grade above the industry average for 2018.

This excellent result for Kimberly-Clark de México, S.A.B. de C.V. is the product of hard work and a series of actions taken within the company to appropriately manage the risk of deforestation.

Recycled Fibers

(Principle 9)

KCM has three plants equipped with state-of-the-art technology in San Juan del Río, Querétaro; Ramos Arizpe, Coahuila; and Ecatepec, State of Mexico.

These plants recycle postconsumer paper fiber, allowing us to incorporate 62.9% of the recycled pulp produced internally into our manufacturing mix in 2018, equivalent to 398,222 metric tons of recovered fiber.

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

The waste generated from our production lines, along with product batches 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. These are reused in our processes and, in keeping with our policies, 100% of the waste paper generated at our corporate offices is recycled at our plant in Ecatepec, State of Mexico, which last year recycled around 13.22 metric tons of paper collected.

The incorporation of recycled fibers into our production chain has contributed to the creation of collection centers for these materials, bringing other participants into the economic chain and helping reduce environmental impact.



In 2018
we monetized
99.58%
of our waste
and sent 0.42% to a landfill.

To obtain recycled fiber, in 2018 we acquired more than MXN \$1.8 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.

In 2018, we monetized 99.58% of our waste and sent 0.42% to a landfill.

Our plants recycle postconsumer paper fiber, allowing us to incorporate 62.9% of the recycled pulp produced internally into our manufacturing mix in 2018, equivalent to 398,222 metric tons of recovered fiber.

Waste Generated in 2018

(GRI 301-2, GRI 301-3, GRI 306-2)

Waste Type	Destination	
	(Tons)	
	Monetized	Landfill
Sludge from Wastewater Treatment	346,407	--
Paper	6,234	59
Plastic	6,100	236
Mixed Plastic	2,364	313
Plastic Mixed with Pulp	1,988	85
Wood	2,709	86
Metal	1,936	34
Cardboard	3,959	24
Others	1,411	735
Total by Type	373,108	1,572
Grand Total (tons)	374,680	





Energy

In 2018, there was a slight increase in total energy consumption of 2.16%. However, we maintained our energy consumption index per tonne produced, maintaining an index of 8.4 million BTU per tonne produced.

Our energy efficiency initiatives in 2018 brought savings of MXN \$5.2 billion, and among the most important were the cogeneration project at the Ramos Arizpe plant and a variety of operational improvements at other plants (GRI 302-4).

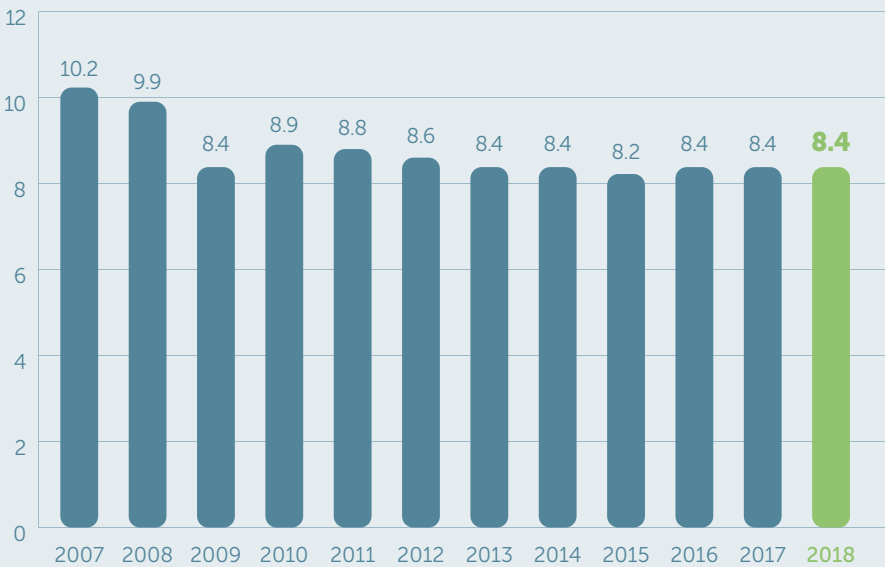
Within our analysis of business risks and potential impacts, KCM recognizes the importance of acting to mitigate and adapt to climate change, making all employees jointly responsible for efficiently using energy resources and introducing technological solutions to reduce our emissions. (Principles 8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

Energy Consumption per Metric Ton of Production (GRI 302-1)
(Billions of BTU)

Year	Total	Natural Gas	Steam	Fuel Oil	Wind	National Electrical Grid
2018	9,341	4,374	1,214	0	24	3,753
2017	9,143	4,706	813	0	37	3,625
2016	9,275	5,227	418	0	73	3,630
2015	8,808	5,132	236	0	42	3,398
2014	8,537	4,962	241	0	207	3,125
2013	8,353	4,816	235	0	212	3,090
2012	8,174	4,693	256	0	383	2,842
2011	8,257	4,830	257	0	291	2,879
2010	8,336	4,933	285	2	303	2,813

Wind energy is considered part of the national electrical grid.

Energy consumption per Metric Ton of Production (GRI 302-3)
(Millions of BTU/Ton of Production)



Water

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

Almost every company is affected by the uncertainties and dilemmas associated with water consumption, and we are no exception. This is why our Evaluation of Risks and Potential Impacts seeks to reduce our environmental footprint.

For this reason, KCM's Environmental Policy regarding efficient water use and discharge control makes all 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.

 <https://www.kimberly-clark.com.mx/data/pdf/KCM-POLITICAS-AMBIENTALES.pdf>

In 2018, our operating units used a total of 13,550,940 m³ of water extracted under concession from groundwater and surface water sources (including the use of postconsumer water). This was a slight decrease of increase of 7% compared to 2017, but the 1.57% increase in total production volume in the same period should also be taken into consideration.

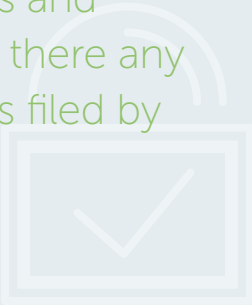
Our total use of water per metric ton produced in all of the company's operations was 12.19 m³/ton produced. It should be taken into consideration that, in 2018, we expanded our operations and increased our output, which means we made excellent progress in terms of our indicators because we continue to report good results year after year.

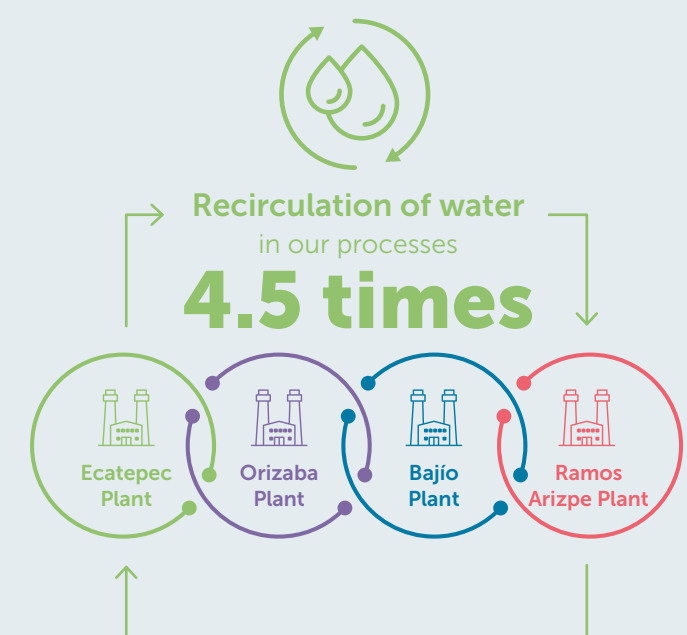
Volume of Water Used by Source (GRI 303-1)
(Thousands of m³)

Source	2010	2011	2012	2013	2014	2015	2016	2017	2018
Groundwater or Wells	4,539	4,812	4,660	4,975	5,186	5,202	5,655	5,771	5,734
Surface Water	8,532	7,961	8,175	8,378	7,911	7,872	7,743	6,891	7,817
Total	13,071	12,773	12,835	13,354	13,097	13,074	13,398	12,662	13,551
Water Use (m³/ton)	14	13.6	13.5	13.4	12.9	12.2	12.1	11.6	12.19



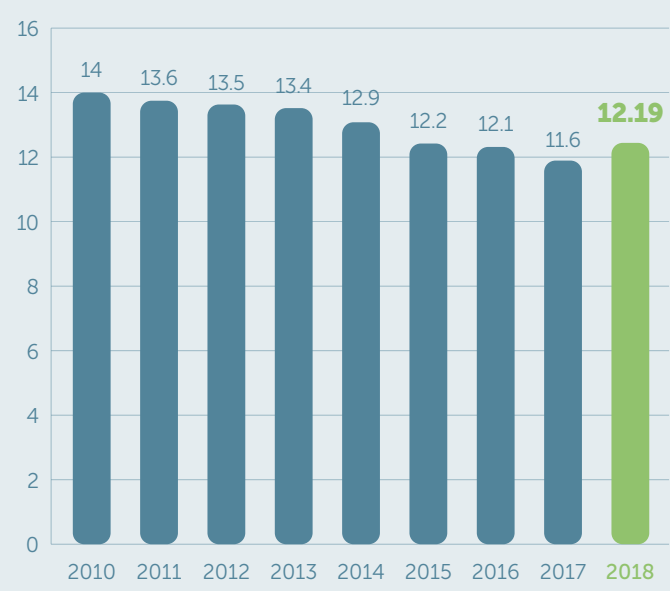
In 2018, we received no fines or sanctions for violation of environmental laws and regulations, nor were there any environmental reports filed by stakeholders (GRI 307-1).





Year	Groundwater (m³)	Surface Water		Total (m³)
		Fresh (m³)	Post-Consumer (m³)	
2018	5,733,906	1,329,612	6,487,422	13,550,940
2017	5,771,684	1,680,781	5,210,207	12,662,672
2016	5,655,029	1,666,296	6,077,277	13,398,602
2015	5,201,752	1,642,215	6,230,279	13,074,246
2014	5,186,118	1,724,419	6,187,187	13,097,724
2013	4,975,079	1,711,940	6,666,996	13,354,015
2012	4,660,270	1,760,118	6,415,807	12,836,195

Use of Water per Metric Ton of Production in Total KCM Operations
(m³/ton)



Use of Post-Consumer Water
(GRI 303-3)

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 2018, we used 4,152,504 m³ of post-consumer water, equivalent to 88.9% of the plant's needs. Additionally, in 2017, 41.15% of the water used in KCM operations was post-consumer surface water, while this figure rose to 47.87% in 2018.

100% of our plants operate with the necessary equipment to optimize water use, including closed-cycle systems at the Ramos Arizpe, Bajío, Ecatepec and Orizaba plants, which allow us to recirculate the water used in our processes up to 4.5 times.

Use of Water in Tissue Paper Manufacturing Operations

Water is a fundamental component in tissue paper manufacturing and our process for recovering recycled fiber from post-consumer paper, given that it serves as a vehicle for transporting raw material during the paper manufacturing process. At a global benchmark level, the Kimberly Clark Corporation has established a target for water use per metric ton of tissue produced of 30 m³/ton for machines commissioned before the year 2010 and 20 m³/ton for machines commissioned in 2011 or later.



