



introduction

Kimberly-Clark's 2006 sustainability report



Welcome to our 2006 sustainability report. Here we describe how putting sustainability at the heart of our business is helping us achieve our mission to enhance the health, hygiene and well-being of people every day, everywhere.

The report discusses the impacts we can have on customers, shoppers and users of our products, the environment, our employees and suppliers, and the communities where we work. We also highlight the five aspects of sustainability most important to our business and stakeholders. These are:

- Vision 2010 – continual improvement in environmental and safety management
- Ethical sourcing of raw materials
- Responsible business reorganization
- Building trust through good governance
- Operating responsibly in developing countries

This report describes our performance in the calendar year 2006 and covers our worldwide consolidated (wholly- and majority-owned) operations¹ with some highlighted exceptions. All monetary values are in U.S. dollars unless otherwise stated.

We welcome your comments on this report and suggestions for improving our future reporting. Please contact us at:

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¹In previous years, we included data from our minority-owned operations (equity affiliates). In 2006, we have chosen only to report on those facilities over which we have management control. We have adjusted comparative figures from previous years to reflect this where necessary.

Forward-Looking Information: this publication may contain forward looking information within the meaning of the U.S. federal securities laws. In light of the risks and uncertainties involved, we invite you to read the risk factors and forward looking information sections of Kimberly-Clark's fiscal year 2006 Form 10-K at www.kimberly-clark.com/investorinfo/AnnualReport2006/.

The brand names mentioned in this report – Andrex, Cool Alert, Cottonelle, Depend, GoodNites, Huggies, InteguSeal, Kimberly-Clark, Kleenex, Kleenguard, Purple Nitrile, Kotex, Limpiamax, Microcuff, Poise, Pull-Ups, Purple Nitrile, Scott, Scott Duramax, Secure-Fit, Sterling and Viva – are trademarks of Kimberly-Clark Worldwide, Inc. or its affiliates. The Color Purple and Oval Shape are trademarks of KCWW.

a letter from our ceo



This year marks Kimberly-Clark's 135th anniversary. Generations of our employees have transformed K-C into one of the world's leading health and hygiene companies, and in doing so have helped improve the well-being of millions around the globe.

Our success largely depends on how well we understand the needs of those who influence our business – our employees, our customers, our consumers, our suppliers, our investors and our communities. It also depends on how well we use these insights to compete in a complex global business environment.

This report charts our progress in integrating the principles of sustainability integral into K-C's overall approach to business. Our success has been recognized, including by the Dow Jones Sustainability World Indexes, which have ranked us as sustainability leader of the Personal Products sector for the past two years.

This recognition reflects our efforts to improve our performance in important areas of sustainability. Our employees around the world constantly look for ways to responsibly source our raw materials, reach out to key stakeholder groups, care for our communities, and achieve the environmental goals in our Vision program.

This important program has entered its third five-year phase – Vision 2010 – with a new set of clear objectives. Our new targets will enable us to continue to improve our stewardship of the environment.

Sustainability is an essential aspect of our business. The environmental and social challenges society will face in the coming decades – from climate change and tighter regulations to growth in developing markets – are real issues that will require changes in behavior, new ways of operating and broader cooperation among individuals, companies and governments. We are prepared to do our part to meet these challenges.

I look forward to and welcome your feedback and recommendations on how we can further improve our performance.

Tom Falk, Chairman and CEO
April 16, 2007

Achievements in 2006...

- We ranked No. 1 among Personal Care companies in the Dow Jones Sustainability World Indexes for the second consecutive year
- K-C and its employees donated \$24.3 million in cash and product to support partner charities and causes local to our operations around the world
- We received two major awards for the support we give our partner charities – the United Way of America's Summit Award for Corporate Community Investment and the U.S. Chamber of Commerce Business Civic Leadership Center's 2006 International Community Service Award for our support of UNICEF
- We launched our Vision 2010 program for environmental and occupational safety performance
- The number of work-related injuries and illnesses resulting in time off work reduced by 22 percent
- In early 2007, we updated our fiber procurement policy to increase our leadership in environmentally responsible fiber sourcing
- 89 percent of the wood fiber used in our products was certified to a sustainable forestry scheme

... and challenges

- With great regret, we report that one of our employees died in a work-related accident
- We continued to reduce our workforce while streamlining our business

about
kimberly-clark



Kimberly-Clark is a leading global health and hygiene company with more than 56,000 employees worldwide. We provide products that improve health and hygiene at home, such as diapers, feminine pads and facial tissue. The same holds true away from home for K-C products such as surgical gowns, gloves, masks and washroom essentials. With corporate headquarters in Dallas, Texas, we have operations in 37 countries and sell our products in more than 150.

