

committed to a

SUSTAINABLE FUTURE

Sustainability Report
2019

CONTENTS

02	Letter from the Chief Executive Officer	46	BUSINESS ETHICS AND SOCIAL RESPONSIBILITY
03	Executive Summary of Results	48	Business ethics
04	Other Indicators	50	Code of conduct
06	ORGANIZATIONAL PROFILE	52	Audits
08	Our Brands and Business Lines	53	Cybersecurity
10	Organizational Scale	55	Social responsibility
10	Foreign Trade	56	Our employees
13	Adoption of OECD, UNGC and SDG principles	62	Occupational health and safety
16	ESG SUSTAINABILITY STRATEGY	63	Commitment to our suppliers
18	Materiality	68	Product innovation and technological development
21	Effective risk culture	70	Commitment to clients and consumers
27	Sustainability strategy	75	Health and hygiene
28	Economic performance	76	CORPORATE GOVERNANCE
30	ENVIRONMENTAL CARE PERFORMANCE	78	Corporate governance structure
33	Environmental policies	79	Shareholders' meeting
34	Sustainability culture	81	Board of Directors
36	Eco-efficiency	87	Compensation committee
37	Efficient use of water and waste management	87	Audit and corporate practices committee
39	Energy eco-efficiency	90	Internal audits
40	Reduction of greenhouse gas (GHG) emissions	92	About this report
42	Comprehensive waste management	92	Senior management
44	Sustainable fiber sourcing	92	Executive sustainability committee
		94	About this report
		95	External assurance report
		97	GRI Content Index
		100	Contact



Letter from the CHIEF EXECUTIVE OFFICER

In our role as Sustainability leaders, we are constantly striving to innovate and implement alternatives for sustainable development. The results of the past year contributed to growth on our pillars of social responsibility, occupational safety and environmental care. In this report, “Committed to a sustainable future,” we responsibly address the environmental and social challenges our operations present across the entire value chain.

In the area of Social Responsibility, under the umbrella of our KCM Inspires® initiative, we continued programs such as “Caring, Educating, Encouraging,” where we underscore our commitment to our stakeholders, meeting their needs through our employee volunteer programs and our support through product donations to more than 200 charitable programs and non-profit organizations; “Embracing their Development” by Huggies® and UNICEF, whose objective is to promote loving contact and encourage babies’ movement, with the support of experts trained in childrearing practice and childhood development. The aim is to benefit 1.5 million babies over a 3-year period; a pink campaign, with cause-driven product promotions to support detection and early treatment of breast cancer, led by Kotex® and Escudo® Antibacterial; and the Kotex® “School Tour” program, in which, concerned about new generations, we visit more than 100,000 girls every year to provide them information about sex education and intimate care, to help them feel more self-secure. Additionally, the Escudo® Antibacterial brand continues its school visit program to help educate kids about Health and Hygiene, providing them information to share with their parents and improve better health practices.

Besides these efforts, our main brands are adopting and advocating for social causes important to our consumers and recently, in line with the company’s sense of social responsibility, we joined in support of the Mexican presidential administration’s program “Youth Building the Future,” under which more than 300 young people have come to work in our operations, and we had the very successful

graduation of our first class. We are convinced that this training program can have a tremendous positive impact on our society and our country.

Turning our attention to Environmental Care, we continue to reduce our consumption of water per metric ton of production and have become a global benchmark in this vital area. We also continue to report reductions in our energy consumption, because our Ramos Arizpe and San Juan del Río plants operate cogeneration processes that produce steam and electrical energy very efficiently, and this in turn means significantly lower greenhouse gas emissions. No less important is the even greater progress we have made in the responsible use of virgin fibers, which this past year earned us “EcoLogo®” certification and renewal of our Forest Stewardship Council® (FSC®) FSC-C140370 License and “Green Seal” for hygiene products. We also continue to prioritize the circular economy model, where we are able to recover one hundred percent of our pulp waste, avoiding sending it to landfills.

At KCM, we remain determined to make the essential extraordinary, responsibly and sustainably, every day, for a lifetime, positively affecting the lives of all Mexicans, their communities, and the country as a whole. I am grateful to all our employees for their passion, innovation, leadership and commitment to a sustainable future. Let’s aim even higher!



Pablo R. González G.
Chief Executive Officer

Executiver summary of RESULTS

FINANCIAL RESULTS

millions of Mexican pesos

	2015	2018	2019
Net sales	32,206	41,026	43,500
Operating income	7,138	7,508	8,997
Pretax income	6,273	5,995	7,462
Net income	4,333	4,227	5,156
Earnings per share	1.40	1.37	1.67
EBITDA	8,803	9,070	10,943

ENVIRONMENTAL RESULTS

	2015	2018	2019
Use of water (m ³ /metric ton produced - total operations)	12.20	12.19	11.66
Energy consumption (millions of BTU/metric ton produced)	8.20	8.40	8.18
GHG Emissions (metric tons of CO ₂ -e/metric ton produced)	0.73	0.67	0.66
Pulp waste sent to landfills (metric tons)	0	0	0

SOCIAL AND OCCUPATIONAL SAFETY RESULTS

	2015	2018	2019
<i>Employees and community impact</i>			
Donations (millions of Mexican pesos)	33.90	30.00	30.56
Profit-sharing paid to employees (millions of Mexican pesos)	721	644	772
Training index (% hours per employee)	3.12	3.38	3.40
Number of significant sanctions for noncompliance with laws or regulations	0	0	0
<i>Occupational safety</i>			
Severity index	10.30	12.67	6.34
Serious and critical accident index	0.14	0.11	0.07
Number of serious and critical accidents	14	12	10

Other INDICATORS 2019



SOCIAL AXIS

	2015	2018	2019
Workforce	8,023	8,673	8,653
% unionized personnel	66.10	66.77	70.21
% men/women	90.3/9.7	88.2/11.8	87.95/12.05
% of women in administrative positions	37.50	40.6	41.27
% of women in executive positions ⁽¹⁾	20.9	23.46	23.05
Salaries and benefits (millions of Mexican pesos)	2,034	2,565	2,946
Employee turnover (%)	11.80	15.88	15.19
Absenteeism (%)	1.39	1.51	1.51
Job stability (average seniority in years)	9.50	9.72	9.31
Training index	3.12	3.38	3.40
Significant fines or sanctions for noncompliance with environmental laws	N/A	N/A	N/A
Significant fines or sanctions for regulatory noncompliance	N/A	N/A	N/A
Noncompliance with human rights/grievances principles	N/A	N/A	N/A
Community			
Social programs employees	✓	✓	✓

⁽¹⁾ Directors, Managers and Area heads.





ENVIRONMENTAL AXIS

	2015	2018	2019
Total use of virgin wood fiber (metric tons)	239,801	398,222	381,381
Sustainable fiber sourcing			
Certified fiber (%)	100	100	100
Consumption of recycled fiber-Tissue (%)	69.6	62.9	65.7
Waste management			
Pulp waste sent to landfills (metric tons)	0	0	0
Monetized waste (%)	99.75	99.58	98.44
Total waste send to landfills (%)	0.25	0.42	1.56
Water management			
Total volume of water used (m ³)	13,074	13,551	12,661
Ground water	5,202	5,734	5,468
Surface water (fresh and postconsumer)	7,872	7,817	7,193
Postconsumer surface water (%)	47.7	47.87	47.88
Total KCM use of water per metric ton of product (m ³ /Mton)	12.2	12.19	11.66
Volume of water discharged (m ³)	10,954	11,438	10,826
% of waste compliance with standards and regulations ⁽²⁾	100	100	100
Energy			
Total energy consumption (billions of BTUs)	8,808	9,341	8,884

⁽²⁾ In accordance with DBO, SST standards, and others, NOM-001 SEMARNAT-996, as well as state and municipal laws.





Organizational PROFILE

(GRI 102-1)

Kimberly-Clark de México, S.A.B. de C.V. (KCM) is part of the Fast-Moving Consumer Goods (FMCG) sector, and we focus on the Manufacturing and Marketing of Consumer and Healthcare Products. We are a limited-liability company incorporated in Mexico and have traded on the Mexican Stock Exchange without interruption since 1959.

KCM

is part of the Sustainable Index of the Mexican Stock Exchange, the FTSE4Good Index Series (Sustainable Index of the London Stock Exchange) and the Dow Jones Sustainability Index MILA (Latin American Integrated Market) of the New Stock Exchange.

PRODUCT CATALOG



BABIES

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

BEAUTY

Bar soap, liquid hand soap, foaming liquid soap, liquid body wash, micellar water, makeup removing wipes

ADULTS

Underwear, protectors, feminine pads, prefolded

(GRI 102-2)

OUR BRANDS

By offering brands of renowned prestige to our consumers, continuous innovation and a focus on the customer, we have earned a leadership position in the market in the vast majority of the business categories where we participate.

Among our most well-known brands are Blumen®, Cottonelle®, Depend®, Escudo®, Evenflo®, Huggies®, Kimlark®, KleenBebé®, Kleenex®, Kotex®, Pétalo® and Suavel®.

We are an essential part of the lives of Mexican families. We work to improve the quality of our consumers' lives through differentiated solutions and products, bringing our environmentally-friendly products to millions of people every day, for a lifetime.



BUSINESS LINES

Our goal is to make our products available to customers through leading retail chains, because they expect the brands and products they are looking for, to be on hand whenever they're needed. By ensuring this constant availability, we maintain their preference.

KCM has taken care to firmly establish channels for distributing its products to its consumers, as follows:

-  Supermarkets
-  Wholesalers
-  Drugstores
-  Price clubs
-  Convenience stores
-  Government stores
-  Department stores
-  Hospitals
-  E-commerce



HOME

Toilet paper, napkins, facial tissue, paper towels



WOMEN

Feminine pads, panty liners, tampons, intimate wipes



PROFESSIONAL

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

(GRI 102-4)

GEOGRAPHIC FOOTPRINT

We have facilities prepared to keep our clients permanently supplied with products and guarantee prompt delivery. These are distributed strategically across Mexico, while our corporate headquarters are located at Calle Jaime Balmes No. 8, 9th Floor, Los Morales Polanco, Miguel Hidalgo, in Mexico City. (GRI 102-3)

Our ten productive plants are located in the states of Coahuila, State of Mexico, Michoacán, Puebla, Querétaro, Tlaxcala and Veracruz, some of them among Mexico's poorest regions, which means we can support local economies in these places.

To generate logistical and operational efficiencies, we have 6 distribution centers with key locations in the Mexico City metropolitan area and in North, Pacific and Southeast Mexico, ensuring that Mexicans across the country can benefit from our products.



Distribution centers

- 1 Ciudad Obregón, Sonora
- 2 Guadalajara, Jalisco
- 3 Mexico City metropolitan area (CDMX)
- 4 Tepozotlán, State of Mexico
- 5 Monterrey, Nuevo León
- 6 Villahermosa, Tabasco



SODISA (Logistics)

- 7 Tlanepantla, State of Mexico (1981)



Corporate headquarters

- 8 Los Morales, Polanco (CDMX)



Plants

- 1 Bajío San Juan del Río, Querétaro (1981)
- 2 Ecatepec Ecatepec, State of Mexico (1951)
- 3 Morelia Morelia, Michoacán (1973)
- 4 Orizaba Orizaba, Veracruz (1968)
- 5 Prosede Cuautitlán, State of Mexico (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)

(GRI 102-7)

ORGANIZATIONAL SCALE

Kimberly-Clark de México, S.A.B. de C.V. (KCM) is committed to its people and to the idea of continuous growth of this company. To this end, we identify and we bet on the talent of each of our employees in every job at this company. At the close of 2019, we proudly employed the following resources:



KCM shares have been listed for 57 years on the Mexican Stock Exchange (BMV) under the ticker symbol Kimber. At KCM we continue to work firmly and decisively on our sustainable performance. The company is evaluated every year by the rating agency responsible for assessing members of the Mexican Stock Exchange's IPC Sustainable Index as well as other international rating agencies, and we have considerably improved our performance indicators. For this reason, in 2019 we were incorporated into the Dow Jones Sustainability Index (DJSI) for the MILA region (Latin American Integrated Market), one of the strictest equity indices in the world in terms of sustainability and social responsibility, which recognizes outstanding companies in each industry group. We are among only 17 Mexican firms included in that index. We have also been a part of the Sustainable IPC index since it was created in 2011, and for the third year in a row we were listed in the British FTSE4Good Index.

FOREIGN TRADE

Because we recognize our role as market leaders, in this area we are committed to creating value for KCM by trading with foreign countries in various regions and continents, bringing them new brands and categories and launching innovative products to keep this company at the forefront of our industry.

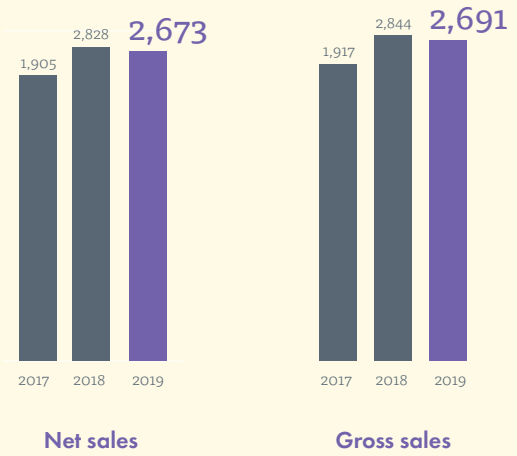
Our achievements in this area include administrative and systems improvements that strengthen operations in businesses like 4e, Evenflo® and Escudo®. Committed to a sustainable future, some of our products have certifications like Green Seal and FSC (Forest Stewardship Council [FSC®] 1 License FSC-C140370), which guarantees that a certain percentage of these are made with recycled materials.