Nevertheless, in 2018 there was a minor increase in the amount of water used in tissue manufacturing operations, due to a rise in production capacity at the plants in Ecatepec, Bajío, Ramos Arizpe, and, most importantly, Morelia.

All of KCM's machines (except for Bajío Number 4) began production before 2010 and use an average of 14.63 m³/ton. Public industry reports indicate water consumption above 25 m³/ton of paper, so KCM has become an industry benchmark in this regard.

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.

Biodiversity

(GRI 304-3)

KCM recognizes the fundamental importance of conserving biodiversity and the services that ecosystems offer to social and economic development. As a result, KCM has a policy of protecting existing biodiversity at the locations where it operates, in line with international agreements on biological diversity signed by our country. Furthermore, through our water use and discharge control policy, we recognize our responsibility for protecting existing biodiversity at the locations where we operate and make our environmental management system and policies a priority.

Among the elements evaluated in Environmental Impact Statements, which we have obtained for 100% of our plants, is the existence of protected areas neighboring our operations and the identification of endangered species.

An area within our Tlaxcala plant was reforested by employees and their families to help promote soil conservation and protect the environment. There is also a lake containing various species of fish and a rare freshwater gar (pejelagarto).

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

We should note that the zone was declared an NPA in 2004, 30 years after the Morelia plant was built in 1973.

The NPA surrounding the Morelia plant was created to protect the La Mintzita natural spring, which is the main water source for our operations.

Our operations have no significant impact on this body of water because administration by the local authorities provides for the use and exploitation of water concessions in volumes that ensure the preservation and conservation of the source.

Another aspect within our raw material supply chain is that 100% of our virgin fiber comes from certified forests, which are managed sustainably and have no negative impact on biodiversity (GRI 102-9).

KCM recognizes the fundamental importance of conserving biodiversity and the services that ecosystems offer to social and economic development.



Emissions

(GRI 305-1, GRI 305-2)

In 2018, 35.75% of our energy sources were direct (natural gas and steam) while 64.25% were indirect energy sources (wind energy and the national energy network). Our main sources of energy are the national electricity network operated by CFE, Iberdrola, and the generation and acquisition of steam and natural gas.

Atmospheric Emission Management

(GRI 305-1, GRI 305-6)

It is impossible to predict exactly how climate change will affect us, but based on current scientific data, the outlook is a complicated one. If it becomes a reality, it will considerably affect the concept of what the notion of "doing good business" will mean within 20 years, given that a series of factors is starting to gain traction in political and economic ambits, radically altering the world in which we live and work. Without a doubt, it will become more and more complicated to ignore the effects of climate change.

We recognize that climate change represents a risk for the company and society, which is why we join mitigation and adaptation actions through the reduction of 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. Thus, in accordance with our environmental policy on energy efficiency and reduction of greenhouse gas (GHG) emissions, KCM actively embodies the national strategy for climate change and establishes goals for optimizing its productive and administrative processes, identifying and executing projects to reduce energy consumption and GHG emissions.

 <https://www.kimberly-clark.com.mx/data/pdf/KCM-POLITICAS-AMBIENTALES.pdf>

KCM uses its Engineering and Maintenance System to monitor and report on emissions. In 2018, it received no fines or sanctions for violation of environmental laws and regulations (GRI 308-2), nor were any environmental claims filed by its stakeholders.

The figures include data from our subsidiary SODISA—the transport company that distributes some of KCM’s products to distribution centers and clients.

Since 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 our supplier Iberdrola, and the acquisition and generation of steam. The 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.



Total Annual GHG Emissions (GRI 305-1, GRI 305-2)

(Tons)

Year	Direct GHG Emissions	Indirect GHG Emissions	Total GHG Emissions
2018	267,378	480,638	748,016
2017	312,040	477,378	789,418
2016	365,927	465,978	831,905
2015	360,166	462,024	822,190

Other Atmospheric Emissions (GRI 305-3, GRI 305-7)

(Tons)

	2013	2014	2015	2016	2017	2018
NOx	287.2	293.9	300.9	310.74	263.73	204.17
SO ₂	1.56	1.6	1.7	1.69	1.43	1.22
PST	21.29	21.8	22.56	22.85	19.63	17.03



In 2018, the projects to increase energy efficiency, record productivity in several operations and the use of indirect energy from combined cycle plants and wind farms supplied by Iberdrola, resulted in a decrease of 5.32% in our emissions index. CO₂-e / ton produced.

In other atmospheric emissions, we reported a decrease in NOx and PST emissions. 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.

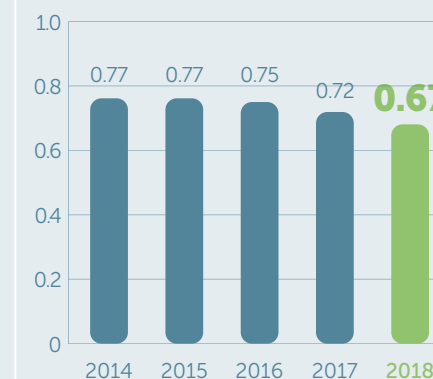
Regarding the intensity of GHG emissions, we registered a decrease of 14.32% in 2018 compared to 2017, when the figure was 14.73%.

In terms of total emissions in 2018, there was a reduction of 5.25%, which is an excellent result for KCM, highlighting our efforts to protect our environment and combat climate change.

Our accounting and reporting of GHG emissions was carried out according to SEMARNAT guidelines, based on agreements with this government agency 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 made on the basis of our consumption of fuel, electricity and steam, taking into account the calorific power determined according to the guidelines and emissions factors published by SEMARNAT itself and, when applicable, by suppliers of electrical energy.

CO₂-e Emissions (GRI 305-4) (Tons of CO₂-e/Ton of Production)



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.





We comply with the General Law on Comprehensive Waste Prevention and Management, its corresponding regulations and standards.



Effluents and Waste

(GRI 306-1, GRI 306-5)

Waste Water Discharge

This past year, our discharge of treated wastewater into national water bodies rose slightly by 7% with water 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.), although we must also factor in the 2.01% increase in production recorded during the year.

Our Bajío plant once again obtained the Quality Water Certification from the National Water Commission (CONAGUA). This certification demonstrates our responsibility and 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. On the whole, no water source has been affected by KCM's use of water in its operations.

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, in addition to driving innovation in the design of our products and packages to reduce solid waste generation, as established in KCM's Environmental Policy.

 <https://www.kimberly-clark.com.mx/data/pdf/KCM-POLITICAS-AMBIENTALES.pdf>

Comprehensive Waste Management

(GRI 306-4)

Each of our operations has its own Special Handling, Solid Urban and Hazardous Waste Management Plan, structured in accordance with the General Law on Comprehensive Waste Prevention and Management and its secondary regulations, and also with Official Mexican Standard NOM161- SEMARNAT-2011, to minimize waste generation and maximize the reuse and monetization of the waste we generate.

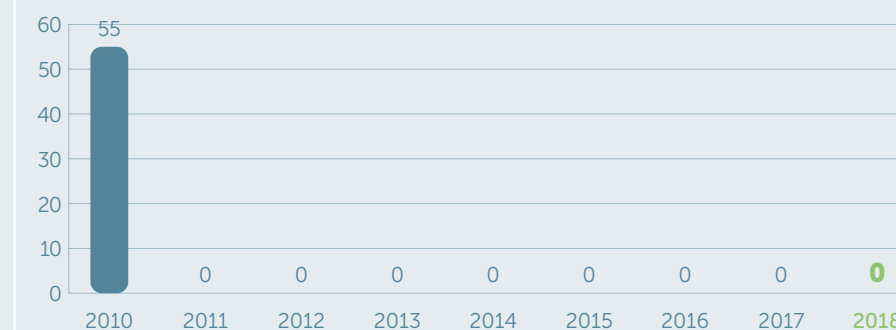
KCM comprehensively manages all of its waste by type: solid waste that requires special handling, waste materials like plastic and cardboard (not recyclable within our operations), metals and wood, which can be monetized and used as raw materials in external recycling processes.

In manufacturing processes that include the use of recycled fibers, we get cellulose sludge from our wastewater treatment, separating out impurities such as inks and adhesives from post-consumer paper. For this type of waste, we are CRETl certified, which means the waste stemming from our productive activities are not corrosive, reactive, explosive, toxic or flammable.

One of our major achievements was, for the seventh year in a row, we sent 100% of our sludge for co-processing through partnerships with the cement industry, keeping it out of landfills or other types of confinement. We also monetized cellulose dust and superabsorbent sodium polyacrylate (byproducts of our baby care product waste recycling plant) for use in soil regeneration.

Pulp Waste sent to Landfill

(Thousands of Tons)

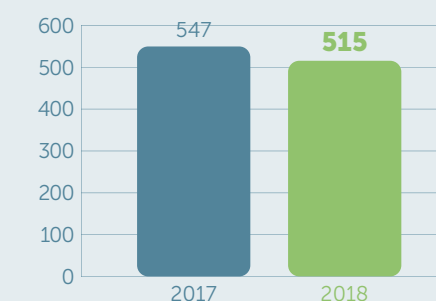


Hazardous Waste

In handling our hazardous waste, we comply with the General Law on Comprehensive Waste Prevention and Management, its corresponding regulations and other standards in this area. In 2018, we managed and transported 515 tons of hazardous waste in full compliance with the law.

Total Hazardous Waste Generated

(Tons)



Monetization of Solid Urban and Special Handling Waste

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

To obtain recycled fiber, in 2018 we acquired more than MXN \$2.85 billion (14% more than in 2016) in paper, cardboard, printed magazines and post-consumer newspaper from our suppliers to be used in our operations.

In the manufacturing of tissue paper, we incorporated 57,000 metric tons of recovered waste tissue paper, which complies with the specifications required by our quality standards for finished products, into our manufacturing mix. In 2017, we had no fuel, residue or chemical substances spills, etc. (GRI 306-3).





Business Ethics and Social Responsibility

At Kimberly-Clark de México, 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, the Kimberly-Clark Corporation.

We have a deep conviction with regard to the role we play in the life of our society, every day, for a lifetime.

We believe that the way we do business is as important as the business we do, and we are committed to operating with integrity and high ethical standards.





Throughout its history, Kimberly-Clark de México has distinguished itself for its strict compliance with the law, ethical business standards and rules on doing business.

Business Ethics (GRI 102-16)



de México has distinguished itself for 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 for us to operate according to our Code of Conduct because this is the ethical framework that guides 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 of the UNGC: 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 a Corporate Practices Committee.

Principle 3 of the UNGC: Freedom of association. We encourage respect for labor organization rights. At present, 66.77% of the company's workers are union members. Relationships between the company and its unions are cordial, providing efficient channels for open communication on matters of labor, safety, hygiene, training and productivity, among others (GRI 407-1).



The Ten Principles of the UN Global Compact

Principle 1 of the UNGC: Businesses should support and respect the protection of internationally proclaimed human rights within their area of influence. Throughout its history, Kimberly-Clark


Principles 4 and 5 of the UNGC: Elimination of all forms of forced and compulsory labor and child labor. All KCM personnel are of legal working age and have signed a work contract that legally establishes the payment and duties of each individual within KCM. We keep a record of hours worked and pay accordingly, whether in normal business hours or overtime, pursuant to the law and the principles of human rights (GRI 408-1).