[Learn more](#)

Every day, 1.3 billion people – nearly a quarter of the world's population –choose K-C brands to help improve their lives. Our brands are some of the most trusted and recognized in the world and include Kleenex, Scott, Andrex, Huggies, Pull-Ups, Kotex, Poise and Depend. We hold the No. 1 or No. 2 market share in more than 80 countries.

[Learn more](#)

We invented five of our eight major consumer product categories: facial tissue, paper towels, toilet paper on a roll, feminine pads and disposable training pants. We use insights from our customers, shoppers and users to create new products and improve existing brands. Every day we explore new technologies, new ways to get our products to market quickly and efficiently, and new partnerships and alliances to help us improve products and services.

We are committed to provide a fair, respectful and engaging workplace that inspires our diverse global team to thrive professionally and contribute to the communities in which we operate. We also have a responsibility to understand and manage the impacts our products and operations have on society and the environment. Providing the resources to address these sustainability topics at all levels within K-C is critical to our success.

For 135 years, we have followed the simple yet insightful principles of our founders – quality, service and fair dealing. They have helped establish K-C as a leading global producer of superior health and hygiene products used by families and professionals around the world.

business overview

Kimberly-Clark is organized into four global business segments that manufacture and market our products around the world: Personal Care, Consumer Tissue, K-C Professional & Other, and Health Care.

The consumer brands made by our Personal Care and Consumer Tissue segments are sold directly, and through wholesalers, to supermarkets, mass merchandisers, drugstores, warehouse clubs, variety and department stores and other global retail outlets.

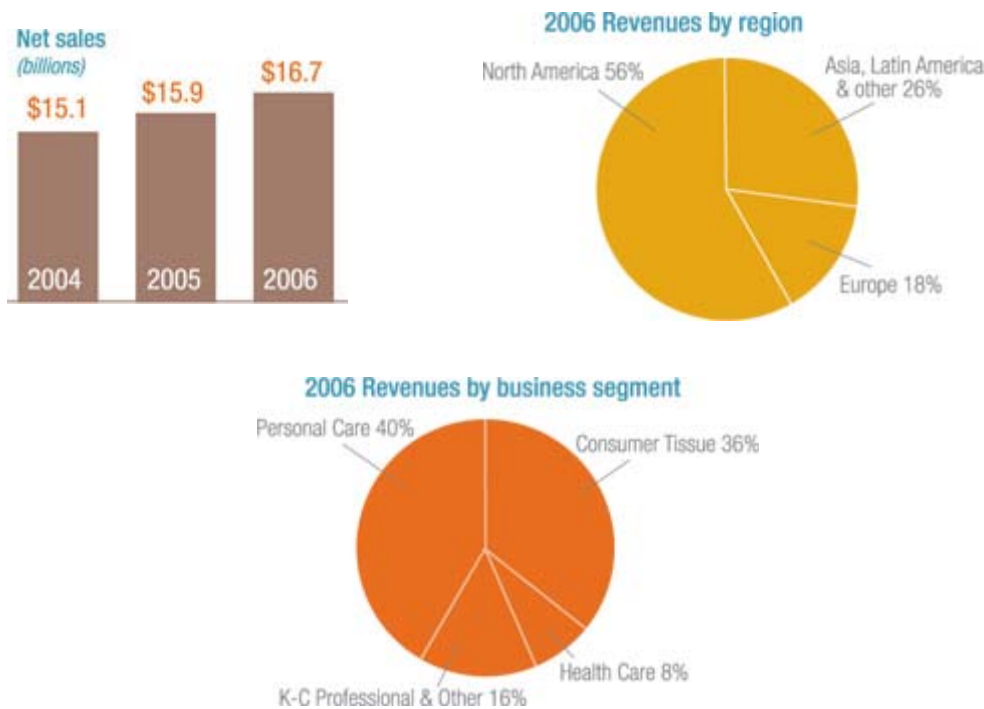
The healthcare, away-from-home and do-it-yourself products made by our K-C Professional & Other and Health Care segments are sold through distributors and directly to manufacturing, lodging, office, building management, food service, healthcare, and high volume public facilities.

