ENVIRONMENTAL care performance

A healthy environment is key to many companies' goals, and is also at the heart of the Sustainable Development Goals. Time is running out for us to truly transform our societies and economies with better solutions to pollution and climate change.

Kimberly-Clark de México is aware of the impact this issue has around the world; we recognize the value of ecosystems and are committed to a sustainable future.

We have achieved **OUTSTANDING RESULTS**

in water optimization, energy consumption, atmospheric emissions and waste reduction.





ENVIRONMENTAL INFRACTIONS

Companies face increasingly limited natural resource availability across the globe, and environmental services are becoming scarcer in the areas where we operate.

We need a solid environmental policy and a management system that can guarantee an improvement in the company's environmental performance, reducing our consumption of raw materials, minimizing energy consumption and avoiding environmental depletion.

In 2019, KCM received no significant fines or sanctions regarding the environment or ecology. (GRI 303-2, GRI 307-1)







ENVIRONMENTAL POLICIES (Principle 8 of the UN Global Compact)

At Kimberly-Clark de México, through the Executive Sustainability Committee, Ecology and Environment Committee and the Office of the CEO, the company has made environmental conservation a fundamental value in every one of the company's operations and businesses. It also works to ensure that people at every level of the company are aware of their responsibility in this regard.

The objective of establishing environmental policies for the entire organization is to improve our performance in this area profitably, and to reduce the risk of noncompliance with regulations, as well as to underscore to KCM stakeholders our commitment to measuring and reducing the environmental impact of our operations. Accordingly, we work closely with related parties in each area (communities, employees, suppliers and authorities) to ensure the policies are followed.

For this purpose, we have a formal, centralized policy that contains our environmental performance goals and standards.

This General Environmental Policy is available to the public (internally it is distributed via the intranet) and can be viewed on KCM's website.

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

GENERAL ENVIRONMENTAL POLICY

COMPREHENSIVE WASTE MANAGEMENT

(Year-to-year reduction in waste generated)



EFFICIENT WATER USE AND DISCHARGE CONTROLS (Year-to-year reduction in water use)



ENERGY EFFICIENCY AND GREENHOUSE GAS REDUCTION

(Year-to-year reduction of energy consumption and atmospheric emissions)



SUSTAINABLE FIBER SOURCING

(Year-to-year increase in *consumption of recycled fiber*)



ENVIRONMENTAL MANAGEMENT SYSTEM

Based on a comprehensive environmental management system consistent with the ISO 14001 Standard, the 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 and the Ecology and Environment Committee are responsible for designing and implementing the strategy, and they review the salient aspects of our environmental performance every quarter. These results are communicated to senior management, which in turn reports them to the Board of Directors.

The environmental coordinators for each plant, the corporate sustainability team and the Safety coordinators of each location internally audit the efficacy of the Environmental Management System and our performance in occupational health and safety matters, underscoring KCM's commitment to monitoring environmental data that is useful for controlling and publicly disclosing our performance. We achieve outstanding environmental performance by implementing our Environmental Policies and Environmental Management System.

SUSTAINABILITY CULTURE

Presenting this report on the results of our environmental performance and demonstrating to stakeholders the progress we have made in our Sustainability Strategy is of the utmost importance to this company.

The Executive Sustainability Committee and the Ecology and Environment Committee, which are responsible for designing and implementing the strategy, review key aspects of our environmental performance.

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, along with the heads of Purchasing, Quality Assurance, Engineering and Maintenance, Operations and Industrial Safety.

We use various tools to build awareness within the company regarding the importance of meeting 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. Annual KCM Sustainability Day.
- 2. Monthly Operations meeting.
- 3. Quarterly meetings of the Executive Sustainability Committee and the Ecology and Environment Committee.
- 4. 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.

- 5. Publication of articles on sustainability in our quarterly e-magazine IN HOUSE KCM.
- 6. Publication of our environmental policies on posters and bulletin boards at all company plants and operations, and through digital media.
- 7. Publication of the annual Sustainability Report on Emisnet, the Intranet and on our website.
- 8. Specific training for employees whose posts directly involve meeting environmental goals, such as compliance with environmental laws and standards, operation of eco-efficiency systems, sustainability forums, participation in PROFEPA environmental leadership program and environmental audits, in addition to international principles, such as those of UNGC and OECD.
- 9. 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.





SUSTAINABLE SOURCING 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.

As part of this effort, we have introduced the principles of the circular economy into our organizational Culture. In 2019, among the most representative of our direct materials (those present in our end products) our results were as follows:

- > We used 65.7% recycled fiber (produced recycled fiber and direct secondary fiber) in our tissue paper production.
- > We improved our use of secondary fibers with a 4.47% increase in the use of recycled fiber over 2018, which means an improvement in the ratio of recycled fiber within our total use of fiber.
- > As a favorable result of our use of secondary fibers, we reduced our consumption of virgin fiber by 19.8% compared to 2018.