EVENFLO FEEDING INC.
millions of Mexican pesos

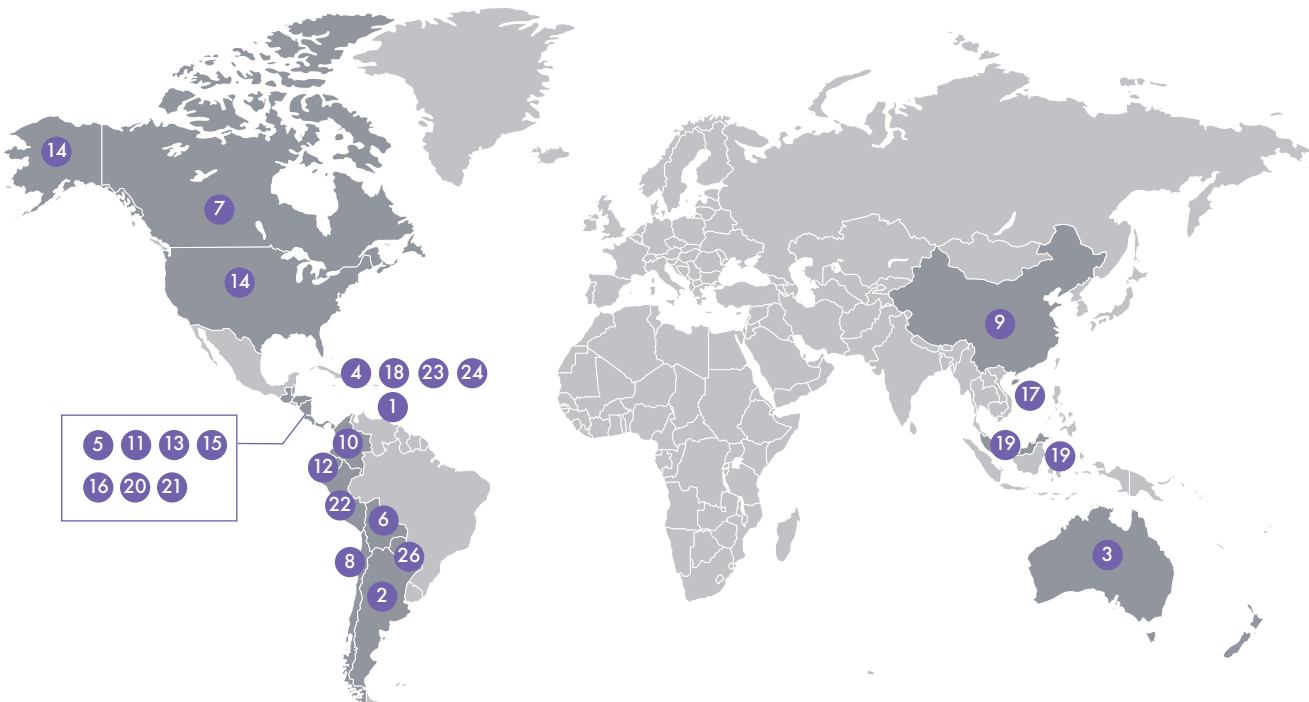
	2017	2018	2019
Net sales	329	286	293
Gross sales	365	324	336

Our global presence is a commitment to promote well-known brands and provide high-quality, environmentally-friendly products. At present, we send export products to the following countries (GRI 102-6):

EXPORT SALES
millions of Mexican pesos



- 1 Dutch Antilles
- 2 Argentina
- 3 Australia
- 4 Bahamas
- 5 Belize
- 6 Bolivia
- 7 Canada
- 8 Chile
- 9 China
- 10 Colombia
- 11 Costa Rica
- 12 Ecuador
- 13 El Salvador
- 14 United States
- 15 Guatemala
- 16 Honduras
- 17 Hong Kong
- 18 Jamaica
- 19 Malaysia
- 20 Nicaragua
- 21 Panama
- 22 Peru
- 23 Puerto Rico
- 24 The Dominican Republic
- 25 Trinidad and Tobago
- 26 Uruguay



RELATED PARTIES

Kimberly-Clark Corporation (KCC) is one of the world's leading manufacturers of hygiene products, with more than 148 years in the market and a presence in more than 175 countries. It is headquartered in Dallas, Texas. The company has 40,000 employees worldwide and since 2019 has been headed by Michael Hsu. One out of every four people in the world consumes some KCC product every day. KCC has two innovation centers in the United States (in Wisconsin and Georgia), one in Colombia (Medellín), and one in South Korea.

KCC is the primary shareholder of KCM and its lead technological partner; through its subsidiary Kimberly-Clark Holland Holdings B.V., we sell and provide technical services that are key for executing product and process innovation initiatives, developing cutting-edge technology and participating in global procurement agreements.

Also, through our partnership with KCC we share world-class information regarding operating and commercial practices.

On the whole, this partnership makes both companies more competitive and generates added value that translates into economic, environmental and social results.

In 2019, KCM was involved in the following related party transactions:

For the years ended on December 31, 2018 and 2019, the Entity reports the following transactions and balances with its related parties:

KIMBERLY-CLARK CORPORATION <i>millions of Mexican pesos</i>	2018	2019
Procurement and technical services	\$ 1,595,935	\$ 1,685,187
Machinery and equipment	76,070	14,827
Net Sales and others	568,557	873,053

(GRI 102-13)

MEMBERSHIP IN ASSOCIATIONS

KCM is an active member of:

- › Mexican Confederation of Industrial Chambers (CONCAMIN)
- › Mexican Business Council (CMN).
- › The National Chamber of Pulp and Paper Industries (CNICP)
- › The Communications Council (CC)
- › The Business Coordinating Council (CCE)
- › The Commission on Private Sector Studies for Sustainable Development (CESPEDES).
- › The National Chamber of Cosmetics Industry Products

Furthermore, our strategic partner, KCC, 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®) License FSC-C140370 (a non-profit organization that protects forests).
- › 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, KCM has access to the activities and programs coordinated by Kimberly-Clark Corporation with these organizations.

In 2019, we were once again members of 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 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.

ADOPTION OF OECD, UNGC AND SDG PRINCIPLES

This Report explains the importance to KCM of ensuring solid and transparent corporate governance, consistent with the principles of business ethics, the Company Bylaws and the Code of Best Corporate Practices, in addition to creating 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.

KCC is a signatory of the United Nations Global Compact (UNGC), and on Sustainability Day 2019, KCM pledged to evaluate our adherence to this initiative in 2020 to coincide with the presence of representatives of the Global Compact.

Our adoption of the Sustainable Development Goals is essential, because our goals toward our stakeholders are grounded in part in these objectives.





With regard to the Sustainable Development Goals, we consider these to be essential to this organization, because our goals toward our stakeholders are grounded in part in our contribution to 11 out of 17 of the SDGs, as described below.

- 3. (i)** Guarantee a healthy life and promote well-being for people of all ages

“Kimberly-Clark de México will provide all of its employees access to a health system for the prevention and early detection of illness.”

- 4. (i, e)** Guarantee inclusive, equitable and quality education and promote learning opportunities throughout life for all

“Kimberly-Clark de México will promote and provide to all personnel access to quality education. In collaboration with government and society, it will promote the country’s educational development, encouraging talent and gender equity.”

- 5. (i, e)** Achieve gender equality and empower all women and girls

“Kimberly-Clark de México will promote total gender equality among its employees and suppliers, always prioritizing talent and skills, in keeping with our code of ethics.”

- 6. (i)** Guarantee the availability of water and its sustainable management and treatment for all

“Kimberly-Clark de México will serve as a global benchmark in the responsible use of water for its operations, prioritizing the reuse of water through high-technology equipment.”

- 7. (i)** Guarantee access to affordable, safe, sustainable and modern energy for all

“Kimberly-Clark de México will promote the use of clean industry and will be a global benchmark in responsible energy use.”

- 8. (i)** Promote sustained, inclusive and sustainable economic growth, full employment, and productive, decent work for all

“Kimberly-Clark de México will be a benchmark in human capital development, generating dignified, inclusive and well-paying jobs.”

- 9. (i, e)** Build resilient infrastructure, promote inclusive, sustainable industrialization and drive innovation

“Kimberly-Clark de México will invest continually in technological development to improve the quality of life of its consumers and employees through higher-value products.”

- 12. (i)** Guarantee sustainable forms of consumption and production

“Kimberly-Clark de México will promote the circular economy model, endeavoring to consume sustainable, certified raw materials; will generate zero waste for shipment to sanitary landfills; will sell products with the least environmental impact possible; and will promote the reduction, reuse, recycling, monetization and biodegradation of its waste.”

- 13. (i)** Adopt urgent measures to combat climate change and its effects

“Kimberly-Clark de México abides by global policies on the reduction of greenhouse gas emissions, to reverse the effects of global warming.”

14. (i, e) Conserve and sustainably use the oceans, seas and marine resources for sustainable development

“Kimberly-Clark de México will create solutions that are completely friendly to marine ecosystems. In collaboration with organizations and society, it will protect species and ecosystems that are threatened by human activity.”

15. (i, e) Sustainably manage forests, combat desertification, halt land degradation and invest in soil remediation, and stop the loss of biodiversity

“Kimberly-Clark de México will use raw materials from certified sources. It will sell products with less of an impact on land ecosystems. In collaboration with institutions, industry, government and society, it will work to reverse deforestation and desertification of ecosystems.”



i: internal stakeholders

e: external stakeholders





TL5_BGR2

KCM

Kemayoran
Plant



ESG **SUSTAINABILITY** *strategy*

Our KCM sustainability strategy is based on three main pillars: Environment, Social and Occupational Safety, and Economic.

Because we are committed to building a sustainable future, we seek to positively impact all three pillars to obtain outstanding performance.

KCM has matched its material issues to specific **SDGs**, underscoring our commitment to meeting these goals.

ECONOMIC PILLAR

This pillar is clearly essential for KCM because it determines our ability to pursue the others forms of sustainability. This is why we are committed to meeting the needs of our stakeholders to the greatest extent possible in order to achieve the economic results we propose in our Vision.

Conversely, positive results in this area depend on the success of social responsibility and occupational safety programs in our plants, because these keep our employees healthy and productive, and ensure we can continue to efficiently invest in environmental care. We stress the idea of shared responsibility for all of us who participate in this economic cycle.

SOCIAL AND OCCUPATIONAL SAFETY

KCM's success is grounded in its ability to contribute social value to the world around us, to ensure the physical safety of our employees and to provide them a better standard of living. That is the reason we have also incorporated an Environmental Health and Safety (EHS) strategy to our operations.



ENVIRONMENTAL PILLAR

This area pursues two key objectives.

Our first responsibility is to ensure compliance with all applicable environmental laws and regulations and improve compliance wherever possible. The second is to identify and efficiently take advantage of opportunities to increase our energy efficiency, reduce CO₂-e emissions, monetize solid waste, reduce water consumption and install efficient wastewater treatment systems to protect receiving bodies of water and the biodiversity they contain.

Our environmental strategy focuses on promoting a circular economy through our value chain, which includes suppliers, production processes, administrative facilities, logistics, support areas and clients. To do this we strive for excellence in the design and execution of our Environmental Management System, which is prepared in accordance with KCC global guidelines and ISO 14001 standards.

MATERIALITY

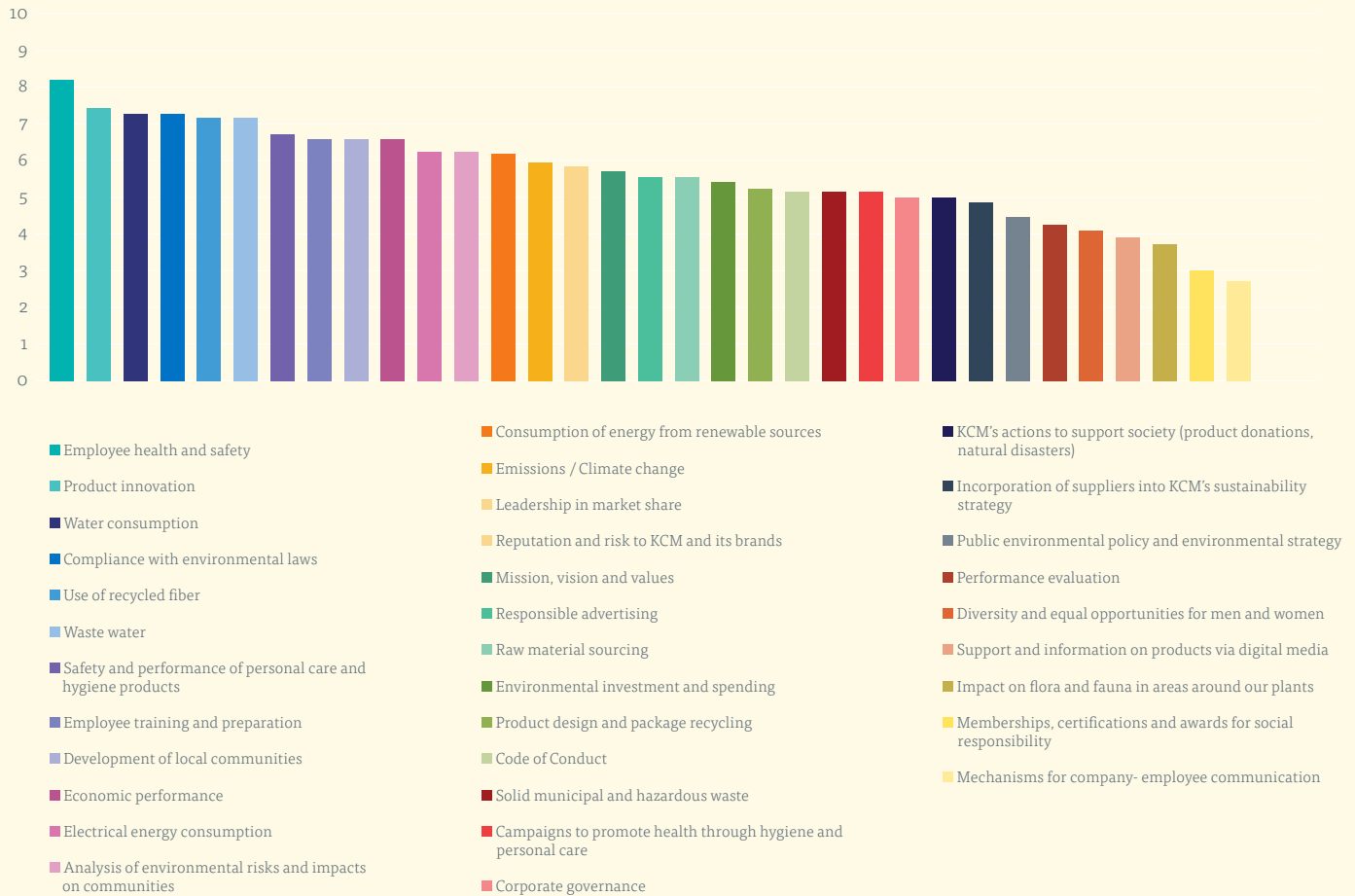
KCM has a responsibility to identify relevant issues that create long-term value, and to identify future risks to avoid an impact on our business. To keep track of these issues, we assess our progress against certain performance metrics, and we keep the public continually and transparently informed about them.