[Learn more](#)

In 2006, K-C achieved revenues of \$16.7 billion, a 5.3 percent increase on 2005. This was the result of increased sales volume, higher net selling prices and an improved product mix. Adjusted earnings per share increased in 2006, and we returned \$1.6 billion to stockholders through dividends and share repurchases. Further details of our financial performance in 2006 can be found in our annual report.

[Learn more](#)

For the second consecutive year, we ranked No. 1 among Personal Products companies in the Dow Jones Sustainability World Indexes. Only 10 percent of the 2,500 largest companies worldwide qualify for the indexes, which identify the leading sustainability-driven companies in their sectors.



our global business plan

Our Global Business Plan describes how we will continue to meet our customers' expectations and succeed in an increasingly competitive business environment. Approved by our board of directors, it outlines strategies for each of our businesses.

We continue to strengthen our position as a health and hygiene leader by improving existing products and creating new solutions in all segments to fulfill unmet customer needs. Examples include:

- Expanded training pant offerings. Pull-Ups with Cool Alert uses patented technology to cool the inside of the pant when it gets wet, so children know the moment they have had an accident. Pull-Ups Night*Time provides more absorbency than our other training pants, so parents do not have to disrupt the training process by switching to a diaper at bedtime.
- A cut- and chemical-resistant version of our Kleenguard Purple Nitrile gloves that will help reduce hand injuries in the U.S.
- Sterling nitrile gloves, an affordable alternative to latex gloves which offer the same fit and feel without the potential for allergic reaction.
- An endotracheal tube from K-C Health Care that uses revolutionary Microcuff technology to help reduce fluid leaking into the lungs, a leading cause of ventilator associated pneumonia, a serious infection.
- Cottonelle for Kids, the first-ever combined dry bath tissue and moist wipes system that uses appealing graphics to help children learn the correct amount of tissue to use.

We made a number of organizational changes in 2006 as we continued to implement our Global Business Plan. We have injected fresh thinking into our senior leadership by promoting from within and recruiting outside talent. In fact, more than 20 percent of our top 100 leaders have joined K-C since 2004.

We have created an Innovation Center (ICA) in Seoul, South Korea, to help accelerate innovation and to grow our businesses globally. The ICA will be closely aligned with our existing U.S.-based research staff in Neenah, Wisconsin, and Roswell, Georgia. It will collaborate closely with local academic and research communities to develop new technologies and the next generation of health and hygiene products.

We are also improving our organizational structure to reduce the number of management levels. This will streamline decision making, clarify accountability and increase information-sharing between different parts of the business. As we announced in 2005, our strategic cost reduction plan will lead to a headcount reduction of roughly 10 percent by the end of 2008. To encourage a smooth transition for our business and affected employees, we have made it our priority to carry out all changes responsibly and in line with our values.

[Learn more](#)

managing sustainability

Our Corporate Sustainability Steering Committee oversees our sustainability commitment and performance. It is comprised of presidents of each of our business units, the chief strategy officer and the vice presidents of Corporate Communications and Global Environment, Safety, Regulatory and Scientific Affairs

The Committee approves sustainability strategy and major initiatives and updates the board of directors on key topics and activities. In 2006, the Committee:

- Approved our Vision 2010 program.
- Provided oversight for the development of our updated fiber procurement policy.
- Directed and approved our sustainability initiatives with major customers.
- Proposed the creation of an external Sustainability Advisory Board.

We are in the process of establishing an external Sustainability Advisory Board to provide an independent perspective on our sustainability programs and to advise us on areas of potential risk and opportunity for our businesses. Advisory board members will comment on our sustainability programs, review sustainability communications such as this report, and advise us on areas of potential risk and opportunity for our business. More information about these and other key topics can be found in [Our commitment to health, hygiene and well-being](#).



communicating with our stakeholders

We communicate regularly with these groups. Examples can be found throughout this report, notably in the sections on customers, suppliers, employees and communities, and some are highlighted below.