ECO-EFFICIENCY

Reducing our environmental footprint is crucial for KCM, because it enables us to avoid the risks and costs to our finances and our reputation relating to environmental lawsuits. Producing more with fewer materials is essential to our business because of the increasing scarcity of natural resources. Minimizing our consumption of natural resources and waste-generating activities can lower costs and in some cases lead to new business opportunities. Our key focus is on operating inputs and outputs.

ENVIRONMENTAL INVESTMENT AND SPENDING millions of Mexican pesos

	2018	2019
Air	34.82	33.28
Water and wastewater	113.85	103.16
Hazardous waste	1.45	1.88
Non-hazardous solid waste	75.13	80.38
Pollution prevention	.12	.15
Others	18.13	22.12
Total	243.50	240.97





Our water use improved by 6.55% compared to the previous year.

Furthermore, to achieve true eco-efficiency, KCM focuses on measuring the performance of the following aspects mentioned in our General Environmental Policy:

- > Water use efficiency and discharge control
- > Energy efficiency and greenhouse gas reduction
- > Comprehensive waste management
- > Sustainable fiber sourcing

(GRI 303-1)

(GRI 306-1) WATER USE EFFICIENCY AND DISCHARGE CONTROL

The materiality of water is irrefutable and urgent. Water is essential for companies to operate. Growing competition over water demands immediate action and a dramatic change in the way we manage water. Almost every company is affected by the uncertainties and dilemmas associated with water consumption. Without improving the way we manage and use this resource, the world could experience a 40% supply gap by 2030.

VOLUME OF WATER USED BY SUPPLY SOURCE

Companies must evaluate their exposure to possible risks of water shortage and thus implement solid management strategies to mitigate them. For this reason, KCM's Environmental Policy regarding efficient water use and discharge control makes each of our manufacturing operations responsible for continually improving its 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-POLITICASAMBIENTALES.pdf

In 2019, our operating units used a total of 12,661,019 m³ of water extracted under concession from groundwater and surface water sources (including the use of postconsumer water). This was a reduction of 6.57% in our water use compared to 2018. Committed to a sustainable future, our total use of water per metric ton produced in all of the company's operations was 11.66 m³ per metric ton produced, which meant a 4.38% reduction in the overall water use index for all of KCM operations, an indicator in which we remain an industry benchmark.

Thousands of m³					
Source	2015	2016	2017	2018	2019
Ground or well water	5,202	5,655	5,771	5,734	5,468
Surface water	7,872	7,743	6,891	7,817	7,193
Total	13,074	13,398	12,662	13,551	12,661
Water use (m ³ /ton)	12.2	12.1	11.6	12.19	11.66

USE OF NATIONAL WATERS т³

		Surfc		
Year	Ground water	Fresh	Postconsumer	Total
2019	5,467,873	1,130,887	6,062,261	12,661,021
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



WATER USED PER METRIC TON OF PRODUCT IN ALL OF KCM OPERATIONS





We found that our total use of water per metric ton produced was 11.66 m³ per metric ton produced, which meant a 4.38% reduction in the overall water use index for all of **KCM** operations

(GRI 303-3)

Use of postconsumer water

Water management practices in the context of a circular economy today represent one of the greatest competitive advantages of this organization. These practices help us achieve our sustainability goals, save costs and improve efficiency, while benefiting the natural systems on which the business depends.

At KCM, we are aware of the true value of water as a resource, and by extension we view postconsumer water as an important asset. 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 2019, we used 3,696,801 m³ of water, 93.9% of which was postconsumer water. Additionally, 47.87% of the water used in KCM operations was postconsumer surface water, unchanged from 2018.

All 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.

Committed to a sustainable future, in 2019 we reduced the water consumption index of our tissue paper operations from 15.72 m³/ton to 15.54 m³/ton.

Wastewater discharge

During the past year, in line with our commitment to a sustainable future, we reduced the volume of treated wastewater discharged into national receiving bodies by 5.35%, Total suspended solids (TSS) and biological oxygen demand (BOD) quality in the water we discharged were within the limits stipulated by law (NOM 001, 002SEMARNAT-1996, National Waters Law, Federal Waste Law and Regulation of the Law on National Waters).

Our Bajío Plant once again earned Water Quality Certification from the National Water Commission (CONAGUA). This certification accredits our responsibility and extra efforts to treat wastewater and to go beyond strict regulatory compliance.