To build the materiality graph, 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 to a value of 34 to

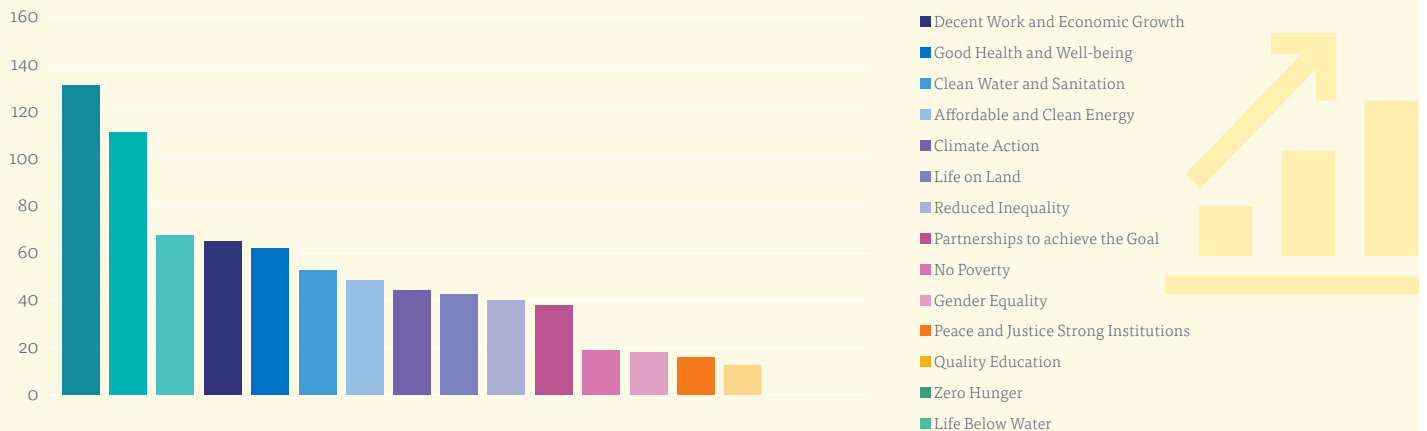


(GRI 102-47)

MATERIALITY GRAPH



ALIGNMENT OF MATERIAL ISSUES WITH SDGs (MATERIAL SDGs)



the least important topic for these groups. We did the same to rate the relative impact of each issue. We then identified issues that were rated high for relevance or impact.

Next, to align these material issues with the SDGs, we identified equivalents between the Materiality Graph and the UN SDGs, and thus arrived at a list of Material Sustainable Development Goals for KCM. This was done through an analysis by independent experts.

STAKEHOLDER ENGAGEMENT

We have established specific frequencies, mechanisms and persons responsible for communication with our stakeholders (meaning anyone who is affected by or may affect our company's development) so that we can suitably address their needs and concerns.

EFFECTIVE RISK CULTURE

Effective risk mitigation and crisis prevention is vital for long-term financial planning, as well as to our organizational flexibility. KCM has internal control processes that ensure we comply with existing regulations, and we proactively develop mechanisms for risk and crisis control.



For us, the first step in risk management is to identify these in the company's various locations and operations. This identification is carried out in coordination between the Risk Management area and key personnel at each facility and operation, with the support of independent professionals specializing in loss prevention. Having identified the risks, we conduct an assessment to determine how likely they are to occur and how severe consequences would be in terms of the expected damages or loss.

The next step is to establish measures to eliminate and/or control the risks we have identified and assessed. In this process we analyze various alternatives that enable us to responsibly and effectively select the solution most appropriate to the conditions of the risk we are trying to eliminate or reduce.

If after implementing these measures the risk is not eliminated or the impact of loss reduced, or if the risk materializes to an extent that is

outside the organization's range of tolerance, we then analyze the possibility of taking additional measures—insurance policies to cover potential financial losses, for example. In these cases, we contact leading local insurance companies and international reinsurers. In all cases, the main risks we identify are continually monitored and evaluated to guarantee they are being efficiently controlled, according to corporate policies and current legislation.

Additionally, procedures have been established for all company operations to assess risk when setting up new operations or making significant changes in existing operations. Depending on the magnitude of the new operation or change, people responsible for each of the areas will be involved, up to the level of the risk management area and the various area directors.

There are established procedures in all the company's operations to evaluate the risks when setting up new facilities or making significant changes in the existing ones.



2019 RISKS AND OPPORTUNITIES

Risks	Real or potential impacts	Specific activities and opportunities	Related projects
ENVIRONMENTAL			
Water			
High levels of waste and water consumption	<ul style="list-style-type: none"> › Low water availability › Poor quality water supply for operations 	<ul style="list-style-type: none"> › Investment in supply and discharge water treatment plants. Comply with / exceed regulations › Use of post-consumer water instead of fresh water › Closed water cycles (4.5 x recirculation) › Best practices to obtain discharge quality certifications (quality higher than that required by regulations) › Investment in cutting-edge technology 	Third-party treatment of water for recirculation in processes at Ramos Arizpe plant
Poor handling of environmental management system	<ul style="list-style-type: none"> › Regulatory changes › Impact on biodiversity 		
Solid waste			
Poor handling and waste	<ul style="list-style-type: none"> › Impact on the environment 	<ul style="list-style-type: none"> › Development of RSU and special waste handling system / compliance with applicable laws and standards 	Further drying of sludge sent for monetization from the Bajío, Ecatepec and Ramos Arizpe plants
Performance indicators	<ul style="list-style-type: none"> › Impact on outside parties › Excessive use of landfills 	<ul style="list-style-type: none"> › Co-processing of cellulose sludge instead of sending to landfill › Monetization 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 reduction › Sustainable innovation. › Lifecycle analysis 	
Energy			
Elevated consumption	<ul style="list-style-type: none"> › Increase in prices and availability 	<ul style="list-style-type: none"> › Energy management systems and training › Identification and deployment of energy efficiency investments and projects 	Annual energy savings program
Poor handling of environmental management system	<ul style="list-style-type: none"> › Competition within the industry › Impact on operating costs › GHG emissions 	<ul style="list-style-type: none"> › Supply contracts with companies that produce energy with low GHG emission factors › Use of energy from clean sources › Co-generation of thermal and electrical energy › Increase in operational productivity 	
Deforestation and climate change			
Elevated GHG emissions	<ul style="list-style-type: none"> › Impact on protected habitats and forests › Impact on biodiversity as a result of water discharge or impact on forests › Impact of natural disasters on our facilities › Compliance › Regulatory changes › Commitment to COP 21 › Supply of required amounts of virgin fibers 	<ul style="list-style-type: none"> › Use of 100% virgin fibers from certified forests › Commitment to zero deforestation › Use of recycled fibers from post-consumer paper (above 60%) › CDP Forests report and benchmark › Report of official emissions from fixed and mobile sources through the National Emissions Registry (RENE) › Wastewater discharge compliant with legislation and exceeding quality standards › Risk prevention and asset protection manual › Resilience of our production in eliminating or mitigating material damage › Insurance to cover potential financial losses in the event of material losses stemming from hydrometeorological events. › Training in evacuation and damage containment procedures › Risk management programs to identify, assess, reduce and prevent losses › Adherence to national climate change strategy › Evaluate measures of adaptation and mitigation › Capital investments to ensure compliance › Mitigation projects to reduce GHG emissions › Supply contracts with companies that produce energy with low GHG emission factors and clean energies › Transition toward use of cleaner energies / co-generation and renewable energies 	Inclusion in Mexican carbon market and energy savings projects

2019 RISKS AND OPPORTUNITIES

Risks	Real or potential impacts	Specific activities and opportunities	Related projects
SOCIAL			
Occupational health and safety / loss prevention			
Poor performance indicators		<ul style="list-style-type: none"> › On-going improvements to SAES system › Preventive health programs for employees and their families 	
Poor handling of management system	<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 › Safety of our carriers › Possibility of fires or earthquakes at our facilities 	<ul style="list-style-type: none"> › 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 defense authorities › Appropriate 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 	New health and safety system at corporate level (SAES maturity level)
Relationship with communities and unions			
Poor 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 	
Labor market competitiveness			
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 	Assistance to help graduates of "Youth Building the Future" program find jobs



2019 RISKS AND OPPORTUNITIES

Risks	Real or potential impacts	Specific activities and opportunities
SOCIAL		
Social responsibility		
Poor human rights management and corruption	<ul style="list-style-type: none"> › Failure to meet stakeholder expectations › Respect for human rights › Operational and financial transparency › Prevention of bribery and corruption › Safety and quality of our products › Legal and regulatory compliance 	<ul style="list-style-type: none"> › Creation of stakeholder dialogue strategies and mechanisms › 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 whistleblower mechanisms and exhaustive investigation of 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.

2019 RISKS AND OPPORTUNITIES

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 economic crisis or slow growth in domestic consumption and the economy › Impact on sale of frequently consumed products › Increased inflation › Increase in funding costs › Impact on profit margins 	<ul style="list-style-type: none"> › Technological innovation to generate added value for our products › Investment in prices to generate scale and safeguard market share › On-going consolidation of fair and transparent relationships with our customers › Generation of added value for our products, helping reflect increasing raw material costs to compensate any possible impact and ensure our competitiveness › Strategic promotion of the use of our brands in public places outside the home › Operational efficiency and cost reduction programs / Less is more program › Use of derivative financial instruments › Increased use of domestically-sourced recycled fibers › On-going promotion of domestic supplier development › Continuous assessment of new avenues of growth – (M&A)

2019 RISKS AND OPPORTUNITIES

Risks	Real or potential impacts	Specific activities and opportunities
ECONOMIC		
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 market › Exchange rate volatility and depreciation 	<ul style="list-style-type: none"> › Technological innovation to generate added value in our products › Efficient investments and preparation for accelerated periods of growth › Strengthen competitive advantages in innovation and costs › Limit exposure to exchange rate and exchange rate fluctuations through cross-currency swaps › Strategic promotion of categories that represent high growth/investment potential for markets and segments in which we can offer competitive advantages › Export growth projects › Import substitution projects. Vertical integration and domestic supplier development › Cost-saving and operational efficiency programs (costs and expenses) to mitigate foreign-exchange impacts
Liquidity risk		
Risk of low liquidity	<ul style="list-style-type: none"> › Insufficient cash flow for operations and debt payments 	<ul style="list-style-type: none"> › Maintain healthy cash flow and position through sales and profits, in addition to efficient working capital management › Use of debt instruments with staggered maturity dates › Maintain investment grade rating of local and foreign-currency debt
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 compliance › Tighter environmental regulation 	<ul style="list-style-type: none"> › Private electrical energy supply contracts. Use of energy from co-generation and clean sources › Fuel efficiency › Projects to increase energy efficiency and reduce energy use › Use of post-consumer water and closed water systems › Investment in waste water treatment-discharge quality. Water quality certifications › Compliance with obligations stemming from current water permits › Monetization of solid waste through recycling and co-processing › Increased productivity and operational efficiency › Efficient spending and investment in environmental performance and control
Competitiveness and brand strength		
Increasingly aggressive competition and lower brand strength	<ul style="list-style-type: none"> › Highly competitive industry could affect financial results › Global brands with a specific quality problem in a given country, leading to local repercussions on brand › Limited resources to support and sustain a multi-brand over the long term 	<ul style="list-style-type: none"> › Leadership in innovation and value generation for consumers/efficacy of differentiating brands and products › Investment in cutting-edge technology for the efficient manufacturing of value-added products › Investment in brand relevance / voltage. › Research into market tendencies, habits and customs › Convert studies in changing /unmet consumer needs and preferences into differentiators and value-added goods and services › Use customer and consumer insights to create specific measures to consolidate brands and trade marketing › Multi-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 KCM › Competitive advantages in product performance and cost and expense structure › Continuous improvement strategies for brand reputation and positioning › Proper management of social networks and stakeholder engagement › Digital strategies for stakeholder engagement › Excellence in quality management, customer and consumer service and support

2019 RISKS AND OPPORTUNITIES

Risks	Real or potential impacts	Specific activities and opportunities
ECONOMIC		
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 diesel fuel › Increase in KCM fleet maintenance costs › Increase in freight costs through external carriers › Product losses as a result of a lack of highway security › Transport 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 emissions › Efficient procurement and management of spare part inventories and preventive maintenance programs › Streamlining strategies for freight and loading and unloading with customers and external carriers › On-going analysis of customer service (fill rate) and continuous improvement measures › Efficient planning for scheduled deliveries, invoicing, production and inventories › Efficient and timely investment in cutting-edge transport equipment › On-going optimization program for packaging and cubic capacity › Theft prevention/tracking systems for trucks › Training for drivers on how to handle situations of risk › On-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 majeure › Increase in raw material costs › Inconsistent quality of materials › Product safety and hygiene 	<ul style="list-style-type: none"> › Development of two or more suppliers that offer sufficient supply capacity and high-quality standards for each key raw material › Efficient inventory management of raw materials at greatest market risk and contingency plans for key materials › Customer-supplier operational efficiency programs › Sustainable innovation (Less is more) and operating cost reduction programs › Quality assurance systems for raw materials that include medical endorsements for materials, world-class good manufacturing practices and the HACCP system › Compliance audits for the supply chain



(GRI 201-2)

ECONOMIC CONSEQUENCES OF CLIMATE CHANGE

We are aware of the increasing frequency of hydro-meteorological phenomena like hurricanes, electrical storms, flooding, unusually heavy rains and drought, among others, that 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, which in many cases national and international insurance companies have made payments for, which pushes up the cost of insurance coverage and reduces its availability. This increase in insurance costs eventually affects the cost of companies' insurance programs.

Internally, and as part of our Risk Management program, KCM evaluates this type of risk using information generated by the National Disaster Prevention Program (CENAPRED) regarding vulnerability to climate change by municipality, and taking the pertinent actions to reduce this exposure.

RISKS AND OPPORTUNITIES IN CLIMATE CHANGE

The increasing frequency and intensity of natural risks like hurricanes, rains, landslides, flooding, etc., can affect the infrastructure near the company's productive units, or the infrastructure used by our key suppliers. We must therefore monitor zones affected by disasters and identify damages that might extend to our operations or impede 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.

SUSTAINABILITY STRATEGY

For KCM, it is highly important to be able to detect opportunities to generate value for the company and for society. We do this by seeking 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. 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, to guide the company toward profitable, sustainable growth.

This strategy is grounded in growth in the pillars of Environment, Business Ethics and Social Responsibility, and Corporate Governance, which enables us to direct operations toward our vision, the objective of which is to find solutions to more efficiently care for the environment and serve our stakeholders.

The economic value we create for shareholders and other stakeholders, the social impact that benefits an increasing number of persons, and outstanding environmental performance in our industry, are part of our mission of substantially improving quality of life for people on the most basic level.



The values that constitute this company's organizational culture—leadership, innovation, passion and accomplishment—allow us to obtain the sustainable results KCM's vision anticipates, and have earned us a privileged position in consumer preferences.

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 and 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 to the Board of Directors 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 developing culture of sustainability, we use various tools to build 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 the targets. Among the tools we use to communicate our sustainability strategy and make progress toward achieving our sustainable targets are the following:

1. Monthly operations meeting as mentioned above.
2. Quarterly meetings of the Executive Sustainability Committee and the Ecology and Environment 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 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 our Intranet and on our website.
7. "KCM Sustainability Day," aimed at promoting sustainability culture among our external stakeholders.
8. Explaining our sustainability strategy and its goals to all new hires as well as those undergoing re-induction.

ECONOMIC PERFORMANCE

Even in last year's challenging economic climate and with signs of slowdown, our brands retained their solid positioning, and together with execution of our innovation plans and promotion of various categories, this led to a 6.0% rise in sales, primarily due to price improvements.

Along with the growth in our sales, which reached all-time highs, and more and better operating efficiency measures, the on-going cost and expense reduction program brought record savings that meant a competitive cost advantage totaling MXN1.6 billion, and, for the sixth year in a row, these accounted for at least 5% of the cost of goods sold.