Principle 6 of the UNGC: Non-discrimination and equal opportunity. In our Code of Conduct, through our Human Resources department, we promote equality as a fundamental element of our hiring policy, and we offer equal opportunities when hiring or promoting personnel without discriminating based on age, gender, race, color, religion, creed, sexual orientation, nationality, physical disability or pregnancy (GRI 405-1, 406-1).



Principles 7, 8 and 9 of the UNGC: Focus on and development of social responsibility. Conducting commercial activities with a sincere and appropriate concern for the environment is a basic principle at KCM. As a result, the company has developed important environmental policies in this area, including 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 of the UNGC: 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 our commercial, administrative and operating areas, based on which we create internal control policies and procedures (KCM Policy 41: Anti-Corruption. More about this policy can be viewed at (GRI 205-1, 205-2):

 <http://www.kimberly-clark.com.mx/sustentabilidad/informacincomplementaria>

We also conduct internal and external audits at all locations where there are opportunities to mitigate these risks. These strictly prohibit giving or receiving any kind of cash or in-kind gratuity that may compromise employees' professional relations regarding the goods and services exchanged with others. Furthermore, our relationships with governments, government agencies and their employees, are ruled 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. 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 (GRI 102-16).

Conduct vis-a-vis:

- Our Team
- Our Company
- Our Clients, Suppliers and Consumers
- The Environment
- Public Bodies
- Safety and Respect in the Workplace
- Alcohol and Drugs
- Anti-corruption Policies and Ban on Giving or Receiving Bribes (KCM Policy 41: Anti-corruption)
- Confidentiality of Consumer and Employee Information
- Competition
- Conflicts of Interest (KCM Policy 33: Conflicts of Interest, Gratuities, Gifts and Confidential Information)
- Confidential Information (KCM Policy 33: Conflicts of Interest, Gratuities, Gifts and Confidential Information) (GRI 102-25)
- 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
- Fraud Prevention

- Violation of Accounting Practices and Internal Controls
- Precise Record Keeping
- Report of Code of Conduct violations (Policy 41: Anti-corruption 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/conoce-kcm/codigo-de-conducta>

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 principle of precaution that 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.



Audits by KCM (GRI 102-17, GRI 205-1)

The Internal 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.



In terms of supplier audits, we found no violations of KCM's Code of Ethics, human rights, child exploitation, or incidences of corruption.



Audits of KCM

Number of Suppliers and Maquiladoras Audited in 2018.

We conducted 22 supplier audits last year, finding the majority of them to be "well controlled" or "generally well controlled". We also conducted follow-up visits on the findings detected in maquiladora audits in 2017, and these will be audited once again in 2019.

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 of them had areas of opportunity, primarily in workplace environment conditions (lighting, noise, pest control, chemical handling, etc.) and in infrastructure (maintenance) as well as non-compliant product controls and testing methods.



Number of Planned and Unplanned Audits in 2018

In 2018, 38 audits were conducted (36 planned and 2 unplanned), and most resulted in ratings of "well controlled", although some were rated "generally well controlled" and 3 were rated "not well controlled."



Code of Conduct Training

In 2018, 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 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 managers are required to regularly guide their personnel and the areas of their responsibility in the effective application of the Code of Conduct.



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 (GRI 102-17)

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 conducta@kcc.com and external phone lines (5282-7223, 5282-7320, 5282-7336) through which we can investigate and address violations of our Code. We have policy for addressing complaints (*KCM Policy 48: No Reprisals for Reporting Violations*), which is available to 100% of KCM employees.

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. For example:



Code of Conduct Violations in 2018

In 2018, 20 complaints relating to Code of Conduct violations were reported to the Audit Committee in its quarterly meetings.

As of December 31, 2018, 19 complaints were resolved (13 of which were found to be true). Of the complaints found to be true, 6 involved mistreatment on the job, 2 of which were resolved by firing the employee, while 4 employees were issued with a warning, making their continuing employment contingent upon a spotless record going forward. Of the 3 cases of supplier mistreatment, the employees were admonished and apologized to the supplier, in addition to finding a solution to the supplier's request. In the 3 cases of deviations from established policies, the employees involved were issued a warning. Finally, in the case where the boyfriend of a female employee used a car from the KCM fleet, she was reminded that work tools are for the exclusive use of employees (GRI 205-3)

Social Responsibility

This is a highly important pillar of operations at Kimberly-Clark de México, because people are our reason for being. Since 1959 we have been making frequently-used consumer products that meet Mexican families' hygiene and personal care needs and improve the quality of their lives. We are prepared to create value for all our stakeholders and assume responsibility for the way in which we operate through our KCM Inspira program, which encompasses all of our social responsibility activities with our employees, suppliers, clients, community and other stakeholders.

Our Employees

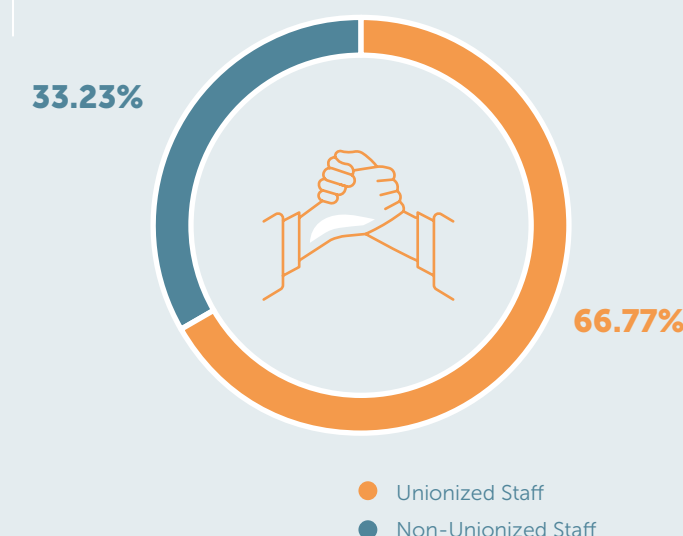
At Kimberly-Clark de México, we know that the company is a reflection of its employees, and we are therefore deeply committed to attracting, retaining, caring for and motivating all our employees, because it is thanks to them that we can maintain an inclusive, harmonious, safe and sustainable working 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.

Accordingly, at the end of 2018, we had a workforce of 8,673 people, and we generated 250 new direct jobs in the year, equivalent to a growth of 2.9%, compared to 2017, helping drive social and economic growth in Mexico. Our average monthly turnover rate was 1.28%, where it has remained for more than ten years (GRI 401-1). We maintain a policy of hiring people close to our work centers and thus generating local jobs.

In our operating facilities in the Mexico City Metropolitan area, Evenflo, Tepotzotlán, Prosede, CDM, Ecatepec and our Administrative Offices, we try to recruit employees from the neighboring communities and facilitate job transfers to locations nearer their homes if such a position is appropriate for them. At our less urbanized facilities (Morelia, Orizaba, Ramos Arizpe, Tlaxcala, Texmelucan), we hire employees from local communities and offer them support with transportation if they require it.

KCM supports freedom of association (*Principle 3 of the UNGC*), and 66.77% of our employees are union members.

Freedom of Association in 2018 (%)





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



Hiring Policies and Future Workforce

The passion and innovation of our employees makes KCM a leading company in our industry. We have achieved this through diversity: in 2017, we had a team of 8,673 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. In 2017, we detected no incidents of discrimination, which is reinforced in our Code of Conduct and our Hiring Policy, as a fundamental part of our employee recruitment or promotion processes.

You can view these priorities at (GRI 405-1):

<https://www.kimberly-clark.com.mx/data/global/pdf/CodigodeConducta.pdf>

Our workforce has an average seniority of 9.72 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 12.68% for non-unionized employees and 19.02% for unionized personnel.

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.



Compensation and Benefits (GRI 401-2)

Our Compensation Policy establishes a salary and benefits package that is competitive in the market, enabling us to attract and retain people who show the highest ethical standards and outstanding performance. 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 (GRI 202-1, 405-2).

An independent consultant is hired to prepare market comparisons on compensation, which are reviewed annually by the Compensation Committee. With this review, it decides on raises, changes in benefits, and specific individual details of the compensation program are authorized (GRI 102-39).

We know that through the effort and dedication of everyone working at Kimberly-Clark de México, each 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 people with the highest ethical standards and outstanding performance. A clear example of this is the fact that, in 2018, the company paid out a total of MXN \$643 million in employee profit-sharing, which was 15% of net earnings for the year, in addition to the following benefits:

Benefit	Unionized	Non-Unionized
Employee dining rooms	★	★
Savings fund	★	★
More holidays	★	★
Advance profit-sharing	★	★
Preferential price on products	★	★
Vacation bonus	★	★
More annual bonus days	★	★
Subsidy for IMSS disability	★	★
Credit union	★	★
Preferential interest rates	★	★
Scholarship for employee children	★	★
Assistance with funeral expenses for family members	★	-
Assistance for school supplies	★	★
Monthly grocery vouchers	★	★
Life insurance	★	★

"Young People Building the Future" Program

The Young People Building the Future program (Jóvenes Construyendo el Futuro) seeks to drive social and workplace integration for young people through on-the-job training and the development of technical, labor and soft skills over a period of 12 months to help ensure the best possible future for them.

In 2018, Kimberly-Clark de México reached an agreement with the Business Coordinating Council (CCE) and the Ministry of Labor and Social Welfare to welcome young graduates from numerous disciplines in 2019 to help meet the following goals and drive development in the country.








1. Involve young people in workplace training activities to provide them with the tools they need to ensure a better life.
2. Offer young people access to a college education.
3. Help young people to avoid unemployment and antisocial behavior.
4. Expedite the creation of a reserve of young people available for productive activities as a result of greater economic growth in the near future.
5. Include the private sector in social responsibility activities to help drive the productive development of young people.

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.



For the same reason, 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 aid leave and/or paid personal days that employees can use to attend to their family responsibilities:

-  **Life and major medical insurance for spouse and children**
-  **Additional maternity/paternity leave in the event of complications in pregnancy or birth**
-  **Prenatal care**
-  **Care for family members with unexpected health issues**
-  **Attending to children's daycare or school matters**
-  **More vacation days and holidays than are established by the Federal Labor Law, so that employees can spend more time with their families**
-  **Support through medical insurance coverage**

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 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. This translates into an excellent reinstatement ratio after maternity or paternity leave.

All of the fathers who took advantage of the new paternity leave policy (5 days by law) returned to work.

Mothers who take maternity leave are permitted to extend their leave by adding on their vacation time (GRI 401-3).

	Maternity	Paternity
Reinstatement index	100%	100%
Days leave	84 days (Federal Labor Law)	5 days

We have a special KCM benefit app that offers:

- 24/7 online access to hundreds of sales and promotions from top brands.
- The app asks for the user's location to inform them of the best and closest benefits.
- 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.



Training and Development

Our 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, and to generate better working conditions for everyone at KCM.

In 2018, we invested MXN \$22.6 million in training, for a total of 739,340 work hours of training and 5,840 courses or seminars offered, representing an average of 85.25 hours per employee, approximately 5.5 times higher than the national average (GRI 404-1).

Description of Employment Development and Training Plans

In 2018, the Training and Development Plans focused on areas such as Safety, Quality, Innovation and Manufacturing, areas related to the company's strategy, in order to drive competitiveness and employee skill development.