Communicating with employees

We recognize the importance of communicating well with our employees, so they are fully aware of our mission and objectives and can play a part in our success. We also understand that in times of significant change, effective communication is vital to help employees deal with those changes with minimum distress.

Investor communication

We communicate with our stockholders in a targeted and transparent way. This increases awareness of our ability to increase stockholder returns through growth. In 2006, the chairman and chief executive officer, chief financial officer and other senior leaders took part in approximately 200 meetings with institutional investors. We participated in four key U.S. investor conferences sponsored by the Consumer Analyst Group of New York, Goldman Sachs, Prudential and Bank of America. We also communicate with stockholders through our annual report, annual proxy statement and our quarterly online investor newsletter.

[Learn more](#)

Web site redesign

In 2006, we redesigned our corporate Web site to communicate more clearly with visitors about our business, mission, innovations and brands. It is designed to serve as an online resource for consumers, prospective employees, customers, investors and news media. Content includes:

- Insightful stories on the home page to provide helpful tips on topics such as bonding with babies, potty training, helping to prevent the spread of colds and flu, and encouraging workplace safety
- A new section on innovation to highlight our products and the role K-C has played in the evolution of disposable diapers, facial and toilet tissue and feminine pads
- An updated Our Brands section to help visitors find information about our consumer brands available in different countries
- An improved sustainability section to highlight our work in this area.

Our stakeholders

Many different groups can affect or are affected by our business. The key ones are:

- Customers, shoppers and users of our products
- Employees and prospective employees
- Suppliers of raw materials, goods and services
- Stockholders and the investment community
- Communities in which we operate
- Governments and regulators
- Interest groups and non-governmental organizations



awards and recognition

Our company received the following recognition for sustainability-related performance in 2006:

- Named sustainability leader in the personal products sector of the Dow Jones Sustainability World Indexes for the second consecutive year
- Received the U.S. Chamber of Commerce Business Civic Leadership Center International Community Service Award in recognition of our support for UNICEF
- Won the United Way Summit Award for Corporate Community Investment in recognition of our commitment to improving lives in local communities
- Included in the London Stock Exchange's FTSE4Good index for corporate responsibility.
- Ranked 14 out of 152 brands in the GolinHarris Corporate Citizenship Index (CCI), a survey of 5,000 American adults covering more than 150 corporate citizenship issues. K-C has ranked in the top 25 since 2003
- Ranked in the top one percent of 3,800 global companies in a recent corporate governance survey conducted by GovernanceMetrics International
- Ranked third out of 11 consumer goods companies for corporate responsibility by German research company Oekom
- Corporate HR department awarded the Society for Human Resource Management's inaugural award for Strategic Human Resources Leadership
- 2005 annual report ranked 51st out of 1,300 reports from publicly traded companies with an international presence in the Vision Awards. Only four U.S. companies ranked higher
- Named sector leader in basic materials in the Ocean Tomo Patent Index, the first equity index based on the value of a company's intellectual property

Our businesses around the world were also recognized:

- Topped Peru and Ecuador's Great Place to Work ranking, which is partly based on feedback from employees. Also placed second in Colombia and No. 19 in Chile
- Named Best Place to Work in Information Technology in the U.K. Manufacturing and Engineering sector by Computer Weekly
- North Atlantic Consumer Products business moved from No. 16 in 2005 to No. 10 in the 2006 Cannondale PoweRanking survey of more than 350 retailers and manufacturers. We scored most highly for our use of customer insights and for our customer teams in the U.S.
- Floresta Urbana environmental education project in Brazil recognized in the environmental relations category of local newspaper Mogi News' Social Responsibility Awards
- European Supply Chain Services ranked "Team of the Year - Gold" in Logistics Europe Magazine's European Supply Chain Excellence Awards
- Won the Integration and Solidarity prize from Radio Programas in Peru in recognition of our work with the United Nations World Food Program to educate people about good nutrition
- Won an award from ASO (AIDS Response Standard Organization) Thailand for our work to educate people about HIV/AIDS and prevent discrimination toward those affected
- K-C Honduras and K-C El Salvador both listed in the top ten midsize employers out of 200 on Hewitt Associates' 2006 Best Employers in Latin America list. Our businesses in Guatemala and Nicaragua both listed in the top ten in the small business category
- K-C Argentina received a civic entrepreneurship award for a program that promotes art in public schools. The award was made by the Foro Ecuménico Social, a forum that recognizes companies and non-profit organizations that improve living conditions in their community.