Also this year, we saw a better climate for costs and a more stable exchange rate, which compared favorably to the rising raw materials costs and foreign-exchange depreciation that had affected us in previous years.

With all of this, our operating income grew by 19.8 percent, while EBITDA advanced by a solid 20.6%. Net income was up 22 percent.

These results, together with our on-going efforts to improve and optimize working capital, led to solid cash flow generation, and with this, our leverage ratio (net debt/EBITDA) was reduced to

1.4 times, even after investment in Capex, a payout to shareholders, and recognition of the new international accounting standard on recognition of leasing. These results supported a yield of 25.3% to our shareholders, including the dividend paid out to them.

The consolidated financial results that KCM publishes include the financial statements of Kimberly-Clark de México S.A.B. de C.V. and those of its wholly-owned subsidiaries:

- › Crisoba Industrial S.A. de C.V.
Provides property rental and other services to KCM.
- › Servicios Empresariales Során S.A. de C.V.
Supplies 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. y Evenflo, Inc,
Produces baby feeding accessories in Mexico and the United States and selling other Evenflo® brand products in Mexico.

› Sodisa
Provides logistical services as a transport subsidiary.

› 4e
Makes liquid soaps that expand the range of products KCM offers.

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 highly robust finances based on operational results. These factors helped us achieve net sales of MXN 43.5 billion in 2018.

(GRI 201-1)

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

millions of Mexican pesos

Stakeholder impact	2015	2016	2017	2018	2019
Clients (net sales)	32,206	35,660	37,766	41,026	43,500
Suppliers/the productive chain we promote (cost of goods sold and operating expenses) (GRI 204-1)	22,362	24,739	27,871	30,260	30,736
Employees and their families (salaries and benefits) ¹	2,736	2,872	2,663	3,183	3,691
Investment (CAPEX)	1,318	1,993	2,882	1,792	772
Creditors / financial institutions (net interest expense)	865	1,073	1,271	1,513	1,535
Federal and state governments (taxes)	2,659	2,932	2,705	2,697	3,144
Shareholders (dividends)	4,583	4,703	4,874	4,874	4,781

¹ Includes IMSS and Profit-Sharing.





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

1.

COMPREHENSIVE WASTE MANAGEMENT

(Year-to-year reduction in waste generated)

2.

EFFICIENT WATER USE AND DISCHARGE CONTROLS

(Year-to-year reduction in water use)

3.

ENERGY EFFICIENCY AND GREENHOUSE GAS REDUCTION

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

4.

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.

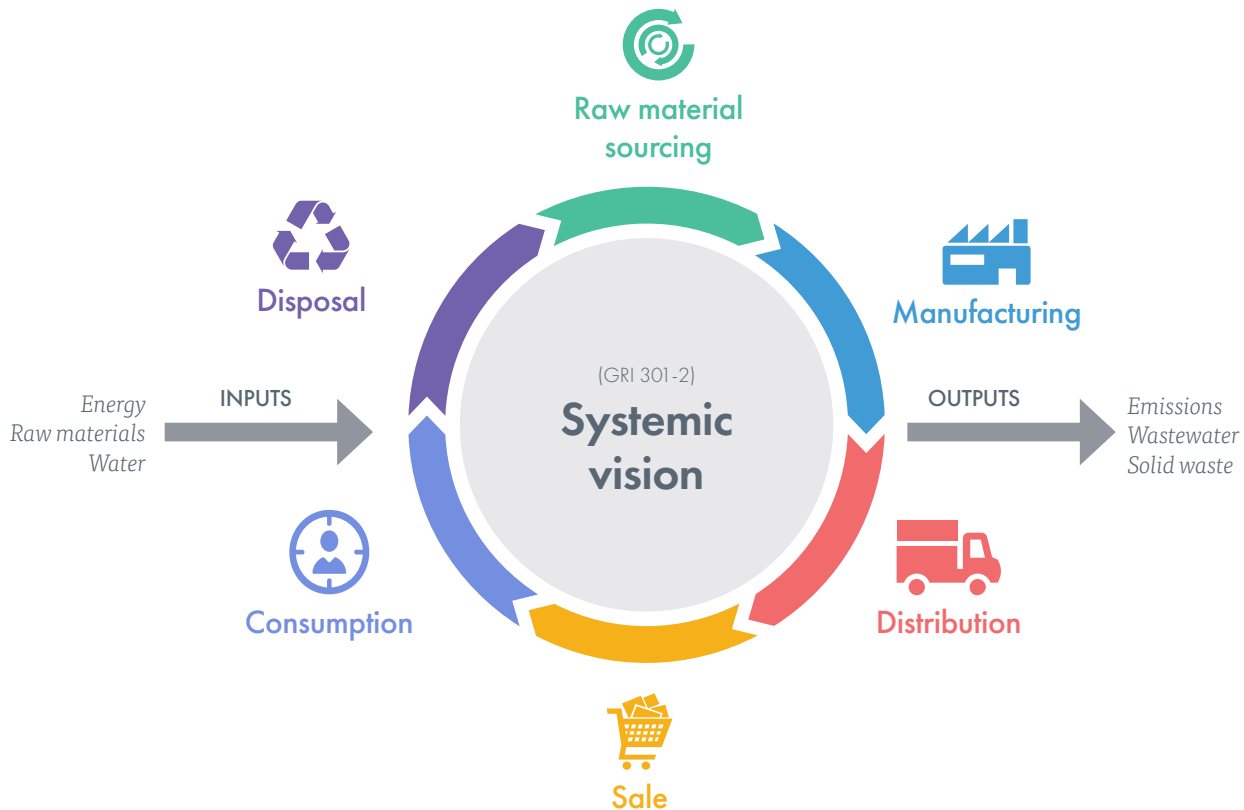
ECO-EFFICIENCY

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 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.

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.

(GRI 303-1)

VOLUME OF WATER USED BY SUPPLY SOURCE

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

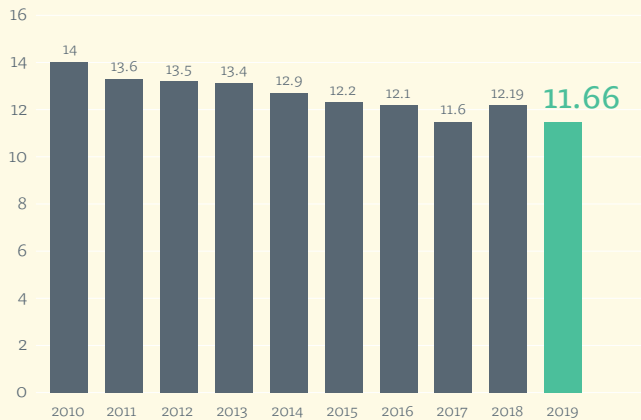
m³

Year	Ground water	Surface water		Total
		Fresh	Postconsumer	
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

m³/ton



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, 002 SEMARNAT-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

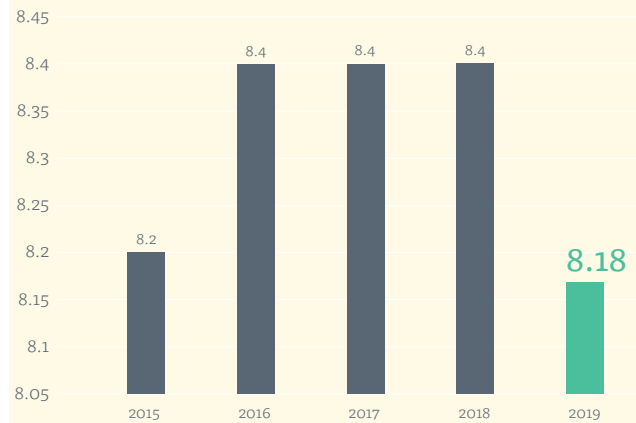
Producing more with less energy is essential to many industries affected by the growing scarcity of natural resources. Operating in an eco-efficient manner improves competitiveness in terms of cost reductions. It also better prepares KCM for future environmental regulations. The key focus is on inputs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

(GRI 302-3)

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

Year	Total	Natural Gas	Steam	Fuel Oil	Electricity	
					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



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.

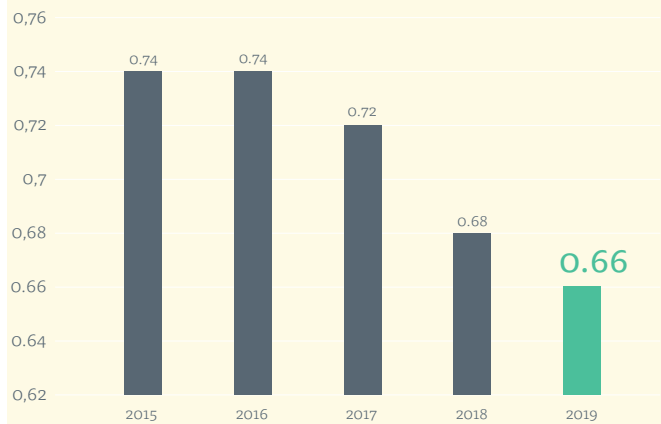
gas (GHG) emissions, KCM actively has joined in the national strategy for climate change and establishes goals for optimizing its productive and administrative processes, identifying and executing projects to reduce energy consumption and GHG emissions.

<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

(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 306-4)

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.

(GRI 306-2)

WASTE GENERATED IN 2019

metric tons

Type of waste	Destination	
	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	363,927	

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 Certificação 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.



Sustentabilidad KCM 17x12x19

Kimberly-Clark de México

Ponencias

<p>9:30-10:30 hrs. Sistematización de la Sustentabilidad</p> <p>Roy Pérez de Francisco y Valeria Chapo Area Sostenibilidad KCM</p> <p>Indicadores que miden el grado de adhesión de las empresas hacia diversas prácticas sociales, ambientales, y económicas, para permitir un menor impacto de las operaciones en el planeta.</p>	<p>12:30-13:30 hrs. Objetivos de Desarrollo Sustentable</p> <p>Javier Balderston Visión Gerencial</p> <p>¿Cómo vemos la población se enfrenta a numerosos desafíos para conseguir que todos las personas tengan las mismas oportunidades de desarrollo y bienestar. ¿De qué se trata? y cómo surgen los ODS?</p>
<p>10:30-11:30 hrs. Sustentabilidad BASF</p> <p>Orlando Alejandro Lira y Regina Escandell BASF</p> <p>Conceptos, términos y definiciones.</p>	<p>16:00-17:00 hrs. Implementando la Economía Circular de los Plásticos</p> <p>Juan Tello y Piero Leppardt Olea Chemical</p> <p>Paradigma a general de economía circular: situación con los plásticos y acciones de Olea al impacto global, regional y localmente.</p>
<p>11:30-12:30 hrs. Educación del cuidado al medio ambiente y cultura del reciclaje (Reciclamiento)</p> <p>Juan Carlos Carrasco Ministerio de Medio y Ambiente</p> <p>Reciclamiento es una iniciativa de Walmart para reducir la generación de residuos, a través del reciclaje de empaques una vez utilizados, para evitar que estos sean enviados a rellenos sanitarios.</p>	<p>17:30-18:30 hrs. Pacto Mundial</p> <p>Michelle Benítez Pacto Mundial de las Naciones Unidas</p> <p>Iniciativa de sustentabilidad corporativa más grande del mundo. Un llamado a alinear las estrategias y operaciones con los principios universales de derechos humanos, estándares laborales, medio ambiente y anti corrupción para formar acciones que permitan avanzar en los objetivos sociales.</p>



Sustentabilidad KCM 17x12x19

Kimberly-Clark de México

Actividades

<p>Sala B 09:30 a 14:00 / 16:00 a 18:30 hrs. Máquina recicladora de PET y Aluminio</p> <p>Hitler Construcción en donde puedes depositar botellas de PET y aluminio en cualquier lugar. Por cada pieza que depositas, te regalaré puntos que posteriormente puedes utilizar de formas distintas.</p>	<p>Sala C 10:00 a 10:30 / 10:50 a 11:20 / 11:40 a 12:10 / 12:30 a 13:00 / 13:20 a 13:50 / 14:00 a 16:30 / 16:50 a 17:20 hrs. "El camino para ser personas sustentables"</p> <p>Sonia Martínez Rojas KCM</p> <p>Existen diversas acciones que cada uno de nosotros podemos realizar para mejorar dentro y fuera de la organización para así cuidar de nuestro medio ambiente y de nosotros mismos.</p>
<p>Sala B 09:30 a 14:00 / 16:00 a 18:30 hrs. Separación de residuos</p> <p>KCM La correcta separación de los residuos que generamos es de vital importancia para poder mantener el momento de su disposición final.</p>	<p>Sala C 09:30 a 14:00 / 16:00 a 18:30 hrs. "Los plásticos en tu vida"</p> <p>Karen Cardenas KCM</p> <p>Colaboraremos con ustedes con distintos tipos de plásticos, conoce cuáles son y cuál es su disposición final de cada uno de ellos. y así es la disposición</p>



BUSINESS *ethics and* **SOCIAL** *responsability*

KCM is committed to a sustainable future, operating for the benefit of our stakeholders and society at large, and endorsing the Sustainable Development Goals and the guidelines of the United Nations Global Compact (UNGC), of which we are signatory members through our partner KCC.

We have a deep conviction about the role we play in the life of our society. 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.**

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 (UNGC), of which we are a member through our partner, the Kimberly-Clark Corporation.

We have a deep conviction about the role we play in the life of our society, and we are committed to a sustainable future. We believe environmental care is everyone's responsibility, so we encourage our suppliers and clients to join us in our commitment to a better planet, where we can all grow together.

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.



BUSINESS ETHICS



United Nations
Global Compact



Audits



THE UNITED NATIONS GLOBAL COMPACT

Principle	Description	With reference to KCM
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights within their area of influence.	Throughout its history, Kimberly-Clark de México has 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	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	Freedom of association.	We encourage respect for labor organization rights. At present, 82.45% 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
Principles 4 and 5	Elimination of all forms of forced and compulsory labor and child labor (GRI 409-1).	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. We have Social Standards for suppliers by which we seek to mitigate any risk of child or forced labor. Our Purchasing and Quality areas regularly audit suppliers to ensure they maintain good social practices.
Principle 6	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 discrimination on the basis of age, gender, race, color, religion, creed, sexual orientation, nationality, physical disability or pregnancy.
Principles 7, 8 and 9	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	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 on our website (GRI 205-1). 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 governed by specific laws, and Kimberly-Clark de México S.A.B de C.V., its subsidiaries, affiliates, officers and employees acting on its behalf are strictly prohibited from receiving or giving illegal payments, 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.

(GRI 102-16)

CODE OF CONDUCT

Our code is intended to promote, respect, protect and reinforce our policies on respect for human rights and is composed of the following sections:

Conduct vis-a-vis:

- › Our team
- › Our company
- › Our clients, suppliers and consumers
- › The environment
- › Government agencies
- › 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)
- › Gifts, entertainment and other favors
- › Human rights
- › Freedom of association
- › Diversity (GRI 405-11)
- › 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.