Safety continues to play a fundamental role within the company, one that is updated on an annual basis (Behavior-based Safety, Loss Prevention and Safety System, among others) to help avoid accidents and mitigate risks.

As mentioned last year, there was an increase in operations, in addition to the acquisition of new machinery, which is why the areas of Quality, Innovation and Manufacturing continue to underpin our strategies and have played a significant role in driving improvements to the production and maintenance processes.

Given the constant changes in our environment, increasing competition and the strategies employed to position new products, the information provided by the tools we use at KCM is a key factor in achieving the goals we set for each of our different categories.

This is why the Market Research area worked in collaboration with executives from Nielsen and Human Resources to create a Nielsen Tools Certification for KCM Reporting, the goal of which is to identify business opportunities and promote measures that increase the value of these categories for our clients.

In October, November and December, face-to-face training sessions were held at our offices in Monterrey, where more than 75 KCM employees from areas including Marketing, Sales, Trade and Market Research took part.



	2016	2017	2018
Training (worker hours)	696,565	718,105	739,340
Training Index (% of total work hours)	3.33	3.37	3.38
Number of Courses	5,818	5,815	5,840

The rising trend in the training index over the past three years reflects KCM's commitment to its employees, to give them the tools they need to do their jobs better, feel more confident in their work and acquire technical skills for their profession.

Accumulated Average annual training hours per employee			
Area		Unionized	Non- Unionized
Subtotal	Men	548,882	132,630
	Women	42,978	14,850
Subtotal		591,860	147,480
Total		739,340	

Course	Unionized personnel	Non-unionized personnel
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 encompass (GRI 404-2):



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 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,
- Organizational structure (Directors)
- Dress code
- Various areas (Sustainability)



We have a specific program that covers 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.

Notably, we began developing processes to adopt the open innovation initiative, in addition to close collaboration and the exchange of plans with our technology partner and ongoing employee training and participation in global seminars and forums focusing on similar technologies and topics.

The transfer of knowledge and skills between operations and/or countries has been undertaken both from Mexico to other countries and vice-versa.

A clear example of this is the use of TABCW material as an acquisition layer in absorbent products, which offers faster absorption and drying and is developed locally, using technology from several countries and supported by knowledge taken from local sources and our partner.

Furthermore, in 2018 we increased the capacity of our loss recovery plant (pre-consumer) for absorbent products, achieving higher recovery rates and component separation, which has enabled us to reuse a larger amount of recovered superabsorbent material and pulp, as well as using the leftover polymers from the process in recycling operations as a result of their degree of cleanliness. This has helped us ensure that 100% of waste from these areas does not go to landfill.



Below is a summary of the innovations launched in 2018 by product area and the cost of improvements (MXN millions). The major innovations were:

- Improvements to Unwoven Fabric and aSFL Line 1.
- New TABCW line.
- Streamlining of Absorbent Inserts for Incontinence Products.
- Toilet Paper with Thru Air Dry Kleenex® Cottonelle® Pure Technology.
- Self-adjusting Elastic All Around® and Movilastic® Training Pants.

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 and Loss Prevention System, which, at our plants, encompasses approximately 60% of training time. 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.



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 them complete middle school, high 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 or university degree.

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.



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	49,981
Hours Read	897
Pages Read	44,227
Books Read	68



Performance Management

(GRI 404-3)

We conduct an annual performance evaluation program that examines the performance of all of our non-unionized employees without regard to gender, age or any other condition, in order to decide on salary increases consistent with our Compensation Policy.

The evaluation process is the basis for salary increases, as authorized by the Compensation Committee, as well as training and development, and succession plans. 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.



Retirement

(GRI 201-3)

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

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 (Mexican Social Security Institute) 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 to cover this plan in its entirety, for an amount of MXN \$376 million as of the close of June 2017, include seniority bonuses. This is above the level required according to accounting standards.



Through prevention and action, Measurement and Learning, and improvement, Kimberly-Clark de México pursues its three key priorities for action, which are health, safety and hygiene.



Occupational Health and Safety

Through prevention and action, Measurement and Learning, and improvement, Kimberly-Clark de México pursues its three key priorities for action, which are health, safety and hygiene, because it is through them that we seek to leave a better world than that we found.

Prevent and Act

From the time they are hired, all of our employees are enrolled with the 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.

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 that requires regular attention are monitored, and if their health status requires a change in activity, we try to re-locate them to tasks they can better perform without jeopardizing their health.

Prevention Programs

In 2018, we placed greater emphasis on preventing illness through training and programs that invite employees to introduce healthy habits to their daily lives. We conducted campaigns to educate them on issues of health, personal care, better quality of life, and the prevention and treatment of illnesses.

The *Your Health is in your Hands* 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 illnesses and interrupting the germ transmission chain.

At our administrative offices, the Kuida tu Salud/Kimberly Contigo program was continued with great success, exceeding 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.

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

We invested 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 2018, our annual Safety Week was held from October 8 to 12 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.

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 for these activities 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.

Safety indicators (GRI 403-2)

	2015	2016	2017	2018
Average absenteeism	1.33	1.15	1.25	1.51
Number of work-related illnesses	0	0	0	0
Total index of accidents	0.76	0.65	.72	.91
Severity index	10.3	12.56	4.76	12.67
Serious and critical accidents index	0.14	0.1	.09	.11
Serious and critical accidents	14	10	8	12



We have made safety an outstanding 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.



Learning and Improving

Our prevention programs have kept our absenteeism index at highly competitive levels, 1.8% for non-unionized personnel and 1.22% for unionized personnel.

In 2018, our safety indexes increased slightly compared to the previous year. Despite this progress, we know that the only result that truly matters is zero accidents, and we will continue to work toward this goal.

We have made safety an outstanding 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).

The system seeks 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 illnesses 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 eight administrative areas.

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 Committee
2. Safety Goals
3. Management Activities
4. Risk and Control Reports
5. Scheduled 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

We have an audit program carried out by our strategic partner KCC, which acts as an independent auditor in compliance with strict OSHA system standards, and as a complement to the routine audits by SAES coordinators at all the plants where they are located.

One of the goals of this program is to identify and establish national and global rankings as to the degree of implementation and compliance with the established directives. To do so, our partner KCC conducts annual reviews at each KCM plant, together with SAES coordinators from other plants.



Commitment to Our Suppliers (GRI 102-9, GRI 102-10)

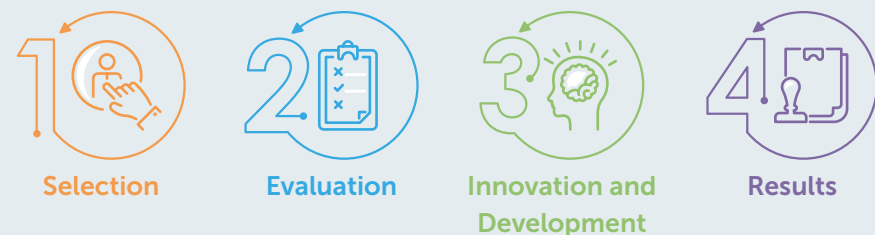
Social values, business ethics and concern for environmental care are qualities KCM is known for, and our suppliers play a highly important role in the company's success, in the effectiveness of our social responsibility and in the environmental performance of our value chain. For this reason, we only do business with suppliers who share these values.

Value Chain Strategy

To continually improve our value chain, we are committed to incorporating our suppliers into the sustainability strategy. To achieve this, we carried out a materiality study to identify the material aspects and align them with the value chain strategy.

In pursuit of these goals, we need to analyze every aspect, from selection, evaluation, continuous improvement and innovation to supplier development, in order to improve not only the inputs we acquire but their performance in environmental care and impact.





Supplier Selection

To promote the creation of indirect jobs in Mexico, our supplier selection process is 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 (GRI 102-16, GRI 308-1).
- 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).

- Social compliance standards for suppliers, KCM guidelines and principles (Code of Social Standards for Suppliers):

 <http://www.kimberly-clark.com.mx/conoce-kcm/estndares-sociales-paraproveedores>

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 (*Principles 1 and 2 of the UNGC*). Our Code of Social Standards for Suppliers can be viewed on our website at:

 <http://www.kimberlyclark.com.mx/conoce-kcm/estndares-sociales-paraproveedores>

In the area of the environment, we are constantly looking for ways to protect our planet, seeking 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

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.



Promovemos que los proveedores establezcan metas de mediano y largo plazo para reducir sus consumos de agua, energía, mermas de producción y emisiones atmosféricas, además de establecer programas para reducir, reciclar y valorizar sus residuos sólidos.

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

These audits look into technical aspects such as quality control and raw materials processing and also 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 (GRI 408-1).

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.

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 were found in the areas of human rights, transparency and environmental care, and there was no indication of significant negative environmental impact, either real or potential, in our supply chain.

In 2018, we also conducted follow-up reviews of the findings of 2017 audits of in-bond manufacturers (maquiladoras), and these will be audited again in 2019.

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.

We did not receive any claims regarding human rights violations in 2017, and in order to maintain this result, in 2018 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

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. Our strategy of continuous improvement in every phase of the value chain seeks to maximize the value and quality of our products by using renewable and non-renewable resources responsibly while striving to reduce the environmental footprint of our operations.

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.

Part of this effort involves sharing 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.



Resultados

In 2018, Kimberly-Clark de México generated an economic flow of MXN \$18.114 billion; 76.15% of its suppliers were domestic (281) and 23.85% were foreign (88) (GRI 204-1).

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, to ensure they comply with the established rules and regulations.

Thanks to this strategy with our suppliers, we use close to 62.9% recycled fiber (more than 595,493 metric tons) from 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.

In 2018, we made further progress on estimating the environmental impact of our most significant products (more than 80% of our net sales) through a lifecycle analysis methodology.

With this, we make sure that 100% of our virgin fiber is obtained from certified forests.

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.
- Reduction of CO₂ emissions by hiring external transport firms with newer fleets and more efficient motors.
- In conjunction with the planning area, try 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. In 2018, we travelled a total of 90,000 km (more than 20,000 km by SODISA) to bring our products to our clients (including our transport subsidiary and external truckers) through some 190,000 trips.



Sustainable Innovation

(GRI 302-5)

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

- The use of raw materials that keep production sustainability standards high based on the industry in question.
- Responsible use of renewable and non-renewable resources.
- Research and development of more functional materials with a smaller environmental footprint in terms of weight, volume and use of resources.
- Development of innovations using sustainable design criteria and life cycle analysis. Five 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%. The product has earned broad acceptance in the market, and sales volume has been growing year on year.
- 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 MXN \$5.2 billion in 2018, 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.
- Creation of a team of 45 employees within the Innovation and Development area.
- The results of the 2018 Cost Reduction Program were MXN \$1.415 billion, equivalent to 5.5% of Sales Cost.



In 2018, Kimberly-Clark de México generated an economic flow of **MXN \$18.114** billion; 76.15% of its suppliers were domestic (281) and 23.85% were foreign (88).



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.



Product Innovation and Technological Development

In 2018, we continued reporting good quality performance indicators, as can be seen in the table below, showing the historic Complaints and Claims Index (CCI) for our main product categories.

CC Index	
2018	0.62
2017	0.75
2016	0.73
2015	0.92

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 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, through a variety of market research techniques.

Our leadership position entails an obligation to generate more added value through meaningful innovation that fully satisfies those needs and expectations, better than any competitor.