**our commitment to
health, hygiene
and well-being**



Our mission is to enhance the health, hygiene and well-being of people every day, everywhere. This inspires us to seek new and better ways to grow our business and meet the needs of our stakeholders. It also requires us to contribute more to sustainable development – defined in the Brundtland² report as meeting the needs of the present without compromising the ability of future generations to meet their own needs – and to do so in a responsible and reliable way.

Our contribution begins with the continued success of our business – developing profitable products that help improve people’s quality of life. We make sure sustainability is part of our daily work not only because it is the right thing to do, but also because it makes good business sense. By meeting and exceeding our stakeholders’ expectations, we can create opportunities and stimulate growth in our company and in society.

This section of our report highlights aspects of sustainability that are important to our business and to our stakeholders, and describes how we manage them. These are:

- Vision 2010 – continual improvement in environmental and safety management
- Ethical sourcing of raw materials
- Responsible business reorganization
- Building trust through good governance
- Operating responsibly in developing countries

²The Brundtland Commission was convened by the United Nations. The commission’s 1987 report contains a widely accepted definition of sustainable development.

vision 2010



Minimizing the environmental impacts of our manufacturing, distribution and administration facilities is fundamental to becoming a more sustainable business.

We launched our Environmental Vision program in 1995 to provide direction, objectives and targets that foster sustainability in our products and processes. In 2006, the Vision program moved into its third five-year phase – Vision 2010 – with a new set of objectives.

Vision 2010 is designed to enhance our reputation and increase competitive advantage, by improving our environmental performance beyond regulatory compliance. It provides a focused, disciplined way to prioritize our work and demonstrate our progress in key areas of global environmental concern. Vision 2010 also helps to reduce operating costs. For example, using less energy helps to shield our business from increases in the cost of crude oil, natural gas and electricity.

We developed our new objectives using input from our business leaders, manufacturing staff, and technical experts. They reflect the most significant environmental concerns identified by the United Nations Environment Program and the World Business Council for Sustainable Development that affect our company: energy-related emissions, climate change, availability of clean water, and land use and degradation.

Vision 2010 includes some objectives covered by our Vision 2005 program, plus additional areas that are also important for continually improving environmental management. We have established ambitious goals for the next five years in each area. Our focus areas are:

- Energy use
- Carbon emissions
- Manufacturing waste
- Freshwater use
- Wastewater quality
- Consistency between environmental and safety management systems
- Design for the environment
- Country-specific environmental programs.

Our objectives apply to all K-C owned and operated facilities, and we encourage our equity affiliates to participate as well. The objectives and goals for each area and details of progress made toward them can be found in the [Environmental stewardship section](#)

Our 128 manufacturing facilities worldwide continue to implement our environmental management systems (EMS) to maintain compliance and continually improve their environmental performance. At the end of 2006, we had completed EMS audits at 67 facilities. Approximately 67 percent of these facilities had fully implemented environmental management systems and the remaining 33 percent are making good progress toward this objective.

As part of Vision 2010, we recently introduced a combined environmental and occupational health and safety management system, which we expect all facilities to implement fully by 2010. Our occupational safety team also has Vision 2010 objectives, and these are explained in the [Employees section](#).

ethical sourcing of raw materials



K-C employees in Thailand organized and took part in the replanting of 40 acres of the Kanchanaburi forest, one of the most critical woodlands in Thailand.

It is widely accepted that natural forests and tree plantations should be managed to meet the social, economic, ecological and cultural needs of present and future generations. Most of our products contain wood fiber and many groups, including K-C, are interested in the source of that fiber.

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Our updated [corporate fiber procurement policy](#) is one of the more progressive in our industry. It provides that we will strive to maximize the use of environmentally responsible wood fiber in our products by promoting sustainable forest management practices throughout our wood fiber supply chain.

Specifically, the policy adopts measures to avoid the use in our products of fiber from forest areas requiring protection, including primary tropical rainforests and designated areas of Canada's Boreal Forest. It also does not allow the knowing use of illegally harvested wood fiber, which we define as wood fiber obtained in violation of government forest management requirements or other applicable laws and regulations.