Since its beginnings, 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.



To this end, 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.

(GRI 205-2)

Training in the Code of Conduct

We have redoubled our efforts in the areas of corporate ethics, diversity and inclusion. On the matter of ethics, we not only held talks on various important topics like organizational culture and respect for labor rights but we improved training in the Code of Conduct and used technology to develop a course and its corresponding certification, which must be passed by each of our 8,653 employees. On the question of diversity, our practices have enabled us to assemble an increasingly diverse and inclusive team, with all the benefits that this entails.

From the time they are hired, employees are made aware of this code. Reminders are sent regularly to all personnel via digital media.

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 provide regular guidance to 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.

(GRI 102-17)

Whistleblower System

We have a whistleblower system open 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 (codigo.conducta@kcc.com) and external phone lines (55-5282-7223, 55-5282-7320, 55-5282-7336) through which we can investigate and address violations of our Code.

This enables us to 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.

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 2019

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

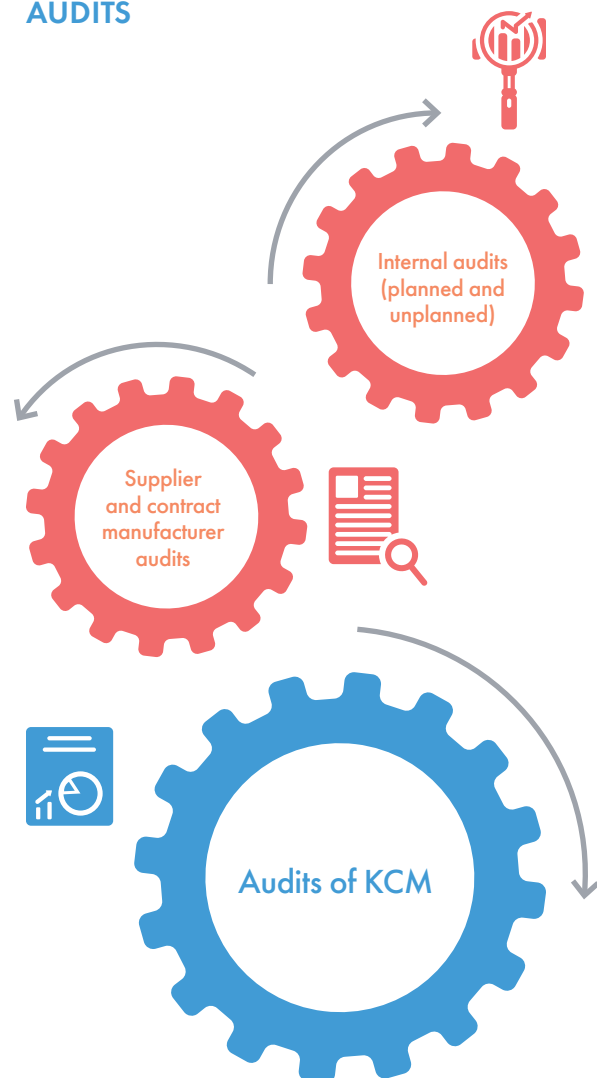
The most frequently reported issues were poor work attitude and requests for money.

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

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

It is very important for companies to have policies that ensure optimum performance of tolls like the Code of Conduct. KCM has a policy for addressing complaints (*KCM Policy 48: No Reprisals for Reporting Violations*), which is available to 100% of KCM employees.

AUDITS





Number of planned and unplanned audits (I)

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 or risks of human rights violations detected anywhere in our operations.

We conducted 38 audits last year (36 planned and 2 unplanned), finding the majority of them to be “well controlled”, some as “generally well controlled” and two as “not well controlled.”



Audits to suppliers and contract manufacturers (I, E)

We conducted 36 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 2018, and these will be audited once again in 2020.

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.



Audits of KCM (E)

During the year, Disney and Wal-Mart audited us in areas such as human rights, safety, environment and quality, and found no critical or major instances of non-compliance. Audits were also conducted by KCC into quality issues, and in all cases the results were favorable and there were no major or critical notes issued.

(E) External
(I) Internal

CYBERSECURITY

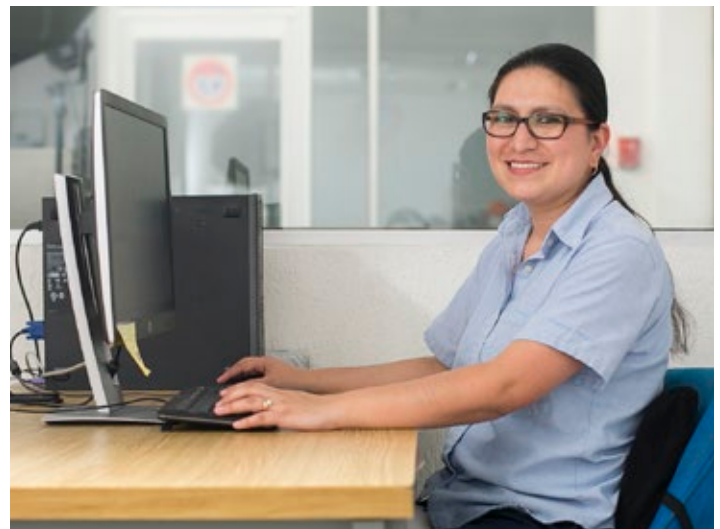
Given current trends toward digitalization, which includes, among others, cloud computing, online markets and payments, etc., it is crucial that network access, IT systems and data are secure at all times.

As a result, system performance below committed levels, or service interruptions, can raise costs and pose a risk to KCM’s reputation. The main risks relate to technical failures, human error, cyberattack, climate events, natural disasters or terrorist attack. Managing these risks, including backup plans, is crucial for guaranteeing business continuity. The criteria focus on how well prepared the company’s systems are to avoid IT system failures and major information/cybersecurity incidents, and whether it is able to react appropriately to such events.

Within KCM, the Board of Directors is involved in the review process and information security/cybersecurity strategy, and the person responsible is required to have a strong background in IT, information security or cybersecurity.

A presentation is regularly made to the Board of Director’s Audit Committee about the activities and practices carried out to safeguard business information and prevent possible attacks and improper access to the company’s data networks.

A set of policies and procedures are in place to regulate and ensure that access to critical business information is restricted, and that business applications are as functional as possible for



preserving correct access and for backing up the information they handle.

KCM has a formal Information Security policy, whose objective is to ensure that personnel who for work reasons have access to or handle or prepare sensitive or confidential information are held responsible for the custody, use, disposal or destruction of that information.

The company has the right processes for avoiding IT system interruptions and cyberattack, which are documented and tested regularly to confirm that they are effective in the event of an emergency.

Every business application has documented continuity plans and procedures for acting in the event of a commercial emergency; these procedures are tested, reviewed and updated annually. The IT infrastructure and the information security management system

KCM has a formal Information Security Policy, whose objective is to ensure that personnel who for work reasons have access to or handle or prepare sensitive or confidential information are held responsible for the custody, use, disposal or destruction of this information.



have not obtained ISO 27001, NIST or similar certification, because this infrastructure, and the management of information security, is provided and administered by the Cybersecurity area of Kimberly-Clark Corporation.

Each audit of the various business applications involves a review of security and access procedures, segregation of functions, file backup and contingency plan testing. These audits are performed both by the Internal Audit Department and independent auditors Deloitte & Touche and Kimberly-Clark Corporation.

The company has not experienced any violation of information security or any other cybersecurity incident, which is consistent with its past performance, confirming the security with which our network operates today. Any attempted cyberattack is documented and reported to the Cybersecurity area of Kimberly-Clark Corporation. The company does not have any insurance coverage for violations of information security or other cybersecurity incidents.





SOCIAL RESPONSIBILITY

This is a highly important pillar of operations at Kimberly-Clark de México, because people are our reason for being, and we are committed to building a sustainable future for all. 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 committed to the creation of 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.



The "KCM Inspira" program encompasses all of our social responsibility activities with our stakeholders in order to create value for them.

(GRI 102-8, GRI 102-41)

OUR EMPLOYEES

At Kimberly-Clark de México, we know that the company is a reflection of all the people who work here, so we are deeply committed to attracting, retaining, caring for and motivating all our employees. It is thanks to them that we can maintain an inclusive, harmonious, safe and sustainable working environment and continue to attract talent, protecting their health and safety, training them and enhancing their quality of life through benefits and fair pay.

Accordingly, at the end of 2019, we had a workforce of 8,653 people (82.45% of them union members and 17.55% employed under contract). We hired 1,244 employees during the year, 135 of them women and 1,109 of them men. Our average monthly turnover rate was 1.26% (better than the national index of 1.39%), where it has remained for more than ten years. We maintain a policy of hiring people close to our work centers and thus generating local jobs (GRI 401-1).



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 for their commuting expenses if they require it.

KCM supports freedom of association (Principle 3 of the UNGC), and 82.45% of our employees are union members (GRI 407-1).

HIRING AND FUTURE WORK FORCE

The passion and innovation of our employees—a total of 8,653 in 2019—make KCM a leading company in our industry. We have achieved this through diversity: 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 also 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 2019, 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 (GRI 406-1).

You can consult these at: <https://www.kimberlyclark.com.mx/data/global/pdf/CodigodeConducta.pdf>



Our workforce has an average seniority of 9.13 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 13.26% for non-unionized employees and 17.12% for unionized personnel.

Our process for filling vacancies begins with 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. If no one currently working in our operations meets the qualifications, we seek for outside candidates in the areas neighboring our operations.

In 2019 we had two key training programs:



Youth Building the Future

This 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. The program was developed and promoted by the Ministry of Labor and Social Planning.

The first generation to graduate under this initiative began work at KCM on February 5, 2019, and consisted of around 80 interns (at Bajío, Ecatepec, Orizaba, Prosepe, Texmelucan, CDM and our administrative offices).

In 2019 another 306 interns joined the program, with a monthly average of 150, distributed across all our locations. The young people that came to work at KCM were 51% women and 49% men.

It was clearly a year of challenges and opportunities, in which KCM received 461 applications from young people and had the support of more than 250 tutors, in addition to the supported received from the work teams that made this first generation a group of highly-prepared and well-trained youth ready to join the working world.



Applying Methodologies

Following our strategy of developing and strengthening our employees' skills, which is crucial for meeting our goals, improving and making our processes more efficient through innovation, we have begun to work with agile methodologies, for which various training sessions were held, attended by more than 95 participants.



Nielsen tool certification

We also presented KCM Nielsen Reporting Tool Certificates in our administrative offices, where all participants were recognized and special mention was made of those that earned the certificate.

In late 2018 and early 2019, all participants attended a series of training sessions and took theoretic and practical exams to obtain this certification, which recognizes their ability to identify business opportunities and take action to increase the value of categories with our clients.

This certification is one of the many actions we take to train our people to take advantage of the valuable tools available to KCM, and which we must use to their fullest advantage in order to improve our competitiveness and enhance strategies to continue positioning our brands as market leaders.

(GRI 102-36, GRI 2012-38, GRI 201-3, GRI 202-1, GRI 405-2)

COMPENSATION AND BENEFITS

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 equitable, and is established on the basis of market salary tables, the level of responsibility of each job, and the individual performance of the employee in question.

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, as well as respect for the environment, on which we all depend (GRI 102-37). For this reason, our Compensation Policy establishes a salary and benefits package that is competitive in the market, which enables us to attract people with the highest ethical standards and outstanding performance. A clear example of this is the fact that, in 2019, the company paid out a total of MXN \$772 million in employee profit-sharing, which was 16% of net earnings for the year, in addition to the following benefits:

(GRI 401-2) 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 with school supplies	✓	✓
Monthly grocery vouchers	✓	✓
Life insurance	✓	✓

Our personnel participate in the company's results through profit-sharing, one of the highest in the country.



Because we want employees to achieve a healthy work-life balance, 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 following benefits, which include continuing paid leave so that employees can use to attend to their family responsibilities:

1. Life and major medical insurance for spouse and children

2. Additional maternity/ paternity leave in the event of complications in pregnancy or birth

3. Prenatal care

4. Care for family members with unexpected health issues

5. Attending to children's daycare or school matters

6. More vacation days and holidays than are established by the Federal Labor Law

7. 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 in welcoming 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 afterwards. Mothers who take maternity leave are permitted to extend their leave by adding on their vacation time.

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.
- › Special sale prices are automatically updated to the app's home screen, and there is also a search tool for finding restaurants, types of food, stores, etc.



(GRI 401-3)

Indicator	Maternity	Paternity
Reinstatement index	71.43%	100%
Maternity/paternity leave	84 days (Federal Labor Law)	5 days

TRAINING AND DEVELOPMENT

Our Human Resources Department detects needs and establishes institutional programs for ongoing training and development based on the results of our ongoing evaluation of personnel, which results in resilience to the changes and needs of our clients and consumers, and means better working conditions for everyone at KCM.

In 2019, we invested MXN 28.27 million in training, for a total of 759,521 work hours of training and 5,856 courses or seminars offered, representing an average of 87.78 hours per employee.

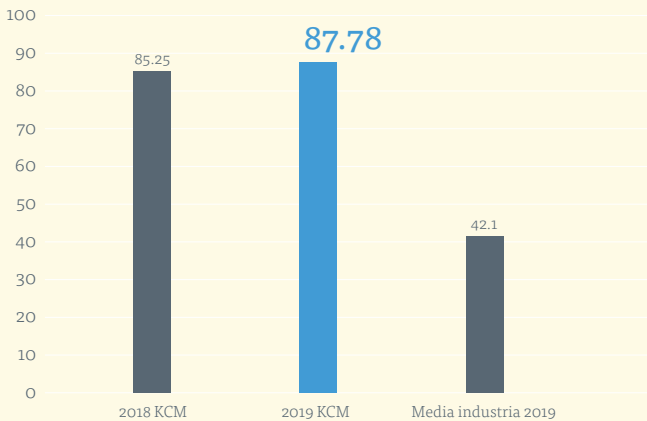


(GRI 404-1)

TRAINING

	2017	2018	2019
Training (hours per employee)	718,105	739,340	759,521
Training index (% hours per employee)	3.37	3.38	3.40
Number of courses given	5,815	5,840	5,856

ANNUAL HOURS OF TRAINING PER EMPLOYEE



Source: Training Mag

(GRI 404-1)

ANNUAL TRAINING HOURS PER EMPLOYEE

Unionized	Non-unionized
96.76	50.55

Our training index increased in 2019, and is now above the average index in Mexico by more than 100%.



(GRI 404-2)

Description of Employment Development and Training Plans

In 2019, in order to drive competitiveness and employee skill development, our Training and Development Plans focused on areas such as Safety and Maintenance, Quality and Innovation, and Manufacturing, in addition to areas related to the company's strategy; safety continues to play a fundamental role within the company, one that is updated on an annual basis (First Aid, Behavior-based Safety, Loss Prevention and Safety System, among others) to help avoid accidents and mitigate risks.