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 the 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.



Kotex Nocturna offers maximum absorption speed to ensure advanced protection, greater comfort and security.

- **Perfect fit.** That adapts to the body.
- **Cool and soft cover**
- **New micro-towel.** Absorbs seven times faster.
- Kotex focuses on the younger generation, which is why, in 2018, we visited more than 90,000 girls to offer information about menarche and intimate care to help boost their confidence.



Huggies All Around. The most comfortable self-adjusting diapers for babies and the most practical option for mom.

- **All-Around perfect fit.** It's 3600 waist adjusts perfectly to baby's movements, providing them with the freedom they need.
- **Maximum absorbency.** Its soft, micro-embossed internal cover offers the highest levels of absorbency, rapidly distributing liquids.
- **Total comfort.** Thanks to its All-Around waist, it adjusts perfectly to baby's body, offering them maximum comfort in every movement.
- We are responsible for creating products that offer the highest quality to every generation, focusing on the details of everything we do from start to finish.



New Kleenex Cottonelle Pure offers supreme softness in every hypoallergenic sheet.

- **Supreme softness.** Thanks to the one-of-a-kind UCTAD technology (double dry) in Mexico, it offers the highest softness levels on the market.
- **Hypoallergenic.** Hypoallergenic paper certified by a specialized laboratory (Allergisa) to meet the Health and Wellness needs of our consumers.
- **Socially responsible.** Forest Stewardship Council® (FSC®)¹ License FSC-C140370 that shows that the fibers used to make these products come from controlled forests, ensuring sustainability.
- Unique in Mexico as it uses the most advanced toilet paper (Creped Through Air Dry), which offers unparalleled softness.





Escudo Antibacterial Men eliminates odor-causing bacteria, offering extra confidence and anti-odor protection.

- **3 in 1.** For hair, body and face using DEO PROTECT technology that offers extra confidence and protection after showering.
- **Deodorant Shield.** Anti-odor protection for hours, eliminating odor-causing bacteria.
- Products in new segments that help us engage with new consumers through relevant innovation.



Depend® Underwear offers maximum absorption technology that locks moisture away from the skin and instantly controls odors.

- **Faster absorption.** Reinforced DryGel center absorbs 10% faster for greater dryness.
- **Ultra-discreet design.** That adjusts to your body and your clothes.
- Reengineering of the absorbent nap to optimize the most relevant features of incontinence underwear: absorption speed, discretion and comfort.



Advanced by Evenflo perfectly combines technology and design for baby care products, allowing mom to enjoy every single moment.

- **Bottle with flexible ridges.** That adapt to baby's gums.
- **Bottles that mimic the shape of a woman's breast.** Adjusting naturally to baby's lips.
- **Anti-colic double valve.** To help reduce colic, gas and reflux.
- **Advanced by Evenflo.** A world of advanced solutions to make them smile.

Commitment to Our Clients and Consumers

AT KCM, 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. This is why 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.

Our strategic partnership with Kimberly-Clark Corporation is crucial for supporting product innovation initiatives and selecting cutting-edge technology..



E-commerce

The presence of the Internet in Mexico continues to spread, which in turn has led to an increasing number of Mexicans buying through digital channels. With the aim of taking the lead in e-commerce technology and marketing, 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 of the potential of this sales channel and its growth in coming years.

Digital Strategy.

At KCM, we recognize that digital communication media are central to the daily life of our consumers 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.

We support the development of our clients and pure players through business and communication strategies that not only focus on promotional activities but also on offering wider and more relevant information on the benefits of our products.

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. Our content is supported by pediatricians who can answer questions about the various phases of an infant's development, and it is distributed by "influencers," who have become opinion leaders for our consumers, a point of reference whose lifestyle they can relate to.

Depend created more than 140 articles for people suffering from incontinence, as well as for their families, helping debunk misconceptions about this condition arising from a lack of information, in addition to providing them with information about which products can help them recover their confidence and quality of life.

In our Home brands, we generated 180 videos containing useful advice on housekeeping, lifestyles, recipes and pet care, supported by 740 articles on the websites and social network pages of the Kleenex®, Cottonelle®, Pétalo®, and Suavel® brands, among others, which support consumers in caring for themselves and their families.

E-Commerce Progress and Challenges.

Our goal is to position our products on all online platforms, migrating and increasing our market share in every category in which we participate.

Given that the majority of players are positioned in the e-commerce channel, we ensure that consumers have access to our products, whenever and wherever they are. We also support the development of our clients and pure players through business and communication strategies that

not only focus on promotional activities but also on offering wider and more relevant information on the benefits of our products.

The biggest challenge we face as a consumer product manufacturing company is the purchasing habits of the Mexican market: consumers in this country still have the habit of purchasing the products they need in physical stores, not online.

Another challenge is the lack of trust in this channel, given that people are still concerned about possible online fraud, in addition to the low penetration among the population, which prevents the leveraging of the benefits that e-commerce offers.

Finally, the needs of this new channel have put some of the company's processes and structures to the test, not just because of the scale of this channel at the moment, but because of the differing logistical and administrative requirements.

One of the greatest achievements in this channel has been the entry of more participants, both pure players and mature clients, primarily in the supermarket channel. This in turn fosters greater trust among consumers and raises awareness of the advantages of e-commerce (a wider selection of products available, delivery options in zones where our brands are not present, among others).



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. Some examples of brands with social causes are:

- Support for Fundación COI to help fight breast cancer during October: Kotex, Escudo, Kleenex Soaps, Depend and Cottonelle.
- Forest Stewardship Council ® (FSC®)¹ License FSC-C140370 that shows that the fibers used to make these products come from controlled forests, ensuring sustainability: Cottonelle Pure®.
- Launch of Abrazando su Desarrollo initiative, a holistic program created in conjunction with child development specialists to help promote baby movements through practical exercises at different stages of their development. Huggies® knows that movement and emotional contact are important for brain development among babies, given that moving around helps babies create neural connections and drives the maturity of areas of brain control that are of key importance to their future: Huggies®.
- Launch of School Tour program that focuses on the younger generation, which is why, every year, we visit more than 90,000 girls to offer information about intimate care to help boost their confidence: Kotex®.
- Launch of school Health and Hygiene education program for children, providing information they can share with their parents, in addition to promoting best practices and healthcare: Escudo® Antibacterial.





Promoting Health and Hygiene Habits and Consumer Service

We encourage the adoption of best hygiene and personal practices that can contribute to consumer 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 our brands' widespread prestige.



KCM 3.0.

For the past four years, we have been working on an e-marketing platform called KCM 3.0, with which we stay in close communication with our consumers on this and other topics in order to answer the questions about how to promote better hygiene and personal care habits. We have found that consumers in the "millennials" 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 promoting better personal care habits, encouraging good hygiene and improving their health and quality of life. Our primordial goal is to provide consumers detailed, clear information, in real time, that offers them value.

We therefore consider it of fundamental importance to create different blogs about different topics on hygiene and health through our social networks.

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.

For our baby brands, we create content focusing on helping parents to ensure their children get very best care, in addition to relevant information for parenting and child development. This content is endorsed by pediatricians who answer the most common questions about different stages of development and is distributed by influencers, who have become opinion leaders for our consumers, becoming lifestyle role models for them.

Depend created more than 140 articles for people suffering from incontinence, as well as for their families, helping debunk misconceptions about this condition arising from a lack of information, in addition to providing them with information about which products can help them recover their confidence and quality of life.

In our Home brands, we generated 180 videos containing useful advice on housekeeping, lifestyles, recipes and pet care, supported by 740 articles on the websites and social network pages of the Kleenex®, Cottonelle®, Pétalo®, and Suavel® brands, among others, which support consumers in caring for themselves and their families.



In 2018, there were no formal claims regarding violations of privacy or loss of personal data.



Customer Satisfaction

The Consumer Assistance area is devoted to promptly following up on all consumer suggestions, comments and questions within 24 hours, through the various points of contact we make available: phone lines, e-mail and social networks. Every time a consumer makes some comment in our products, a process begins in which they are answered by an agent that collects the product, making sure they receive the best customer service experience.

This focus on consumer support and service is in full compliance with their ARCO rights (Access, Rectification, Cancellation and Opposition) and pursuant to all applicable Personal Data Protection legislation.

Customer Support 2018

Business	Calls	E-Mails	Social Networks: Facebook, Twitter, Google	Total
Infant Products	5,832	1,302	6,321	13,455
Incontinence	523	702	256	1,481
Feminine Protection	643	3,042	1,404	5,089
Escudo Soap	245	150	103	498
Kleenex Soap	216	201	93	510
Home Products	1,303	1,663	1,724	4,690
Evenflo	1,884	3,298	1,692	6,874
Total	10,646	10,358	11,593	32,597

In 2018, there were no formal claims regarding violations of privacy or loss of personal data.

Furthermore, there were also no incidents of non-compliance with regulations regarding the supply and use of products and services in 2018.





In 2018, we had no incidents of non-compliance with regulations regarding marketing, advertising and promotional activities.



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, in addition to showing a growing concern for climate change, amid increasing evidence about the risk it implies to the future of our planet.



Responsible Advertising

In the same way as we require our creative agencies to abide by the code of advertising ethics and all laws on this matter, including those governing promotional activities and sponsorship, we maintain a responsible communication strategy with our clients and consumers about the advantages and benefits of our products in various media like television and print.

In 2018, we had no incidents of non-compliance with regulations regarding marketing, advertising and promotional activities. 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 include a Policy of Self-Regulation and Ethical Practices for the use of Advertising, Promotion and Marketing Tools, which establishes 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 2018, 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 (GRI 416-2).

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.

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.

Guaranteeing the safety of our products and their components requires us to apply our 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."

We have a Research, Innovation and Development Lab that is certified as the Kimberly-Clark de México Regional Laboratory.



In 2018, there were no violations of voluntary codes on product information or labeling regulations. 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, nor do we conduct animal testing.



Product Accessibility

The Quality Assurance area certified five technicians in a skills evaluation, and these were assigned the levels of certified technicians and training technicians.

We are committed to a commercial strategy through which we can offer high-quality products in all segments and channels of the market, in addition to facilitating 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.

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



Commitment to the Community

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 2018 involved participation and support in the following areas:

Support for charitable institutions, foundations, and for society at large in the event of natural disasters. In 2018, we supported institutions with cash and product donations totaling MXN \$30 million, 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.



Educational and Cultural Activities

This year, we started the "Youth building the future" scholarship program, which we mentioned earlier and which we also consider as a commitment to our community.

Serving Together - Social Volunteering.

In 2018, this program celebrated its sixth anniversary, in which employees from various areas through the company donate a week of their time every year, according to a specific schedule, to help schools, hospitals, shelters for pregnant women and old age homes. 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.

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, plays on safety issues, and weekend cultural events that are 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, eight generations of unionized workers have participated in our high-school equivalency program so far. We also offer re-certification for fork lift operators, training for handling pressurized containers, re-certification for fire officers, among others.





We 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.

- 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.



Hygiene, Health and Safety

During Occupational Health and Safety Week, we held talks and family events on topics like the importance of:

- Prevention and healthcare.
- Prevention of accidents inside and outside the home.
- Property and personal safety.
- Flu vaccines for employees, family members and the community.
- Events focusing on prevention and early detection of breast and cervical-uterine cancer.
- Control of obesity and diabetes.
- Support for institutions including JUVENIMSS in campaigns to prevent addictions and HIV.