Because of our uninterrupted work on managing water use and discharge quality, no water tables were damaged nor supply sources affected by our operations. No water source was affected by KCM through the use of water in our operations.

(GRI 302-1) ENERGY ECO-EFFICIENCY

Producing more with less energy is essential to many industries affected by the growing scarcity of natural resources. Operating in an eco-efficient manner improves competitiveness in terms of cost reductions. It also better prepares KCM for future environmental regulations. The key focus is on inputs and outputs of commercial operations, and in evaluating trends in the consumption of natural and energy resources.

Committed to a sustainable future, in 2019 we reduced our total energy consumption by 4.9%. Our energy consumption index improved to 8.18 million BTUs per metric ton of product (GRI 302-4).



ENERGY CONSUMPTION PER METRIC TON PRODUCED millions of BTU/ton produced





Our energy consumption index improved to 8.18 million BTUs per metric ton of product. Consumption of electrical energy in the organization was reduced by 2.8% in 2019, compared to the 2018 figure, from 3,752,502 to 3,648,974 MMBTUS. Particularly notable is the proportion of electrical energy we obtained from efficient cogeneration processes, considered clean industry, and supplied from our own operations. Out of the total energy supplied by the National Energy network in our processes in 2019, 93.47% is considered clean energy.



ENERGY CONSUMPTION BY TYPE OF SOURCE billions of BTUs

					Electricity	
Year	Total	Natural Gas	Steam	Fuel Oil	Wind	National Energy Network
2019	8,884	3,926	1,309	0	41	3,608
2018	9,341	4,374	1,214	0	24	3,728
2017	9,143	4,706	813	0	37	3,588
2016	9,275	5,227	418	0	73	3,557
2015	8,808	5,132	236	0	42	3,398

Our energy efficiency initiatives in 2019 generated savings of MXN 11.5 million, primarily from the cogeneration project at the Bajío and Ramos Arizpe plants.

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 (Principles 8 and 9 of the UN Global Compact).

REDUCTION OF GREENHOUSE GAS (GHG) EMISSIONS

The effects of climate change can be highly costly to KCM, so there is a pressing need for measures that can help us reverse current trends in environmental depletion and the associated risks. With this in mind, and aware of the importance of developing a low-carbon economy, KCM has voiced its commitment to combating climate change and begun work on mitigation and adaptation actions. In 2019, 35.75% of our energy came from natural gas and steam, and 41% came from wind farms 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

It is impossible to predict exactly how climate change will affect us, but based on current scientific data, the road ahead is a complicated one. It seems imminent in the short term that we will see a change in the current way of "doing good business," given that a series of factors is starting to gain traction in political and economic spheres, radically altering the world in which we live and work. Without a doubt, it will become more and more difficult to ignore the effects of climate change.

In accordance with our environmental policy on energy efficiency and reduction of greenhouse



gas (GHG) emissions, KCM actively has joined in 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/ KCMPOLITICAS-AMBIENTALES.pdf

KCM uses its Engineering and Maintenance System to monitor and report on emissions. In 2018, we received no fines or sanctions for violation of environmental laws and regulations.

Since 2015, pursuant to the General Law on Climate Change and its Regulations, which obligate companies that emit more than 25,000 metric tons of CO₂-e a year to report on their emissions, we have kept an account and report on GHG emissions using the criteria established by SEMARNAT. We apply the corresponding methodologies to calculate emission factors and the warming potential of greenhouse gases and compounds. Our calculation of direct and indirect emissions is based on our consumption of fuel, electricity, and steam. The figures include data from our subsidiary SODISA—the transport company that distributes some of KCM's products to distribution centers and clients (which have historically amounted to between 4% and 4.5% of our total emissions).

In keeping with our commitment to sustainable development, our projects to improve energy efficiency, the productivity records reached in various operations, the increasing amount of electricity we obtain from combined-cycle plants and, to a lesser extent, wind farms, all resulted in a 1.99% reduction in our index of CO₂-e emissions per metric ton produced, from 0.68 to 0.66 metric tons.



(GRI 305-4) **CO₂-e EMISSIONS** metric tons of CO₂-e/metric ton of product

In other atmospheric emissions, we reported a decrease in NOx (Nitrogen oxides), SO2 (sulfur dioxide) and TSP (total suspended particle) emissions. The company has no significant emissions of volatile organic compounds or gases like SF6 (sulfur hexafluoride), NF3 (nitrogen trifluoride), HFC (hydrofluorocarbons) or CFC11 (trichlorofluoromethane), which affect the planet's ozone layer. (GRI 305-6).