(GRI 404-3)

PERFORMANCE MANAGEMENT

To decide on salary increases consistent with our Compensation Policy, 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.

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.

(GRI 201-3)

RETIREMENT

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 be able to 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, include seniority bonuses.



(GRI 403-1)

OCCUPATIONAL HEALTH AND SAFETY

At KCM we have a duty to provide a safe and healthy workplace for all employees and accept our responsibility for environmental care. For these reasons, we began applying the Ministry of Labor's Standard O35, Psycho-Social Risk Factors at Work, and developed and launched a new EHS strategy in October 2019, whose purpose is to evaluate maturity and significantly improve EHS performance in all our operations by:

- › Defining clear and simple objectives.
- › Determining and monitoring current EHS performance at each location.
- › Establishing targets and responsibilities that enable us to embody the leadership imperatives.

With this we will fulfill the vision and strategic EHS targets established by KCM's senior management for 2022, which establishes EHS as an "Essential Value."



The strategy rests on three basic pillars, known as the "Maturity Model." Their objectives are:



Mindset, Behaviors and Capabilities

For greater understanding and leadership

Understanding the job that needs to be done, to improve EHS performance and maturity reflected in Leadership.



Risk Reduction and Risk Tolerance

Prioritize and accelerate action toward critical risks

Identify, prioritize and expedite action toward material risks with evidence of action plans and efforts to eliminate, reduce or control hazards.



EHS Management system

Systematic focus on improving EHS

Establishing or remedying EHS management processes to make them more effective and less complex.

2022 Target:

Reach Maturity Level 2, embodying the Leadership Imperatives in all of KCM operations and meeting KCC's expectations, which require that all leaders involved regularly define clear expectations for employees in charge of EHS, and interact positively within this system.

6 LEADERSHIP IMPERATIVES IN SAFETY

1.

CONSISTENT EHS LEADERSHIP

2.

POSITIVE EHS INTERACTIONS

3.

REDUCE RISK TOLERANCE

4.

EMPOWER EMPLOYEES AND CONTRACTORS

5.

ENSURE CONSISTENCY IN SAFE PRACTICES ON THE JOB

6.

INCENTIVES AND METRICS ALIGNED



In 2020, we will be starting a self-evaluation process managed by each location, with follow-up visits from Corporate Safety personnel. We expect to begin a program of formal audits in 2021, incorporated into the KCC global audit plan.

Safety results

Thanks to the safety training we give our employees, there were no fatalities in 2019, either among KCM employees or contractors. Furthermore, the number of serious and critical accidents declined, the serious and critical accident index was lower, while the severity index also declined.

One key results was a substantial 50% reduction in the severity index.

Other significant reductions were a lower serious and critical accident index, and fewer accidents overall.

(GRI 403-2) SAFETY INDICATORS	2015	2016	2017	2018	2019
Average absenteeism	1.33	1.15	1.25	1.51	1.51
Number of work-related illnesses	0	0	0	0	0
Total index of accidents	0.76	0.65	0.72	0.91	1.29
Severity index	10.3	12.56	4.76	12.67	6.34
Serious and critical accidents index	0.14	0.10	0.09	0.11	0.07
Serious and critical accidents	14	10	8	12	10

COMMITMENT TO OUR SUPPLIERS

Social responsibility, business ethics and concern for environmental care are integral to KCM culture, which is why we require our suppliers to commit to the same values: as part of our supply chain, they assume this shared responsibility together with us.



SAFETY VISION

To be recognized as the best company in Environment, Health and Safety in our industry.



STRATEGIC SAFETY TARGET

Zero fatalities, zero injuries of any type, across all KCM operations.

(GRI 102-9, GRI 102-10)

VALUE CHAIN STRATEGY

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



(GRI 308-1)

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
- › 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/estndaressociales-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/estndaressociales-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.

SUPPLIER 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.

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.

We have a set of “Social compliance standards for suppliers” which 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).





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

36 supplier audits were performed and, in most 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. For suppliers with low scores, KCM asked them to develop a corrective action plan and follows up on it until the findings are resolved. In 2019, we conducted follow-up reviews of the findings of 2018 audits of contract manufacturers (maquiladoras), and these will be audited again in 2020.

Our suppliers and maquiladoras agreed to the audits, and welcomed 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 and infrastructure as well as quality systems (non-compliant product controls and testing methods).

We did not receive any claims regarding human rights violations, and in order to maintain this result, in 2019 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*).

SUPPLIER INNOVATION AND DEVELOPMENT

In order to be more productive, 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.

SUPPLIER RESULTS

In 2019, Kimberly-Clark de México generated an economic flow of MXN \$17,522 billion; 74% of its suppliers were domestic (273) and 26% were foreign (93).

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 avoid GHG emissions like methane gas, which has a high impact on global warming. We use close to 65.7% recycled postconsumer paper, which means it does not go to landfills or open-air trash tips (4.4% more than last year).

In 2019, 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.

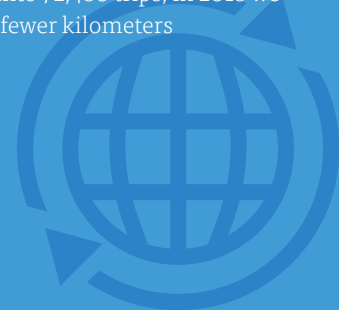
The conclusions of these studies offer further evidence of the importance of integrating suppliers into our strategy and helping reduce the environmental footprint associated with our raw materials supply.

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 closely 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 24,854,419 km (SODISA) to bring our products to our clients (including our transport subsidiary and external truckers), all of them optimized into 72,480 trips; in 2018 we made more trips of fewer kilometers





PRODUCT INNOVATION AND TECHNOLOGICAL DEVELOPMENT

KCM is always thinking about the consumer, continually building value through significant and differentiated innovations. We brought relevant propositions to the market in all our product categories in 2019.



Baby diapers

We introduced the Huggies® Supreme® Platino diaper, with superior performance and care and protection of baby's skin.

We re-launched the Huggies® Eco Natural diaper, an environmentally-friendly alternative for babies, and in line with the trend toward re-use, we developed the Huggies® Diaper Box, a practical diaper container formed with the corrugated package itself, a useful accessory for baby's room.

In the middle range, we added a fitted pocket at the back to avoid leaks in the KleenBebé® Suavelastic® diaper in newborn and small sizes. In the same segment, we introduced special presentations with licensed characters to support promotional activities.

In the budget segment, we improved the performance of KleenBebé® Absorsec® with Absorgel core, creating a more absorbent diaper with a new cover that better distributes liquids so baby stays dry.



Wet wipes

We introduced Huggies® Supreme® Micellar Water and a new fragrance in the Relaxing and Moisturizing lines.

SUSTAINABLE INNOVATION

For KCM, innovation is one of the key drivers of this company's current and future success, and therefore a priority and a tangible competitive advantage.

Innovation drives changes in our products, processes and organization, which is why it marks the difference between companies. Unfortunately, up until now innovation has been measured using obsolete economic indicators (R&D expense and number of patents) that do not capture the complexity and multidimensionality of a company's innovation management processes. Latest-generation innovation incorporates the entire development chain, beginning with the contribution to innovation (R&D expense) and innovation management (on-going processes, KPI) through innovation production (success rates, return on investment). It also recognizes the importance of environmental and social innovation.

With these parameters, we evaluate the size and structure of R&D expenses (both internal and external) as well as the number of employees working in R&D jobs.

KCM innovations have created value for our consumers, because they were designed with them in mind.



Evenflo®

In the premium segment, we joined the trend toward natural feeding with the launch of the Soft & Natural Bottle in the Evenflo® Advanced family, the first silicone bottle with a soft, natural texture more like the mother's breast.

The brand also joined in the drive to promote breastfeeding with the first line of wet wipes for nursing, a cooler bag and a nipple shield, so women can enjoy the power of breastfeeding.

In the mid-range segment we introduced a new manual breast pump, an angled bottle, the Glow family—a glow-in-the-dark cup and bottle—and two new sippy cups, one with a 360° technology that the toddler can drink from any part of the lid with no spills, and a lunchbox cup to take with them to preschool.



Toilet paper

We launched larger rolls in the Kleenex® Cottonelle®, Pétalo® and Suavel® brands, improving the product's yield for the consumer.

In Kleenex® Cottonelle® we revamped our image on various presentations in order to differentiate and more clearly communicate the benefits.

To pamper consumers looking for a superior experience through trending fragrances, we launched Kleenex® Cottonelle® Beauty Flor de Tiaré.

In Suavel® we know that scent and yield are very important, so we offer the market five fragrances, for different tastes and seasons of the year, along with rolls that have more sheets, offering the best value equation.



Napkins

We launched a special presentation of Kleenex® Deco for consumers who want a special touch of style for their table.

In the Servitoallas® paper towel category, we developed Kleenex® MaxiAbsorb, offering maximum absorption through an exclusive technology of absorbent quilting that retains 40 percent more liquid than a conventional paper towel.

In the Suavel® brand, we launched a roll with smaller sheet size options, seeking to meet the needs of consumers' kitchens and families at better prices.



Facial tissues

We developed a Kleenex® Peach Almond Fragrance tissue that offers softness with a hint of sweetness.

Packaging for the Cold Care line was revamped and we boosted communication on the Antiviral, Menthol and Soothing Lotion alternatives to more clearly show the product's benefits in each phase of the common cold.



Feminine Protection

We introduced improvements to various versions of our Kotex® feminine pads. In the Nighttime line we increased absorption by 7 times for the anatomical line with wings, incorporating Dimple technology, and in the ultra-thin winged line with new channels and optimized pad thickness. We also launched a Kotex® Ultra-light nighttime pad with wings.



Incontinence

We re-launched the Depend® and Diapro® brands with a new image and differentiated positioning to meet consumers' specific needs.





Active users

Our Depend® brand launched the Colors line of pull-ups for women and unisex, with covers similar to those of regular underwear.



Beauty Care

We launched a new proposition in the premium market for facial care under the Kleenex® Beauty brand, with Micellar Makeup Removing wipes and Waterproof Makeup Removing Wipes; in the same line we introduced Pure Micellar Water and Night Calm Micellar Water.



Soap

In our Kleenex® lines, we introduced Micellar Water Liquid Body Wash and the Kleenex® Anti-Oxidant line of Berry-Scented soap, which include bar soap, liquid hand soap and liquid body wash.

In the Escudo® brand, we launched a new Advanced Protection line with special features, where we introduced the new Escudo® Antibacterial Detox body soaps with Activated Carbon, and Escudo® Anti-Acne with Derma Clean® Technology.



Professional

We introduced a jumbo Scott® Center Pull toilet paper roll that includes a new exclusive dispenser with improved performance, and in the budget segment we launched Jumbo Marli® single-ply toilet paper.



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.

E-COMMERCE

Our goal is to make our products available to consumers at all the primary points of contact. Consumers expect to find their preferred brands and products wherever and whenever they want, and ensuring this presence is how we maintain this preference. Digital points of contact have become benchmarks in purchasing decisions, so by being present in these media, we also impact other sales channels.

We also support the development of our clients and new pure players* through commercial 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, all with an increasingly omnichannel shopper in mind.

Finally, we developed strategies with the leading last-mile players, which are becoming more important among consumers because they have a clear focus on user experience and convenience. These strategies include positioning of brands and innovations through communication, as well as focusing continually on maintaining the perfect “digital shelf” by which we ensure we remain top-of-mind for our consumers.

* Companies engaged exclusively in e-commerce

E-commerce progress and challenges

In 2019 we saw some progress in the perceived security of e-commerce platforms among shoppers—in previous years this has been one of the biggest barriers preventing them from adopting the habit of online shopping. The improvement has been the result of expanded communication and education efforts by players in this channel, particularly the pure players.

We have also seen an expansion of services known as “last mile,” which use a model of convenience and speed to become a service benchmark for consumers, who have embraced their use for purchasing products well beyond food delivery service.

Despite this, 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, which is part of the family lifestyle.

BRANDS WITH A SOCIAL CAUSE

Under the KCM Inspira® program, we continue our work on initiatives like “Caring, Educating, Encouraging,” where we promote responsibility among our stakeholders, attending to their needs through volunteer work in support of more than 200 charitable institutions and nonprofit organizations.

We announced a partnership between Embracing their Development by Huggies® and UNICEF, with the goal of giving 1.5 million babies the best start to life through promoters trained in good parenting practices and childhood development.

Furthermore, Kotex® and Escudo® Antibacterial launched a pink campaign, with cause-driven product promotions in partnership with the COI Foundation, which supports detection and early treatment of breast cancer.

Concerned about new generations, Kotex® has a “School Tour” program where every year it visits more than 100,000 girls to provide them information about sex education and intimate care, to help them feel more secure.

In 2019 we saw some progress in the perceived security of e-commerce platforms among shoppers—in previous years this has been one of the biggest barriers preventing them from adopting the habit of online shopping.

Additionally, the Escudo® Antibacterial brand continues its school visit program to help educate kids about Health and Hygiene, providing them information to share with their parents and improve better health practices and protection at home and at school.

Besides these efforts, our main brands are adopting and advocating for social causes important to our consumers.

CUSTOMER SATISFACTION

The satisfaction our clients feel with our products, and knowing we have kept our sales promises, continually improving our products, is one that clearly sets us apart from the competition.

The Consumer Assistance area is a tool that gives us the opportunity to relate to them, and it is in charge of analyzing their concerns, comments, questions and suggestions, and providing personalized assistance based on a correct diagnosis of the situation. Its policy is to promptly follow up on each issue 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 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.



In 2019, there were no formal claims by our consumers 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.

1. Comment on our products by phone, e-mail or social networks
2. Response within 24 hours
3. Product sent to be collected by an agent
4. Respect for ARCO rights

CUSTOMER SERVICE 2019

Business	Calls	E-mails	Social networks	Total
Baby Care	8,042	1,645	9,083	18,770
Incontinence	421	1,126	435	1,982
Feminine Protection	701	2,685	1,863	5,249
Beauty Care	579	836	821	2,236
Home Products	1,386	2,600	1,979	5,965
Evenflo	1,993	2,901	2,980	7,874
Total services	13,122	11,793	17,161	42,076

RESPONSIBLE ADVERTISING

Because 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 also 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 2019, we had no incidents of non-compliance with regulations regarding marketing, advertising and promotional activities. Since 2017, we have 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 ACCESSIBILITY

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.

EDUCATIONAL AND CULTURAL ACTIVITIES

Kimberly-Clark is committed to providing and sponsoring educational and cultural activities that are essential to the holistic development of our employees in various plants where such activities are carried out.

In the area of cultural support, we promote the following:

One of these activities is the “Reading Makes you Great” program, through which we promote 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.



Additionally, to strengthen knowledge and digital skills within KCM, and as part of the KCM Digital Transformation initiative, we have begun a process of digital certification. This involves senior management and other high-level executives and covers issues of digital transformation, e-commerce, new digital media, cybersecurity, big data strategies, and others.

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, we offer the following activities:

- › Open-access high- school equivalency program, whereby employees have the opportunity to obtain a preparatory school certificate by studying on the company's premises.