Through PREVENIMSS, unionized workers and their families were offered basic check-ups including mammograms, smear tests, blood tests, hearing exams, lung function tests and throat swabs.



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. We have a yoga and meditation program that is given twice a week, providing the staff who signed up with a kit that contains a yoga mat, weights and a towel.

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 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.



Community Relations

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.

Under the TESCO Dual education agreement, a model that links theory-based learning in the classroom with hands-on experience in the productive sector, students have the opportunity to study for the following majors:

- Computer Systems Engineer
- Business Management Engineer
- Administrative Engineer
- Computer Engineer
- Logistics Engineer
- Electronic Engineer
- Industrial Engineer
- Public Accountant

To benefit the communities surrounding our facilities, we carried out the following activities in 2018:

- Grade-school and high-school students visited our plants for presentations on industrial plant organization and operations.
- Talks were organized at various schools regarding the challenges of working life, theoretical talks and field practices about the use of fire extinguishers, first aid and natural phenomena (disasters that may be associated with climate change).
- In coordination with the civil protection authorities and other companies in the area, 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 area with Civil Protection authorities to provide immediate emergency response.



Corporate Governance

Our Corporate Governance safeguards the company's administration in favor of our shareholders, transparently aligning their interests with those of the company.

(GRI 102-5)

Kimberly-Clark de México S.A.B. de C.V. (KCM) is a Variable Stock Corporation (Sociedad Anónima Bursátil de Capital Variable), and its Corporate Bylaws are subject to the General Mercantile Corporations Law and the Securities Market Act.



KCM shares have been listed on the Mexican Stock Exchange (BMV) for

56 years
under the ticker symbol Kimber;



Since 2011 we have been included on the BMV's Sustainable Price and Quotations Index (Sustainable IPC)

and since 2017 on the FTSE4Good Index Series.



FTSE4Good



Approximately 48% of the company's shares are owned by Kimberly-Clark Corporation (KCC) and the rest by the investing public.

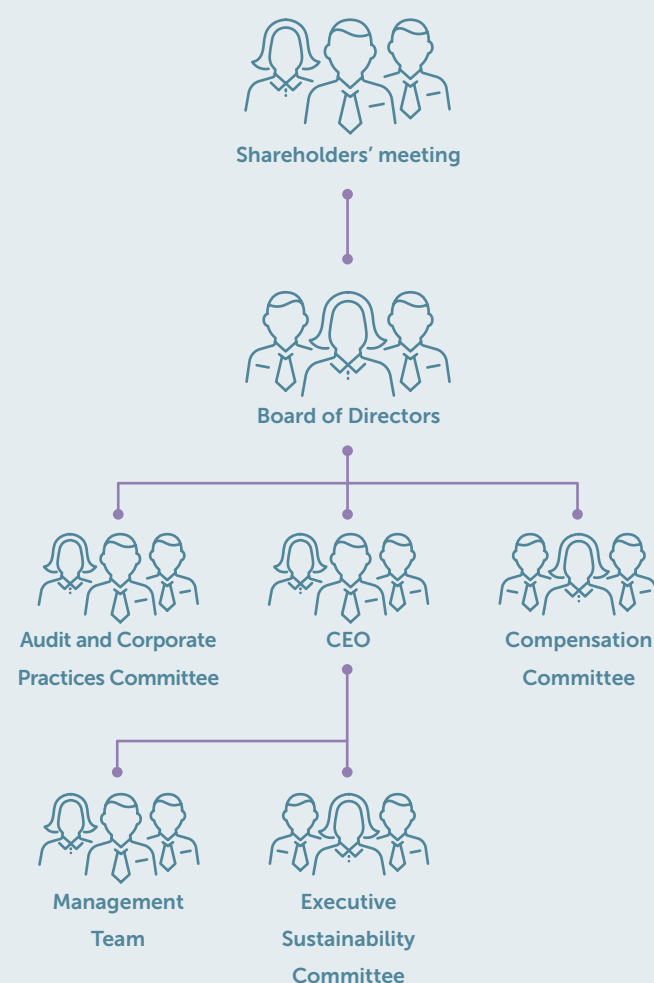
All of the shares representing the company's capital stock confer equal rights and obligations upon their holders, according to their respective class and series.



KCM makes it a priority to always fulfill its goal of having a solid, transparent corporate governance that complies with the principles of business ethics, the Company's Bylaws and the Code of Best Corporate Practices (CBCP).

Corporate Governance Structure

(GRI 102-18, GRI 102-22)



Shareholders' Meeting

The shareholders' meeting is made up of owners of company shares. The meeting is responsible for approving and ratifying all KCM operations, in addition to appointing members of the Board of Directors and authorizing any proposals made by the latter.

Based on the General Mercantile Corporations Law and the Securities Market Act, the shareholders' meeting is held regularly each year and, when necessary, extraordinary meetings may also be convened.

On February 13, 2018, shareholders of KCM were convened, pursuant to CBCP Best Practice 6, through the Emisnet website, the company's webpage and widely circulated newspapers in Mexico, for an ordinary and extraordinary meeting held on March 1, 2018, at which 97.19% of the outstanding shares were represented.

 https://www.bmv.com.mx/es/emisoras/informacioncorporativa/KIMBER-5524-CGEN_CAPIT

For the shareholders' meeting, a form was sent to shareholders fifteen calendar days before the meeting, 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 (GRI 102-26):

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 Mercantile Corporations Law and regarding the Company's conduct and operations during the fiscal year from January 1 to December 31, 2017.

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, 2017, presented pursuant to Article 28, Section IV, Point b) of the Securities Market Act.

4. Approval of all parts of the individual and consolidated financial statements of the Company as of December 31, 2017.

5. Approval of the Board of Directors' report to the shareholders' meeting, presented in keeping with Article 172 Point b) of the General Mercantile

Corporations Law, regarding the main accounting and information policies and procedures followed in preparing the Company's financial information, corresponding to the fiscal year from January 1 to December 31, 2017.

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, 2017.

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, 2017.



The shareholders' meeting is responsible for approving and ratifying all KCM operations, in addition to appointing members of the Board of Directors and authorizing any proposals made by the latter.



8. It was agreed that the net income for the year ended December 31, 2017 amounts to the amount of \$ 4,037,302,555.00 M.N. (four thousand thirty seven million, three hundred two thousand, five hundred and fifty five pesos 00/100 National Currency), which includes the participation in the result of subsidiary companies in the amount of \$ 611,609,000.00 M.N. (Seventy million, six hundred nine thousand pesos 00/100 National Currency), which appear in the Company's Individual Income Statement for the year ended December 31, 2017, is applied in full to the retained earnings account of previous exercises.
9. Each of the other proprietary and alternate members of the Board of Directors of the Company was ratified in their positions; Likewise, Mr. Emilio Carrillo Gamboa was ratified as Chairman of the Audit and Corporate Practices Committee, effective as of the date of the Assembly, and in compliance with the provisions of Article 26 of the Law of the Securities Market was rated on the independence of said Directors.
10. It was approved to remunerate the members of the Board of Directors, Owners and Alternates, as well as the Secretary, for the fiscal year ending on December 31, 2018 and until another Assembly resolves something different, the payment of the

amount of 85,000.00 MN (Eighty-five thousand pesos 00/100 National Currency), for each session of the Board of Directors and Committees constituted by the latter, which they attend during said fiscal year.

11. The payment was approved for \$ 1.58 M.N. (one peso with fifty-eight cents National Currency) per share.
12. Reimbursement due to capital reduction was agreed.
13. It was agreed to reduce the theoretical value of the shares representing the share capital, in its fixed part, without cancellation of any action, authorizing the redemption of capital, for each of the ordinary, nominative shares, without expression of nominal value, in circulation of Series "A" and "B".
14. It was agreed to empower the Board of Directors, authorizing the Secretary of said Board of Directors to publish the relative information notice or notices, as well as to make the notice referred to in Article 9 of the Commercial Companies Law and to carry out all the determinations that it considers advisable in relation to the reduction in the social capital, such as the publication of notices. Likewise, it was agreed that the Secretary certify the integration of the Company's capital stock and new securities are issued to cover the number of shares that make up the Company's capital stock.
15. It was approved that the Secretary of the Board of Directors certify the integration of the Company's capital stock.
16. It was agreed to empower the Secretary of the Board of Directors to publish the informative notice or notices related to the payment of the exhibits approved at the Meeting, in the media and on the dates that he considers convenient, as well as the notice to the shareholders regarding the reimbursement referred to in the previous resolutions.

Board of Directors

The Board of Directors is the company's highest governance body, and it has the power to decide the company's strategy, which is voted on by the shareholders' meeting. 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 CBCP.

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 member, and they may be reelected during the Annual Shareholders' Meeting (*CBCP Best Practice 10*).

Board of Directors



50% Independent Regular Members (*CBCP Best Practice 12 stipulates a minimum of 25%*)

12 Regular Members

50% Related Regular Members

Secretary (right to speak but not to vote)

Up-to-date profiles on KCM's board members as of December 31, 2018 (*Best Practice 14 of the CBCP*) can be viewed at:



<https://www.kimberly-clark.com.mx/conoce-kcm/perfil-de-consejeros>

Composition of the Board of Directors (GRI 102-18, 102-22, 102-23 y 102-24)

Related Members	Post	Date appointed	Age	Alternate Members
Ing. Claudio X. González Laporte	Chairman / Related Regular Member	December 13, 1961	84	Guillermo González Guajardo
Sr. Valentin Díez Morodo	Vice-Chairman / Independent Regular Member	April 21, 1983	78	Jorge Babatz García
Sr. Thomas J. Falks	Vice-Chairman / Related Regular Member	February 28, 1992	60	José Antonio Noguera Castillo
Lic. Pablo R. González Guajardo	Related Regular Member	February 25, 2010	51	Fernando Ruiz Sahagún
Sr. Esteban Malpica Fomperosa	Independent Regular Member	March 20, 1996	69	Jorge Barrero Stahl
Sr. Fernando Senderos Mestre	Independent Regular Member	February 23, 1994	68	Juan Carlos Machorro Guerrero
Sr. Antonio Cosío Ariño	Independent Regular Member	February 25, 1987	82	Antonio Cosío Pando
Sr. Jorge Ballesteros Franco	Independent Regular Member	February 28, 1997	72	José Antonio Mondragón Pacheco
Sr. Emilio Carrillo Gamboa	Independent Regular Member	February 26, 1981, ratified each year since then, except for 1988 when he was serving as Mexico's ambassador to Canada.	81	Agustín Gutiérrez Espinosa
Sra. Sandra McQuillan	Related Regular Member	March 2, 2017	51	Jorge A. Lara Flores
Sra. María Henry	Related Regular Member	February 25, 2016	52	Sergio Chagoya Díaz
Sr. Michael Sue	Related Regular Member	February 27, 2014	54	Jesús González Laporte

Board Member Appointment Process (GRI 102-24)

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 with no regard for their 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 meeting held on March 1, 2018, 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.

Duties of the Board of Directors (GRI 102-26)

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 equally and have access to sufficient information.
- Promote the ethical management of the business and the transparency of its administration.
- Establish policies on and approve transactions with related parties.
- Ensure mechanisms are put in place to identify, analyze, manage, control and disclose risk.
- 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.