(GRI 305-3, GRI 305-7) OTHER ATMOSPHERIC EMISSIONS metric tons

Year	NOX	SO ₂	TSP
2019	180.28	1.09	15.38
2018	204.17	1.22	17.03
2017	263.73	1.43	19.63
2016	310.74	1.69	22.85
2015	300.9	1.7	22.56

Regarding the intensity of GHG emissions, we reported a reduction of 20.33% in our direct emissions in 2019 and 0.91% in our indirect emissions, both compared to 2018. Total emissions in 2019 were reduced by 4.24%, a sign of KCM's commitment to environmental preservation and combating climate change. (GRI 305-1, GRI 305-2).

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,

(GRI 305-5) TOTAL ANNUAL GHG EMISSIONS metric tons

Year	Direct GHG emissions	Indirect GHG emissions	Total GHG emissions
2019	239,758	483,623	723,381
2018	267,378	488,069	755,446
2017	312,040	477,378	789,418
2016	365,927	455,687	821,614
2015	360,166	433,649	793,815



and of course, within the context of the General Law on Climate Change and its Regulations regarding the National Emissions Registry. Practically all of these calculations are made on the basis of our consumption of fuel, electricity and the acquisition of 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.

The company participates actively in compliance with the Testing Program of the Mexican Emissions Market System.

COMPREHENSIVE WASTE MANAGEMENT

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.



Special

handling

waste



Solid urban waste

Hazardous waste

Special handling waste and solid urban waste

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.

In line with our commitment to a sustainable future, we have achieved zero pulp waste sent to landfills for nine years in a row. KCM also 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 (GRI 301-1).

(GRI 306-2) WASTE GENERATED IN 2019 metric tons

	Destination	
Type of waste	Monetization	Landfill
Treated sludge and wastewater	326,824	0
Paper	4,994	111
Plastic	6,753	417
Mixed plastic	4,440	373
Plastic mixed with pulp	1,630	0
Wood	2,314	151
Metal	1,874	61
Cardboard	5,464	43
Others	3,938	4,541
Subtotal by destination	358,230	5,697
Total	363,9)27

(GRI 306-4)

Hazardous waste

Last year we managed and transported 922 metric tons of hazardous waste as established by law. This waste included primarily used oils, cleaning pads used in the maintenance areas that had been soaked in grease and oil, empty oil drums, containers that had held solvents, paints, or other hazardous materials, along with batteries, fluorescent lamps, etc.

To properly handle this waste, we comply with the General Law on Comprehensive Waste Prevention and Management, its corresponding regulations and other standards in this area.

We also conform to official Mexican standard NOM-052-SEMARNAT-2005 in all our operations, and waste handling is monitored by the environmental heads of each plant.

We have achieved zero pulp waste sent to landfills for nine years in a row.

In 2019, total waste generation declined 2.87% from 2018.

Last year we monetized 98.44% of our waste and sent 1.56% to sanitary landfills.

SUSTAINABLE FIBER SOURCING

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

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



Virgin Fiber

It is company policy to use wood pulp 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 of our Procurement area 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. Some of KCM's preferred certifications are:

- > 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 Certificaçao Florestal)¹
- ¹ KCM preferred certifications

We should note that our use of virgin fiber in 2019 was 29.8% lower than in 2018, and amounted to a total consumption of close to 168,000 metric tons of imported virgin fiber. Although we always obtain our virgin fiber from certified forests, this remarkable reduction had significant environmental benefits because it reduces the use of natural resources in our production processes.

Recycled Fibers

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

These plants recycle postconsumer paper, allowing us to incorporate 65.7% of recycled fiber into our paper production in 2019. Internally, in our manufacturing mix we generated 381,381 metric tons of recycled fiber during the year.



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. In 2019, the use of direct secondary fiber in our processes increased by 17% compared to 2018, significantly improving our indicators because it meant we used less primary fiber and virgin fiber, and more recycled fiber.

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 can then be reused in our processes. Furthermore, in keeping with our policies and the circular economy model we are adopting, 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 greatly to the creation of collection centers for these materials, bringing other participants into the economic chain and helping reduce environmental impact. In this area, we have earned two significant certifications. For our export sales, we have Green Seal[™] certification as a supplier of products with up to 60% recycled fiber content. We also have EcoLogo[®] certification, the most important in North America, which certifies that products do not harm the environment or health.

Sustainability Day

As part of our commitment to a sustainable future and our goal of creating a culture of sustainability within KCM, we created a forum for our employees and stakeholders to build greater awareness about the importance of sustainability in this company and in each of our daily lives.

We invited distinguished guests to speak on topics like the circular economy, recycling, sustainable indices, and others, with an audience of more than 300 people. We also organized activities for teaching people about actions we can take to help care for our planet.

The event clearly had a positive impact on everyone who attended, and inspires us all to work for better results in the area of sustainability.