 <p>Concerts</p>	 <p>Plays focused on safety awareness</p>
 <p>Museum visits</p>	 <p>Weekend cultural activities that are listed every week on the company's Intranet</p>
 <p>Weekly reading recommendations</p>	 <p>Concerts for employees' children, with the support of Embracing their Development by Huggies.</p>

- › Scholarships were awarded to children with outstanding academic performance in middle and high school and college.
- › Economic grants to the children of unionized workers to buy school supplies.
- › As we mentioned above, we are also participants in the Ministry of Labor's "Youth Building the Future" program.

(GRI 413-1)

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 involved social participation and community support in the following areas:

- › Support for charitable institutions, foundations, and for society at large in the event of natural disasters.
- › Support for more than 200 institutions with cash and product donations, giving lower-income segments of the population access to our hygiene and personal care products. Most of these donations were focused on private charitable institutions that care for and rehabilitate sick children or isolated senior citizens who live in assistance facilities and are in dire need.

One significant commitment to the community has been the incorporation of the "Youth building the future" program into our operations.

- › This past year, in partnership with the federal government, we supported the "Youth Building the Future" program which we detailed above, and which we consider a commitment to our community.

- › In 2019, the "Serving together" program celebrated its 7th anniversary. In this program, employees from various areas through the company donate a specific week of their time every year, to do social volunteer work. In one of the locations they made a "Mexican festival" meal for residents of a shelter and spent time with the elderly there, engaging in board games, dancing, or simply keeping them company. At another plant employees worked on reforestation, painting, delivery of waste handling equipment, water reservation, hygiene, sports activities, etc.

Community relations

To benefit the communities neighboring our facilities, we carried out the following activities in 2019:

- › Cash and product donation to various institutions.
- › Fire and earthquake drills at corporate headquarters, in coordination with neighbor corporations, municipal and civil defense authorities.
- › Volunteers worked with the Civil Defense department for Easter week and year-end holiday operations.
- › Our safety brigades took part in fire drills in coordination with the Civil Defense Department, PROFEPA and other companies in the area.
- › Technical assistance and training agreements with the Voluntary Firemen's Endowment.
- › We created 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.

- › At plants located in industrial zones, we worked on industrial safety issues together with neighboring companies, 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
- › High school and college 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).
- › Donations to ANSPAC (the National Association for Personal Advancement), which has personal advancement programs aimed at employees' wives and women from surrounding communities.

HEALTH AND HYGIENE

We aim to encourage employees and their families to adopt best hygiene and personal care practices that contribute to health and wellness. We are constantly innovating and using our market leadership to reach all socioeconomic segments with high-quality products backed by the prestige of our brands.

In 2019, we sent a series of messages to the entire organization intended to create a culture of wellness for all employees through awareness building.

In line with our business goal, encouraging good hygiene is essential to this corporation. One way we do this is through a program we call "Kuida tu salud" (Care for your health), which in its first phase offered comprehensive health packages to our employees, including both physical and mental wellness activities: yoga sessions, interbody, physical therapy, clinical and nutritional consultation, electrocardiograms, psychological counseling, etc.

"Because we want to enjoy every day in good health," for the second phase of the program more physical activities were offered—nutrition classes, yoga, preventive medicine, exercise, stress management, physical therapy, etc.

The program completed its third phase during Health Week 2019, where KCM offered 45-element blood chemistry workups, in which it shared 50% of the cost, covering a wide range of general health issues by analyzing:

- › Cardiovascular system
- › Blood system
- › Immune system
- › Liver
- › Kidneys
- › Glucose



Comprehensive health
(physical and mental)



Physical activities



Blood chemistry





Corporate **GOVERNANCE**

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

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

CORPORATE GOVERNANCE

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

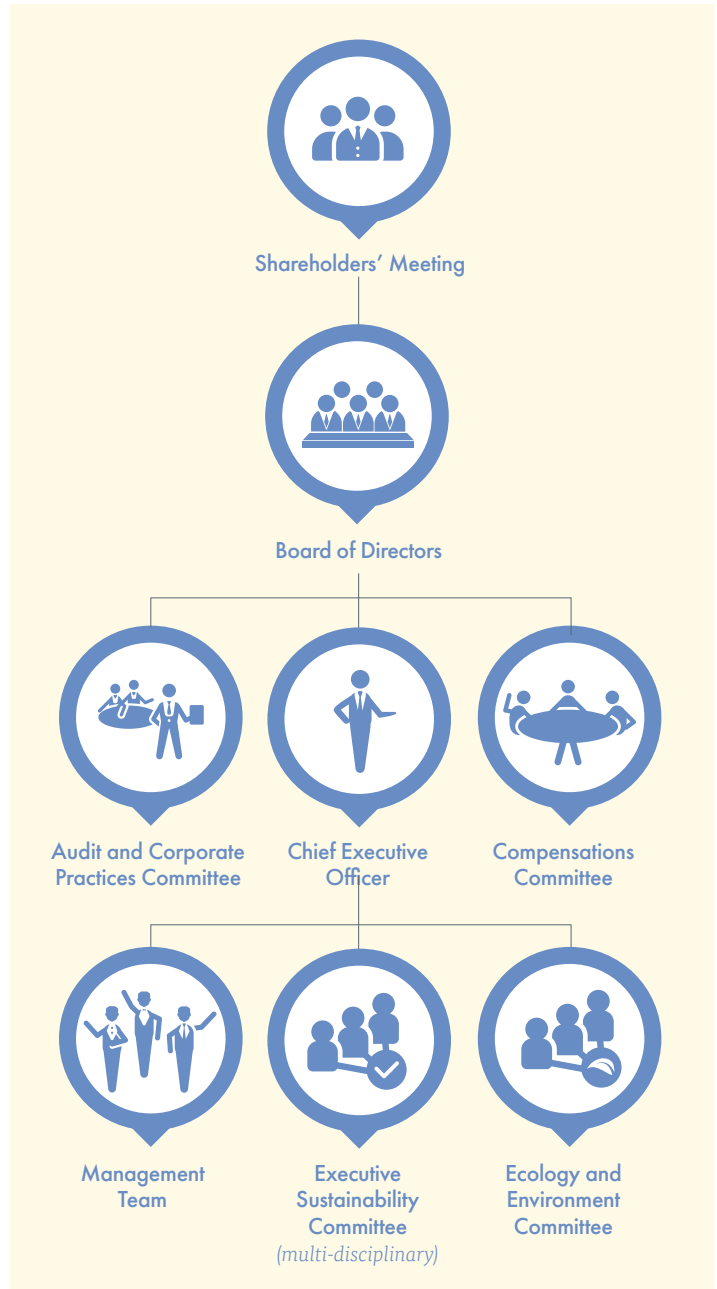
In line with the Code of Best Corporate Practices, KCM has a good and healthy governance structure that creates the conditions necessary for making strategic decisions that serve as a lever for increased competitiveness and value generation.

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

(GRI 102-18)

CORPORATE GOVERNANCE STRUCTURE

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



SHAREHOLDERS' MEETING

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

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

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

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

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

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



- the retained earnings from previous fiscal year accounts, not subject to the provisions of Article 135 of the General Commercial Corporations Law. Reimbursement will be paid against the balance of the Contributed Capital Account referred to in Article 78 of the Income Tax Law.
15. Reimbursement due to the capital reduction in four installments of MXN 0.387 each, payable April 4, July 4, October 3 and December, 2019, on each of the ordinary series A and B shares representing paid-in capital stock which are issued, subscribed, paid in and released on each of the dates on which those installments are scheduled, against coupons 61, 62, 63 and 64 of the outstanding shares.
 16. Approval for the Board of Directors, through its Secretary, to publish the corresponding informational notices, along with the notice referred to in Article 9 of the General Corporations Law and to make whatever determinations it considers appropriate in relation to the reduction in the capital

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

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

(GRI 102-22)

BOARD OF DIRECTORS

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

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

(GRI 102-26).

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



INTEGRATION OF THE BOARD OF DIRECTORS

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

Alternate Board Members

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



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

(GRI 102-24)

BOARD MEMBER APPOINTMENT PROCESS

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

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

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

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

BOARD MEMBER EXPERIENCE

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

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

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

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

Regular Members

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



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

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

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

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

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

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

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

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

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



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

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

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

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

(GRI 102-28)

DUTIES OF THE BOARD OF DIRECTORS

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

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

BOARD MEETINGS

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

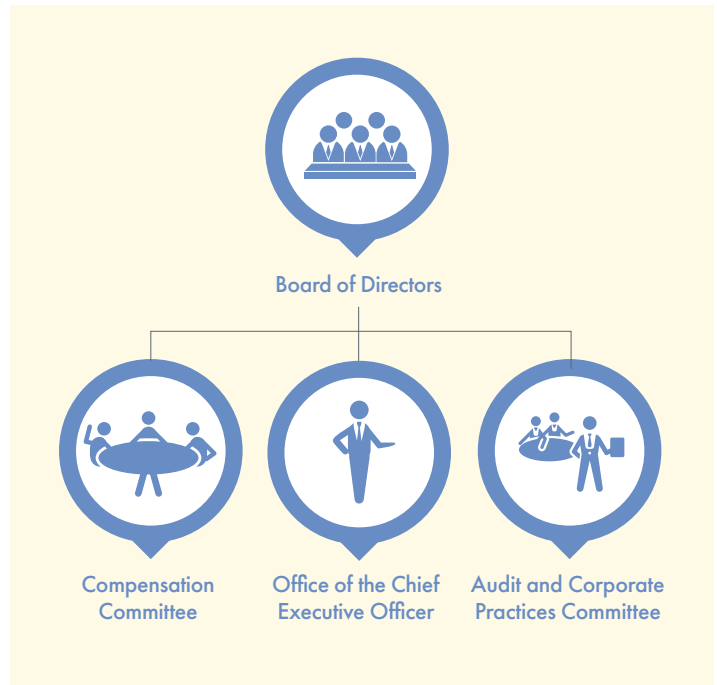
Recognizing the importance of maintaining solid and transparent corporate governance, the Board of Directors met seven times last year, which is three times more than is required under the Securities Market Act and the CBCP (Best Practice 17). Average attendance by regular board members was 80%. The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

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

(GRI 102-22)

SUPPORTING ENTITIES

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



(GRI 102-36)

COMPENSATION COMMITTEE

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

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

MEMBERS OF THE COMPENSATION COMMITTEE

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

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

AUDIT AND CORPORATE PRACTICES COMMITTEE

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

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

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

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

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

MEMBERS OF THE AUDIT AND CORPORATE PRACTICES COMMITTEE

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

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

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

CODE OF CONDUCT TRAINING

In 2019, we took on the task of ensuring the correct interpretation of and compliance with the policies and guidelines of our Code of Conduct, and 100% of KCM employees and suppliers received training in this code.

From the time they are hired, employees are made aware of this tool, and reminders are sent digitally to all personnel at all our plants and corporate offices.

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

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

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

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

WHISTLEBLOWER SYSTEM

We have a whistleblower system through which we can appropriately channel complaints, suggestions or reports of violations of the Code of Conduct (human rights, corruption, environment, bribery, dignified labor, and others), without risk of reprisal against the person making the report. This system offers access to all our stakeholders through internal information systems (Intranet) and external systems, like the public website for anonymous reporting on violations of the Code, by e-mail to codigo.conducta@kcc.com and external phone lines (55-5282- 7223, 55-5282-7320, 55-5282-7336) through which we can investigate and address violations of our Code. We have a policy for addressing complaints (KCM Policy 48: No reprisals for reporting sundry violations), which is available to 100% of KCM employees.



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

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

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

(GRI 205-3)

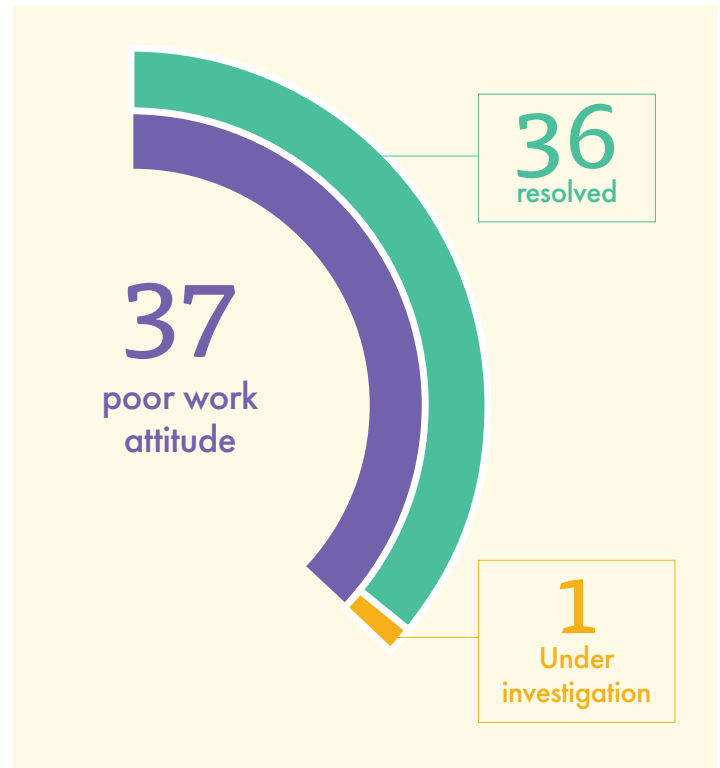
CODE OF CONDUCT GRIEVANCES

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

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

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

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



INTERNAL CONTROL RISKS

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

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

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

(GRI 102-25)

TRANSACTIONS WITH RELATED PARTIES AND CONFLICTS OF INTEREST

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



INTERNAL AUDIT

Meetings of the Audit Committee

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

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

Risks detected by the Audit Committee

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

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

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

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

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

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

Internal Control Policies regarding Internal Audits

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

Internal Control Financial Instructions (CFIs):

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

Number of Planned and Unplanned Audits in 2019

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



GENERAL MANAGEMENT

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

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

EXECUTIVE SUSTAINABILITY COMMITTEE

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

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

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



Management Team

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

Pablo R. González Guajardo
Chief Executive Officer

Xavier Cortés Lascrain
Finance

Ommar H. Parra de la Rocha
Consumer Product Sales

Jorge Morales Rojas
Transformation and Execution

Cristina Pichardo López
Marketing, Baby and Adult Care

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

Mara Bonilla Garduño
Marketing Family Care

Armando Bonilla Ruiz
Exports

Luiz Roberto Neves Rodrigues
Supply Chain

Catalina Uribe Restrepo
Procurement

Ernesto Reyes Díaz
Personal Care Manufacturing

Juan Antonio González Urevig
Tissue Manufacturing

Roberto García Palacios
Innovation, Technical Development, Quality and Sustainability

Jesús González Laporte
Strategic Operations Planning

Alejandro Lascrain Curbelo
Human Resources

Virgilio Isa Cantillo
Strategic Products

Fernando Vergara Rosales
Corporate Comptroller

Alejandro Argüelles de la Torre
General Counsel

Carlos Conss Curiel
Information Services

Salvador Escoto Barjau
Treasurer and Investor Relations



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

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

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

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

Executive Sustainability Committee

Alejandro Arguelles
General Counsel

Alejandro Lascurain
Human Resources

Jorge Morales
Transformation and Execution

José Luis Díaz
Internal Audit

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

Roberto García
Innovation, Technical Development, Quality and Sustainability

Salvador Escoto
Treasurer and Investor Relations

Xavier Cortés
Finance

Support:

Juan Escamilla
Sustainability

Marco Esquivel
Sustainability



Executive Ecology and Environment Committee

Alejandro Arguelles
General Counsel

Ernesto Reyes
Personal Care Manufacturing

José Luis Díaz
Internal Audit

Juan Antonio González
Tissue Manufacturing

Luiz Roberto Neves
Supply Chain

Roberto García
Innovation and Development, Quality and Sustainability

Support:

Juan Manuel Lozano
Ecology and Environment

Marco Esquivel
Sustainability



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

About this REPORT

The 2019 Sustainability Report (2019SR) by Kimberly-Clark de México has been prepared in accordance with the requirements of the Sustainable IPC of the Mexican Stock Exchange and the Guide provided by the Global Reporting Initiative (GRI) Version Standards.