- 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.



Meetings of the Board of Directors

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, 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:

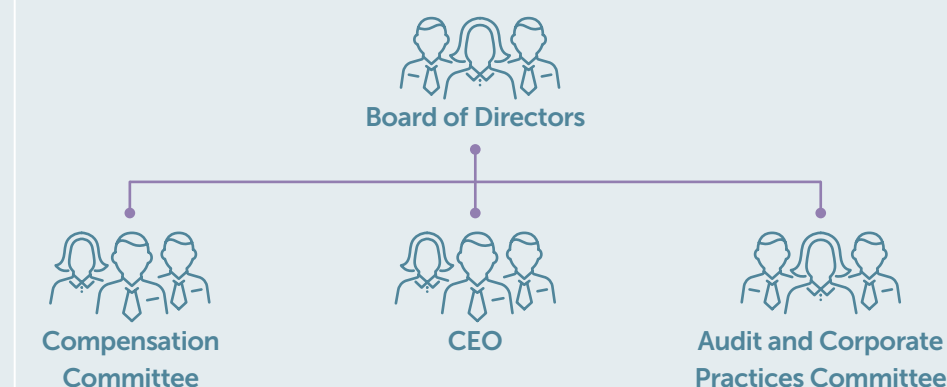
- January 16
- February 13
- March 20
- April 17
- July 17
- October 16
- December 18

Among the issues dealt with during the board meetings were:

- Reports by the Chief Executive Officer.
- Review of the Annual Sustainability Report, including any pertinent comments on that matter (GRI 102-32).
- Follow-up on innovation development.
- Follow-up on stock repurchase program.
- Fulfillment of resolutions passed in the ordinary and extraordinary shareholders' meetings of March 1, 2018.
- Follow up on the general strategy for the conduct of the business and its subsidiaries.
- Follow-up on business management strategies for the company and its subsidiaries.
- The Board of Directors, through the Audit and Corporate Practices Committee and the Sub-Committee on Compensation, evaluated the performance of the CEO and approved guidelines on compensation for him and other key executives.
- The Board of Directors, through the Audit and Corporate Practices Committee, verified compliance with the company's policy on the use and enjoyment of company property, and reviewed transactions with related parties.
- Follow-up on issues to which the business may be exposed in the fulfilment of its corporate purpose and in compliance with the Securities Market Act.

Support Committees (GRI 102-22)

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 committees (CPCP Best Practice 15):





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.

Compensation Committee

(GRI 102-28, GRI 102-35)

This committee supports the Board of Directors in handling issues relating to human capital and compensation (CBCP Best Practices 39, 40, 41, 43, 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 has the authority to appoint members of the Compensation Committee, which is made up of the following members:

Members of the Compensation Committee

Valentín Díez Morodo	Chairman and Independent Regular Member
Thomas J. Falk	Vice-Chairman of the Board and Related Regular Member
Fernando Senderos Mestre	Independent Regular Member

In January 2018, this Committee met to review the following areas:

- The organizational chart of the company's senior management.
- Succession plans for each department, including the professional background of each employee, as well as those considered high potential and who have demonstrated growth and development.
- Tax-year goals and results.
- Goals set for the current tax year, for the Executive Bonus Plan and Virtual Share Awards Plan.
- Raises for full-time and unionized personnel, based on current financial and market data.
- Market competitiveness study prepared by an independent consultant, currently Mercer, for the ten top positions in the company, including its Chief Executive Officer (GRI 102-36).
- Authorization to assign the Virtual Share Awards Plan for executives.
- After these meetings, the committee chairman reports to the Board of Directors on its activities or recommends matters for board approval.

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:



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

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

Lic. Emilio Carrillo Gamboa	Chairman
Ing. Antonio Cosío Ariño	Spokesperson
C.P. Esteban Malpica Fomperosa	Spokesperson
C.P. Fernando Ruíz Sahagún	Spokesperson

Issues dealt with in the Audit and Corporate Practices Committee

Reviews undertaken during the period	Audits and subsequent evaluations for offices and other locations are presented during the quarter.
Progress report for annual audit program	Advances of the annual audit program are reviewed.
Statistical review of onsite evaluations	Review of both plants and offices are presented, alongside their respective rating.
Review of complaints received regarding Code of Conduct violations	The Committee is read 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, given its relevance, whether it should be brought to the attention of the Committee.
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 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 session, issues may be presented to the Audit Committee; however, during the 4 sessions held in 2018, no concerns were raised with the Committee by the Internal Auditing department.

The only audit carried out on commercial partners during 2018 was the audit of 4e Global.



Key External Audit Issues and New Accounting Standards

In the third quarter, the external auditor presented areas for review that in its opinion were key to the company, and new accounting standards that might affect KCM's financial statements.

Meetings of the Audit Committee

In 2018, the Audit committee met on four occasions:

- February 12, 2018
- April 16, 2018
- July 16, 2018
- October 15, 2018

Internal Control Policies relating to Internal Audit

- **1-3000-03** Report of Code of Conduct Violation.
- **KCM Code of Conduct.**
- **Policy 32** – Internal Control Policies.
- **Policy 33** – Conflicts of Interest, Third-party Favors, Gifts and Confidential Information.
- **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 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:

- **CFI-07** – Internal Control
- **Appendix A** – Accounts Receivable and Sales
- **Appendix B** – Receipt of Purchase and Accounts Payable
- **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 2018

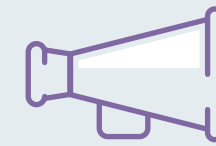
In 2018, 38 audits were conducted (36 planned and 2 unplanned), and most resulted in ratings of "well controlled", while some were rated "generally well controlled" and 3 were rated "not well controlled." Please see attached table.

Code of Conduct Complaints in 2018 (GRI 205-3)

In 2018, there were 20 Code of Conduct-related complaints, investigated by the Property Safety and Internal Audit areas, in some cases with the support of on-site Industrial Relations Managers and the immediate superiors of the person involved.

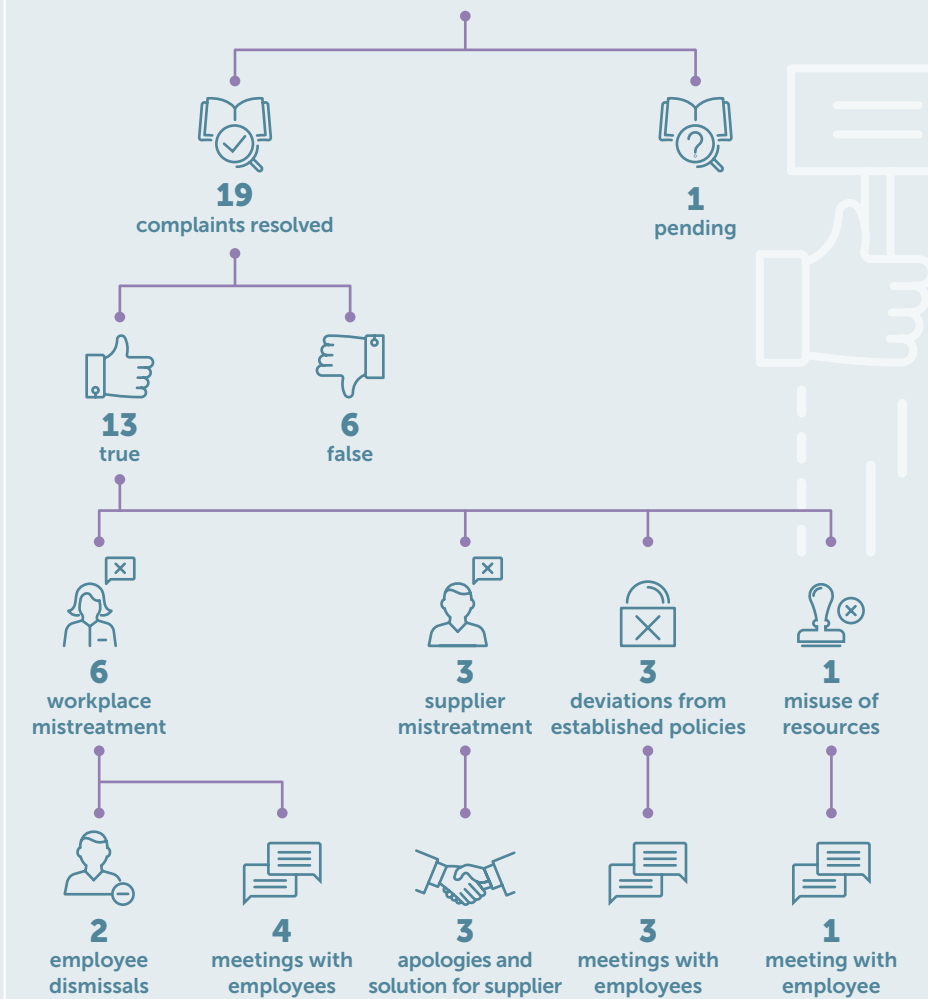
The most frequent complaints involved mistreatment on the job, negative employee attitude with suppliers, deviations from established policies, and the use of KCM assets by a female employee's family member.

In cases of workplace mistreatment, the Industrial Relations Manager and immediate superior usually speak to the person involved and instruct them to change their attitude and improve their treatment of employees or third parties. In cases of suspected fraud, the Property Safety or Internal Audit area undertakes an investigation or audit and issues its report and conclusions. If the accusation is found to be true, the person responsible is fired; charges may even be brought depending on the severity of the case. In cases of negative employee attitude with suppliers, the matter is investigated by the Property Safety Manager and Industrial Relations Manager, and if the charges are found to be true, the employee is dismissed.



In 2018,

20 complaints relating to Code of Conduct violations were reported to the Audit Committee in its quarterly meetings.



As of December 31, 2018, 19 complaints were resolved (13 of which were found to be true). Of the complaints found to be true, 6 involved mistreatment on the job, 2 of which were resolved by firing the employee, while 4 employees were issued with a warning, making their continuing employment contingent upon a spotless record going forward. Of the 3 cases of supplier mistreatment, the employees were admonished and apologized to the supplier, in addition to finding a solution to the supplier's request. In the 3 cases of deviations from established policies, the employees involved were issued a warning. Finally, in the case where the boyfriend of a female employee used a car from the KCM fleet, she was reminded that work tools are for the exclusive use of employees.



In 2017, KCM conducted transactions with the Kimberly-Clark Corporation (KCC) involving the purchase of products and technical services for a total of MXN \$2.637 billion.



Risks

In terms of Internal Control risks, we review the appropriate segregation of 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.

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 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.

In terms of environmental and social risks, these 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 to).

Transactions with Related Parties and Conflicts of Interest

The Audit and Corporate Practices Committee supports the Board in establishing policies on transactions with related parties, the process for approving them and the conditions on which they are to be negotiated (*pursuant to CBCP 36*).

Additionally, the company has internal control procedures by which senior executives are obliged to notify the board and General Counsel, if and when necessary, of any material interest they may have, whether direct,

indirect or through another party, in any transaction or matter directly affecting the company.

In keeping with applicable laws, corporate bylaws and policies on transactions with related parties, such transactions by KCM must be evaluated and approved by the Audit and Corporate Practices Committee. Under these guidelines, the committee reported that the company had not conducted any transactions with related parties in which there was a possible conflict of interest.