Our goal is to purchase 100 percent of our wood fiber from certified suppliers. We will give preference to wood fiber certified under the Forest Stewardship Council standard, where it is available and meets product performance requirements and competitive market conditions.

The policy also contains measures to enhance transparency, such as a commitment to externally report our activities to implement the policy.

As well as updating our policy, in 2006 we took a number of additional steps and developed more plans to improve our fiber procurement practices. We:

- Commissioned an independent study of the feasibility of increasing our use of Forest Stewardship Council (FSC) certified fiber, as its availability is limited. Read a summary of the results [here](#)
- Proposed an external Sustainability Advisory Board to advise us on sustainability issues relevant to our business
- Plan to initiate an independent life-cycle assessment in 2007, comparing the environmental impact of using virgin versus recycled fiber in our tissue products
- Will report publicly on compliance with our fiber procurement policy in our annual sustainability report using information from our enhanced tracking system
- Will engage with groups interested in forestry issues around the world and respond to stakeholder inquiries as appropriate

Learn more: [Forestry Fact Sheet](#)
[Ethical sourcing of raw materials section](#)
[FSC Feasibility Study Summary](#)

We also took broader measures in 2006 to encourage the ethical behavior of our suppliers and contract manufacturers. We designed a set of guidelines to educate our suppliers about our expectations for sustainability. These include components for social, environmental, safety and quality management as well as the ability to meet our supply needs at an acceptable cost.

We also introduced a risk assessment process to evaluate the performance of contract manufacturers concerning quality, regulatory compliance and sustainability. This process will help to manage the risks of interrupted supply and any resulting damage to our reputation. This process is used to assess all proposed contract manufacturers. [Learn more](#)

responsible business reorganization

Our Global Business Plan contains a number of important measures to enable us to remain competitive. We recently made some important organizational changes to support our growth and build on our success. As part of efforts to transform Kimberly-Clark into a leaner more focused company, we will reduce our workforce by approximately 10 percent by the end of 2008, through a combination of selling and closing facilities, outsourcing portions of some functions, and organizational changes.

As of December 31, 2006, we had notified our employees about workforce reductions and other actions at 19 of the 24 facilities scheduled for sale, closure or streamlining as part of our cost reduction initiatives. To achieve a smooth transition for our business and for affected employees, we have made it our priority to carry out all changes responsibly and in line with our values.

In September 2006, we announced plans to outsource portions of some support services. These include information technology, human resources, finance and accounting, and sourcing and supply-chain management. This will take place over a two-year period.

Most of the workforce reductions were in North America and Europe. We have made a concerted effort to keep employees well informed about the changes and how they may affect them, and will continue to do so. We do this using a number of internal communication channels, including a dedicated section on our intranet, departmental and functional team meetings and individual discussions.

In the U.S. we have developed a plan to provide severance pay and extend some benefits for a fixed period. These benefits include medical coverage and our Employee Assistance Program, which provides counseling and other services to employees and their families during challenging times. Outplacement services will be available through a provider selected by the Company. These services provide practical support with job search skills such as résumé development and interview techniques.

In the majority of European countries, potential workforce reductions are subject to consultation with employee representatives and work councils. These continue and are expected to result in termination payments and other benefits that meet the different minimum national requirements in each country.

We hope these plans will help affected employees to move on to other jobs with as little difficulty as possible.

building trust through good governance

We have remained committed to our founders' values of quality, service and fair dealing. This has contributed to our success. Although business conditions change with time, our high ethical standards remain constant.

To secure the trust of our stockholders and other interested parties we must demonstrate that we govern and manage our business responsibly. To do this, we need to identify and manage risks to our success, including those associated with social and environmental impacts.

Our board of directors and senior management are accountable for ensuring good corporate governance. The board's Nominating and Corporate Governance Committee periodically reviews our [Corporate Governance Policies](#). We use a number of measures to maintain our high ethical standards and monitor compliance with laws, regulations and corporate policies, including our [Code of Conduct](#).

In September 2006, our board amended the company's by-laws to implement a majority voting standard for the election of directors. The board also voted to submit a proposal to stockholders to eliminate the company's classified board structure. Both provisions emphasize our commitment to progressive corporate governance and provide stockholders with a stronger voice in the election of company directors.