Its content covers our corporate offices and all our production plants and its coverage is for the full year from January 2 to December 31, 2019.

The data presented in this report is supported by our procedures, controls and administrative and technical tools. This year, the 2019SR report has been verified externally by the company Deloitte Galaz, Yamazaki, Ruíz Urquiza, S.C.

The content of this report is organized around ESG (Environmental, Social & Governance) aspects, and determined by the results of our Materiality Analysis carried out specifically for this 2019 report. In it, aspects that are material to our stakeholders were identified and updated with respect to the U.N. Sustainable Development Goals (SDGs), and evaluated according to the aspects that, within each pillar of our sustainability strategy, we consider most important for KCM's sustainable performance, as well as the analysis of the risks, potential impacts and opportunities that we have identified for each business and our operations.

This 2019SR presents no significant changes that would affect the comparability of the information reported. We should mention, however, that for the purposes of this report, in order to allow comparison against previous years, we have used the emission factors corresponding to our supply of electricity and steam for each of the years shown, so it is very likely that there will be some differences against the information presented in previous years' reports.

The most relevant results on the Environmental Care, Ethics and Social Responsibility, and Economic pillars of our sustainability strategy are summed up in the sections entitled "Summary of Performance Indicators," "Other Indicators" and "Letter from the Chief Executive Officer."

For more information about this 2019 Sustainability Report, you are welcome to contact Salvador Escoto (salvador.escoto@kcc.com), Finance and Investor Relations Manager, or Marco Esquivel (marco.esquivel@kcc.com), head of the Corporate Sustainability Area.

You can also consult this report in PDF format on the Kimberly-Clark de México website.



Informe de Revisión Independiente del Informe de Sustentabilidad 2019 de Kimberly-Clark de México, S.A.B. de C.V., (Kimberly-Clark) para la Administración de Kimberly-Clark

Responsabilidades de Kimberly-Clark y del revisor independiente

La Administración de Kimberly-Clark es responsable de la preparación del Informe de Sustentabilidad 2019 (IS), que comprende el período del 1º de enero al 31 de diciembre de 2019, así como el contenido del mismo, asegurando definir, adaptar y mantener los sistemas de gestión y control interno de los que se obtiene la información, y que éstos a su vez estén libres de error material debido a fraude o error. Nuestra responsabilidad es emitir un informe independiente basado en los procedimientos aplicados en nuestra revisión.

Este informe ha sido preparado exclusivamente en interés de Kimberly-Clark de acuerdo con los términos de nuestra carta arreglo fechada el 01 de abril de 2020, por lo que no asumimos responsabilidad alguna frente a terceros distintos a la Dirección de Kimberly-Clark y no tiene la intención de ser ni debe ser utilizado por alguien distinto a ésta.

Alcance de nuestro trabajo

El alcance de nuestra revisión independiente fue limitado, el cuál es sustancialmente más bajo que un alcance de aseguramiento razonable, por lo tanto, la garantía proporcionada también es menor. Este informe en ningún caso puede entenderse como un informe de auditoría.

Hemos realizado la revisión del IS 2019 conforme a los siguientes aspectos y/o criterios:

- La adaptación de los contenidos del IS 2019 a las guías de *Sustainability Reporting Standards* de *Global Reporting Initiative* (GRI) y de acuerdo al estudio de materialidad proporcionado por Kimberly-Clark.
- La revisión de los contenidos GRI Standards de acuerdo con los requisitos de reporte según lo especificado en el Índice de contenidos GRI del IS 2019.
- La consistencia entre la información contenida en el IS 2019 y la evidencia de respaldo proporcionada por la administración.

Hemos cumplido con los requerimientos de independencia y ética del Código de Ética Profesional para Contadores Públicos, emitido por el Consejo de Normas Internacionales de Ética para Contadores (IESBA), el cual se fundamenta en los principios de integridad, objetividad, competencia profesional y con la debida diligencia, confidencialidad y comportamiento profesional.

Estándares y procesos de revisión independiente

Hemos llevado a cabo nuestro trabajo con base en la Norma Internacional de Trabajos de Aseguramiento (ISAE) 3000, *Trabajos de Aseguramiento Distintos a Auditorías o Revisiones de Información Financiera Histórica*, emitida por el International Auditing and Assurance Standards Boards (IAASB) of International Federation of Accountants (IFAC).

Nuestro trabajo de revisión ha consistido en la formulación de preguntas a la Dirección, así como a las diversas áreas de Kimberly-Clark que han participado en la elaboración de los contenidos y en la aplicación de ciertos procedimientos analíticos y pruebas de revisión por muestreo que se describen a continuación:

- Reuniones con el personal de Kimberly-Clark para conocer los principios, sistemas y enfoques de gestión aplicados.
- Análisis de los procesos para recopilar, validar y consolidar los datos presentados en los contenidos asegurados del IS 2019.
- Análisis de la cobertura, relevancia e integridad de la información incluida en el IS 2019 en función del entendimiento de Kimberly-Clark, de los requerimientos de los grupos de interés sobre los temas materiales identificados.
- Revisión con base en muestras seleccionadas de la evidencia que respalda la información de los contenidos asegurados incluidos en el IS 2019.

- e) Revisión de calidad por un socio independiente al proyecto que verifica la calidad en el proceso de trabajo, el cumplimiento con la metodología, así como la calidad y congruencia de los entregables con la propuesta de trabajo.

La siguiente tabla detalla los contenidos revisados conforme a lo establecido en las Guías GRI Standards:

102-8	205-2	305-5	308-1	404-1
102-17	302-1	305-7	401-1	404-3
102-41	303-3	306-1	401-2	405-1
102-47	305-1	306-2	403-1	406-1
204-1	305-2	307-1	403-2	413-1

Estos contenidos fueron seleccionados para su revisión independiente con base en los siguientes criterios:

- a) Materialidad de Kimberly-Clark referenciada en este IS 2019.
- b) Información proporcionada durante reuniones con el personal entrevistado.
- c) Revisión de las evidencias proporcionadas por los participantes de Kimberly-Clark en este proyecto.

Conclusiones

Con base en el trabajo efectuado, descrito en este informe, los procedimientos llevados a cabo y la evidencia obtenida, no se ha puesto de manifiesto algún aspecto que nos haga creer que el IS 2019 contiene errores significativos relacionados con los contenidos revisados o que no han sido preparados de acuerdo a los requerimientos establecidos en las Guías GRI Standards. Para aquellos contenidos GRI Standards en donde Kimberly-Clark no reportó de forma cuantitativa (cifras) se revisó únicamente la información cualitativa que incluye procedimientos, políticas, evidencia de actividades realizadas, entre otros.

Alternativas de acción

Deloitte ha proporcionado a Kimberly-Clark un informe con las alternativas de acción para informes futuros, las cuales no modifican las conclusiones expresadas en este informe de revisión independiente.

Deloitte Asesoría en Riesgos, S.C.

Firma Afiliada de Deloitte Touche Tohmatsu Limited


 Rocío Canal Garrido
 Socia de Deloitte Asesoría en Riesgos
 10 de junio de 2020

GRI content index

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title <i>Individual disclosure items (a, 'b', 'c', etc.) are not listed here</i>	Page Number
GRI 102	General Disclosures	102-1	Name of the organization 83	7
GRI 102	General Disclosures	102-2	Activities, brands, products, and services	8
GRI 102	General Disclosures	102-3	Location of headquarters	9
GRI 102	General Disclosures	102-4	Location of operations	9
GRI 102	General Disclosures	102-5	Ownership and legal form	77
GRI 102	General Disclosures	102-6	Markets served	11
GRI 102	General Disclosures	102-7	Scale of the organization	10
GRI 102	General Disclosures	102-8	Information on employees and other workers	56
GRI 102	General Disclosures	102-9	Supply chain	64
GRI 102	General Disclosures	102-10	Significant changes to the organization and its supply chain	64
GRI 102	General Disclosures	102-13	Membership in associations	12
GRI 102	General Disclosures	102-14	Statement from senior decision-maker	2
GRI 102	General Disclosures	102-15	Key impacts, risks, and opportunities	22
GRI 102	General Disclosures	102-16	Values, principles, standards, and norms of behavior	50
GRI 102	General Disclosures	102-17	Mechanisms for advice and concerns about ethics	51
GRI 102	General Disclosures	102-18	Governance structure	78
GRI 102	General Disclosures	102-22	Composition of the highest governance body and its committees	81
GRI 102	General Disclosures	102-23	Chair of the highest governance body	82
GRI 102	General Disclosures	102-24	Nominating and selecting the highest governance body	83
GRI 102	General Disclosures	102-25	Conflicts of interest	91
GRI 102	General Disclosures	102-26	Role of highest governance body in setting purpose, values, and strategy	81
GRI 102	General Disclosures	102-28	Evaluating the highest governance body's performance	85
GRI 102	General Disclosures	102-30	Efficacy of risk management processes	85
GRI 102	General Disclosures	102-31	Review of economic, environmental, and social topics	85
GRI 102	General Disclosures	102-35	Remuneration policies	80
GRI 102	General Disclosures	102-36	Process for determining remuneration	58, 87
GRI 102	General Disclosures	102-37	Stakeholders' involvement in remuneration	58
GRI 102	General Disclosures	102-38	Annual total compensation ratio	58
GRI 102	General Disclosures	102-39	Percentage increase in annual total compensation ratio	58

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title <i>Individual disclosure items (a, 'b', 'c', etc.) are not listed here</i>	Page Number
GRI 102	General Disclosures	102-40	List of stakeholder groups	20
GRI 102	General Disclosures	102-41	Colaboradores sindicalizados y sus derechos	56
GRI 102	General Disclosures	102-47	List of material issues	19
GRI 102	General Disclosures	102-50	Reporting period	94
GRI 102	General Disclosures	102-51	Date of most recent report	94
GRI 102	General Disclosures	102-52	Reporting cycle	94
GRI 102	General Disclosures	102-53	Contact point for questions regarding the report	94
GRI 102	General Disclosures	102-55	GRI content index	97
GRI 102	General Disclosures	102-56	External assurance	95
GRI 201	Economic Performance	201-1	Direct economic value generated and distributed	29
GRI 201	Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	26
GRI 201	Economic Performance	201-3	Defined benefit plan obligations and other retirement plans	58, 61
GRI 201	Economic Performance	201-4	Financial assistance received from government	N/A
GRI 202	Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	58
GRI 204	Procurement Practices	204-1	Proportion of spending on local suppliers	29
GRI 205	Anti-corruption	205-1	Operations assessed for risks related to corruption	49
GRI 205	Anti-corruption	205-2	Communication and training about anti- corruption policies and procedures	51
GRI 205	Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	89
GRI 206	Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti- trust, and monopoly practices	N/A
GRI 301	Materials	301-1	Materials used by weight or volume	43
GRI 301	Materials	301-2	Recycled input materials used	36
GRI 301	Materials	301-3	Reclaimed products and their packaging materials	36
GRI 302	Energy	302-1	Energy consumption within the organization	39
GRI 302	Energy	302-3	Energy intensity	39
GRI 302	Energy	302-4	Reduction of energy consumption	39
GRI 303	Water	303-1	Water withdrawal by source	37
GRI 303	Water	303-2	Water sources significantly affected by withdrawal of water	32
GRI 303	Water	303-3	Water recycled and reused	38
GRI 305	Emissions	305-1	Direct (Scope 1) GHG emissions	42
GRI 305	Emissions	305-2	Energy indirect (Scope 2) GHG emissions	42
GRI 305	Emissions	305-3	Other indirect (Scope 3) GHG emissions	42
GRI 305	Emissions	305-4	GHG emissions intensity	41
GRI 305	Emissions	305-5	Reduction of GHG emissions	42

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title <i>Individual disclosure items (a, 'b', 'c', etc.) are not listed here</i>	Page Number
GRI 305	Emissions	305-6	Emissions of ozone-depleting substances (ODS)	42
GRI 305	Emissions	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	42
GRI 306	Effluents and Waste	306-1	Water discharge by quality and destination	37
GRI 306	Effluents and Waste	306-2	Waste by type and disposal method	43
GRI 306	Effluents and Waste	306-3	Significant spills	N/A
GRI 306	Effluents and Waste	306-4	Transport of hazardous waste	43
GRI 306	Effluents and Waste	306-5	Water bodies affected by water discharges and/ or runoff	N/A
GRI 307	Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	32
GRI 308	Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	64
GRI 308	Supplier Environmental Assessment	308-2	Negative environmental impacts in the supply chain and actions taken	N/A
GRI 401	Employment	401-1	New employee hires and employee turnover	56
GRI 401	Employment	401-2	Benefits provided to full time employees that are not provided to temporary or part time employees	58
GRI 401	Employment	401-3	Parental leave	60
GRI 403	Occupational Health and Safety	403-1	Safety management system	18
GRI 403	Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	63
GRI 403	Occupational Health and Safety	403-3	Workers with high incidence or high risk of diseases related to their occupation	N/A
GRI 404	Training and Education	404-1	Average hours of training per year per employee	60
GRI 404	Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs	61
GRI 404	Training and Education	404-3	Percentage of employees receiving regular performance and career development reviews	61
GRI 405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	50
GRI 405	Diversity and Equal Opportunity	405-2	Ratio of basic salary and remuneration of women to men	58
GRI 406	Non discrimination	406-1	Incidents of discrimination and corrective actions taken	56
GRI 407	Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	56
GRI 408	Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	65
GRI 409	Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	49
GRI 413	Actividades con la comunidad	413-1	Activities to benefit communities	74

CONTACT *information*

LISTING MARKETS

Mexican Stock Exchange (BMV), Mexico

United States (ADRs – OTC)

Share types

Series A

Series B

Ticker symbol

BMV: KIMBER

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