In 2017, KCM conducted transactions with the Kimberly-Clark Corporation (KCC) involving the purchase of products and technical services for a total of MXN \$2.637 billion.

Transactions with the Kimberly-Clark Corporation (KCC)

(procurement of products and services in MXN millions)

2018	2017	2016
2,636,379	2,637,349	1,912,487

These transactions were carried out at market terms, in other words, at terms similar to those which would have been applied in a transaction with any third party.

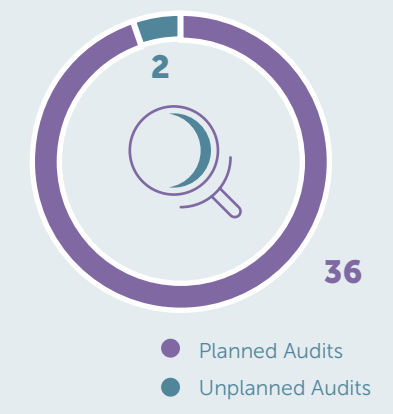
Further information on transactions with related parties can be found in the annual financial report sent to the Mexican Stock Exchange and published on the Emisnet website.



Internal Audits

The company has an Internal Audit area responsible for conducting audits of the various business lines, operating and administrative areas of KCM, as well as its subsidiaries and distribution centers. This is done according to the general guidelines and work plans approved by the Board of Directors.

Internal Audits in 2018



Most of the areas audited were rated as "well controlled," some as "generally well controlled" and two as "not well controlled." Four were not rated because they involved investigative reports into complaints about the Code of Conduct.

These audits were primarily in the areas of Sales, Marketing, Distribution, Human Resources, Operations, Finance, IT and other unscheduled audits to review reports relating to the Code of Conduct.

General Management

(CBCP Best Practices 46, 47, 48, 49, 50, 51)

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 annual meeting.

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 essentially all of the company's operations and activities.



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:



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 essentially all of the company's operations and activities. It is in turn 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, depending on the operating or administrative area.

Furthermore, the ESC is tasked with designing and executing KCM's materiality analysis to determine and communicate the most relevant aspects for the company's stakeholders.

In 2018, this Committee prepared an analysis of sustainability maturity within the company and its relationship with the more complex evaluation of corporate sustainability performance worldwide, generating insights for the organization.

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 the board meeting held July 17, 2018, the Annual Sustainability Report for the year 2017 was presented and approved by the ESC and the CEO. A summary of the most important aspects and an assessment of performance indicators against our 2022 Vision was also provided.

Management Team

Our management team is made up of professionals who are committed to KCM, have a long history with the company, and perform their duties based on the institutional values of leadership, innovation, passion and achievement.

You can learn more about these professionals at:

 <https://www.kimberly-clark.com.mx/conoce-kcm/funcionarios>

Solid and Transparent Corporate Governance

Thanks to the robustness of our corporate governance bodies, in 2018, Kimberly-Clark de México expanded the capacity of its Morelia plant in the state of Michoacán. The investment will continue to be rolled out over the next 3 years. These projects will mesh seamlessly with the normal course of business, and the total amount of investment will depend on a final analysis for each project, in addition to other factors; as such, the amount invested may vary.

We have been included in the BMV's Sustainable Price and Quotations Index (Sustainable IPC) for 2019, positioning us as one of the most sustainable companies in Mexico.

Also, in July 2018, we became part of the London Stock Exchange Sustainability Index (FTSE4Good Index Series) for our outstanding results in sustainability.

We have been included in the BMV's Sustainable Price and Quotations Index (Sustainable IPC) for 2019, positioning us as one of the most sustainable companies in Mexico.



About this report



The 2018 Sustainability Report (IS2018) of Kimberly-Clark de México is prepared in accordance with the requirements of the Sustainable IPC of the Mexican Stock Exchange and the Guide of the Global Reporting Initiative (GRI) Version Standards in accordance with the Guide.

Its structure contains 100% information (> 75% of income in the Economic, Social and Economic aspects) of corporate offices and all our production plants and its coverage is for the full year 2018 (GRI 102-50).

The data presented in this report is supported by our procedures, controls and administrative and technical tools. With this, this year the IS2018 has been verified externally by the company Géon.

The content of this report is ordered in relation to ESG (Environmental, Social & Governance) aspects and determined by the results of our Materiality Analysis carried out in 2017 and carried out biannually, in which material aspects were identified and updated for our groups of interest and were evaluated with respect to the aspects that in each axis of our Sustainability Strategy we consider

most important for the sustainable performance of KCM, as well as the analysis of the risks, potential impacts and opportunities that we have identified for each business and our operations.


Throughout this report we respond to each of the material aspects identified by each stakeholder and the company. In addition to reporting the GRI Standards indicators that correspond to the material aspects, we are reporting other indicators that add to the transparency of the information presented.

Among our annual report for 2018, there are no significant changes regarding the comparability of the information reported (GRI 102-10, GRI 102-51). However, it is important to mention that we have Support Information for this IS2018 on our website of Kimberly-Clark de México in the Sustainability section.

The results of 2018 with respect to our goals in the economic, social and occupational safety and environmental axes of our Sustainability Strategy, are summarized in the section called "Summary of Key Performance Indicators" and in the message of the Director General of the company.

If you would like more information about our Sustainability Report 2018, we would appreciate getting in contact with Lic. Azul Argüelles (azul.arguelles@kcc.com) Manager of Finance and Investor Relations, Ing. Juan Antonio González Urevig (jagonzal@kcc.com) Managing Director of Tissue Manufacturing, Mr. Gerardo Camacho Iberri (g.camacho@kcc.com) Manager of Production Manufacturing Systems Tissue, or Mr. Juan Escamilla Guerrero (juan.escamilla@kcc.com) Sustainability Specialist Corporate (GRI 102-53).

Additionally, you can consult the report in PDF format on the website of Kimberly-Clark de México:

 <http://www.kimberly-clark.com.mx/data/global/pdf/SUST2016/KCM17.pdf>



TO KIMBERLY-CLARK MEXICO STAKEHOLDERS

(GRI 102-56)

Géon, S.C. as an independent third party with no conflict of interest whatsoever with Kimberly-Clark de México S.A.B de C.V. or any of its affiliates, has conducted an independent and limited verification of the information presented by Kimberly-Clark Mexico in its 2018 Sustainability Report, as well as key ESG indicators of the company's materiality, under the international audit guidelines for non-financial information ISAE3000. The scope and boundaries of the verified indicators, as well as the analyzed information are specified further below.

The verification process considered:

- Information management transparency and accuracy, starting from its generation, transmission and subsequent consolidation, including, but not limited to, interviewing those responsible for it.
- Evidence and support analysis of information provided by those responsible of its generation.
- Meeting information controls according to Kimberly-Clark Mexico terms and the ISAE3000 best practices.
- Statements alignment according to the GRI Standards indicators, as well as to parameters, concepts and understandings established in the 2018 version.

VERIFICATION SCOPE

Géon verified the consolidated information and reviewed its traceability based on representative samples, both random and of significant operations. The verification scope covered the totality of the operations under Kimberly-Clark Mexico control reported.

The GRI Standards indicators verified by Geon were:

Code	Description	Verification Scope
201-1	Direct economic value generated and distributed	<ul style="list-style-type: none"> • Economic value generated. • Economic value distributed. • Economic value retained.
204-1	Proportion of spending on local suppliers	<ul style="list-style-type: none"> • Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation.

info@geon.mx | geon.mx

		<ul style="list-style-type: none"> • The organization's geographical definition of 'local'. • The definition used for 'significant locations of operation'.
302-1	Energy consumption within the organization	<ul style="list-style-type: none"> • Total fuel consumption within the organization from non-renewable sources. • Total fuel consumption within the organization from renewable sources. • Total energy consumption within the organization. • Standards, methodologies, assumptions, and/or calculation tools used. • Source of the conversion factors used.
303-1	Water withdrawal by source	<ul style="list-style-type: none"> • Total volume of water withdrawn, with a breakdown by sources. • Total volume of water withdrawn in water stressed areas, with a breakdown by sources. • Standards, methodologies, and assumptions used.
305-1	Direct (Scope 1) GHG emissions	<ul style="list-style-type: none"> • Gross direct (Scope 1) GHG emissions. • Gases included in the calculation. • Base year for the calculation. • Source of the emission factors and the global warming potential (GWP) rates used. • Consolidation approach for emissions. • Standards, methodologies, assumptions, and/or calculation tools used.
305-2	Energy indirect (Scope 2) GHG emissions	<ul style="list-style-type: none"> • Gross energy indirect (Scope 2) GHG emissions. • Gases included in the calculation. • Base year for the calculation. • Source of the emission factors and the global warming potential (GWP) rates used. • Consolidation approach for emissions. • Steam purchase related emissions are out of the verification scope due to the lack of emission factors provided by the suppliers.
306-1	Water discharge by quality and destination	<ul style="list-style-type: none"> • Total volume of planned and unplanned water discharges by: destination; quality of the water, including treatment method; and whether the water was reused by another organization. • Standards, methodologies, and assumptions used.



306-2	Waste by type and disposal method	<ul style="list-style-type: none"> • Total weight of hazardous waste, with a breakdown by their disposal method. • Total weight of non-hazardous waste, with a breakdown by their disposal method. • How the waste disposal method has been determined.
308-2	Negative environmental impacts in the supply chain and actions taken	<ul style="list-style-type: none"> • Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment. • Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.
403-9	Work-related injuries	<ul style="list-style-type: none"> • For all employees and workers who are not employees but whose work and/or workplace is controlled by the organization: the number and rate of fatalities as a result of work-related injury; the number and rate of high-consequence work-related injuries; the number and rate of recordable work-related injuries; the main types of work-related injury; and the number of hours worked. • Any actions taken or underway to eliminate other work-related hazards and minimize risks using the hierarchy of controls. • Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. • Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.
404-1	Average hours of training per year per employee	<ul style="list-style-type: none"> • Average hours of training that the organization's employees have undertaken during the reporting period, by gender and employee category.
414-2	Negative social impacts in the supply chain and actions taken	<ul style="list-style-type: none"> • Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment. • Percentage of suppliers identified as having significant actual and potential negative social impacts with which





		relationships were terminated as a result of assessment, and why.
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RECOMMENDATIONS

Independently of Kimberly-Clark Mexico good information management, we make the following recommendations for the company’s consideration:

- For their 2019 report, it will be necessary to update the water indicators related to the GRI Standard 303 Water & Effluents.
- To document the information consolidation process, including a calculation memory, especially when several information sources, both internal and external, are considered.
- To strengthen the homologation of concepts and definitions within the organization using formal management documents.
- To create information generation and transmission trees, as well as identifying those responsible for each node and critical routes.

RESULTS AND CONCLUSIONS

During the information verification process presented of the above-mentioned indicators, based on the executed review procedures, we find no evidence that the Kimberly-Clark México 2018 Sustainability Report, has been prepared accordingly with the GRI Standards, nor have we identified material mistakes in the information presentation. Therefore, we can claim, under a reasonable assurance, that the information on its verified indicators presented by the company is a true evidence of their performance.

Respectfully


MSc Ruy Pérez de Francisco
Managing Partner



GRI

Content Index

(GRI 102-55)

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Listing markets

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