The new majority voting standard became effective in September 2006 and will be used at K-C's Annual Meeting of Stockholders on April 26, 2007. Directors in uncontested elections will be elected by a majority of votes cast. In contested elections, directors will continue to be elected by plurality vote.

Stockholders will vote at the 2007 Annual Meeting on the board's proposal to eliminate the company's classified board structure. Our board is divided into three classes with members of each class serving three-year terms. If the proposal is approved, from April 2008 directors will be elected for one year rather than three, when their current term expires.

our code of conduct

Our Code of Conduct is a guide to help employees at all levels better understand our expectations for ethical behavior, and what is required to comply with applicable laws, corporate standards and policies. The Code applies worldwide, along with our “Doing What’s Right” awareness campaign.

The Code forbids any employee of K-C or our subsidiaries and equity affiliates from making illegal gifts or payments, directly or indirectly, to any government official or employee of a government or government agency. It sets out strict rules for the use and receipt of gifts and entertainment by K-C employees.

Each year we send out a notice to employees to increase awareness of the Code and reinforce its importance. The notice gives details of how to report a violation, anonymously if preferred. In 2006, approximately 36,000 employees received this notice. We also have an anonymous 24-hour hotline that employees in 56 countries can use to report violations of the Code. Every K-C employee around the world can also report violations anonymously on our intranet.

Our businesses treat seriously and investigate all alleged violations of our Code of Conduct. In 2006, reports received through the hotline were promptly addressed by the appropriate K-C department.

All violations of the Code reported through the hotline are received by a third party to ensure confidentiality and impartiality. This third party refers confirmed violations to our Global Security department, which either deals with them or passes them to a more appropriate department. We record outcomes in a database and monitor them to make sure all situations are satisfactorily handled.

The board of directors periodically reviews the Code to ensure it continues to reflect best practice, and our chief compliance officer administers and enforces it. One way that we monitor compliance is by requesting annually that various officers, business unit leaders and managers certify that behavior in their area is consistent with the Code and report any exceptions.

[Learn more](#)

Doing what’s right in Brazil

In 2006, K-C Brazil implemented our “Doing What’s Right” campaign to ensure practices in Brazil are aligned to K-C’s corporate ethical standards. The legal affairs team visited each K-C facility in Brazil to give talks about the importance of ethical behavior in business, and to answer queries from employees.

They also announced the launch of our 24-hour Code of Conduct phone line, which employees, suppliers, customers and any other interested party can anonymously call to discuss K-C’s ethical conduct and report any violation.

Approximately 710 employees took part in the program and our Supply Chain team sent letters to more than 600 suppliers to reinforce the key messages.

operating responsibly in developing countries

Our strategy is to grow our business in developing and emerging economies faster than in other countries. Sales in developing and emerging markets grew almost 12 percent to \$4.5 billion in 2006, representing more than 25 percent of our total sales.

Our strategy involves a particular focus on Brazil, Russia, India, China, Indonesia and Turkey (the BRICIT countries). These countries represent nearly half the world's population, providing opportunities both to dramatically increase sales in all product segments, and to enhance the health, hygiene and well-being of a vast number of people. Sales in these countries increased by 22 percent in 2006.

By targeting the high-potential markets these countries offer we create employment opportunities and contribute to government revenues and local economies. The vast majority of our employees in developing countries are citizens of these countries. The majority of the materials and services we use in these areas are purchased from local suppliers, with whom we often exchange knowledge and best practices. The two main raw materials we do not purchase locally are wood pulp and synthetic super-absorbent materials.

We also adapt our products and services to make premium brands affordable for families in developing countries and to suit the small, traditional trade stores in which many families shop. For example, stores in Latin America and Asia stock Huggies and Kotex products packaged individually. In these regions, we have also used the same Hydroknit nonwoven material used in some K-C Professional products to develop a quality, semi-durable consumer paper towel.

Operating in developing and emerging markets brings additional challenges and responsibilities for any business. While there is great growth potential in these markets, there can also be governmental and business complexities. We operate to the same high standards throughout the world with respect to labor and human rights, environmental protection, governance and ethical business practices. Our values of quality, service and fair dealing apply throughout our business.

A great place to work in Peru

K-C was ranked the No. 1 Great Place to Work in Peru in 2006 – our first time in the top spot and the first time a manufacturing company has been No. 1 on the list.

The judges commended K-C for our transparent management style and the respect and openness with which we treat our employees. Our workforce there also enjoys a range of benefits comparable to those available in the developed world, such as contributions to healthcare coverage and paid family leave.

Providing training is one of the biggest challenges for businesses in Peru, and the judges praised K-C for our good practice in this area. Our Universiclark program, run in partnership with the University of Lima, provides training in leadership and administration. A similar program with Senati, a specialist industrial training center in Lima, offers skills-building courses for workers at our two manufacturing plants there.



**customers, shoppers
and users**



Every day around the globe nearly a quarter of the world's population make Kimberly-Clark a trusted part of their lives. We provide some of the most recognized consumer brands in the world, such as Kleenex, Scott, Andrex, Huggies, Pull-Ups, Kotex, Poise and Depend.

Our customers are global retailers and wholesalers who buy our personal care and consumer tissue products for resale. Our professional and healthcare products are sold worldwide to distributors, businesses such as manufacturers and restaurants, and healthcare establishments.

Shoppers and users are the people who buy our products and take them home for themselves and their families to use, or who purchase and use our products at work, in public facilities, or when they are receiving healthcare.

A clear goal of our Global Business Plan is to use insights from these groups to create better products that offer more value, including sustainability benefits. Our aim is to become the indispensable partner of our customers, shoppers and users. This section explains how we achieve this in different product segments.

engaging with customers

Collaboration with our key customers enables us to respond better to their needs, bringing benefits to their business, to us, and the environment. We work closely with our customers to coordinate business plans, develop customer-specific marketing plans and provide supply-chain and sustainability expertise.

We provide useful information for our customers online. A survey by our K-C Professional and K-C Health Care businesses on company preparedness for an outbreak of avian flu showed that most employers had not made sufficient plans.

As a result, we developed an online resource to help our customers maintain their business in the event of an avian flu pandemic. Resources include Frequently Asked Questions, downloadable posters and pamphlets, and information on business continuity and preparedness. There are also links to related Web sites from recognized healthcare and safety organizations.

Visit the sites: [K-C Professional](#) and [Health Care](#)

Our efforts to engage with customers and consumers of our products are paying dividends. In 2006, we ranked among the top 10 U.S. consumer packaged goods companies in an influential benchmarking survey of 350 manufacturers and retailers. The Cannondale PoweRanking gathers information on best practice from both groups, who rank each other in eight areas including supply-chain management and company strategy.

We scored most highly in the category management, customer teams and sales strategy areas. Retailers said we were responsive in meeting their needs and open about sharing our strategy with them. The survey showed the importance of our brands to retailers and where we can improve our marketing.

Another measure of the success of our relationships with customers is the recognition we receive from them. Click here for a [list of awards in 2006](#)

connecting with shoppers and users



Engaging with shoppers and users of our products helps build trust in our brands and reassures them that we are a responsible company. We value their feedback and provide a number of ways for them to get in touch with us.

Our corporate Web site contains a Contact Us form, a mailing address and a toll-free telephone number through which people can ask questions and share their comments. We also provide these on the Web sites and packaging for most of our brands. We carry out a consumer satisfaction survey every 18 months with shoppers and users of our products who have contacted us. In 2005 we sent 8,850 surveys at random to people in the U.S., Canada, the U.K. and the Netherlands. More than 97 percent of those who replied responded favorably.

Our Consumer Services team manages these processes to help our business units understand consumer feedback and gauge reaction to products and promotional programs. This information helps us to assess how effectively we are meeting consumers' needs. The team also helps integrate consumer feedback into our product development process. We compile summaries of consumer reaction and post them monthly on our intranet so our employees can learn from consumer insights. Consumer Services also keeps our businesses up to date on trends in consumer interests and concerns.

It is our intent that consumers have the option to freely voice their thoughts to us through readily available channels. Consumers can be confident that each and every comment is shared with the businesses for consideration.

sustainable business opportunities

Sustainability is deeply rooted within K-C. We have long recognized that simply responding to customers' requests for sustainability improvements is not enough. We have established a design for the environment program as part of our Vision 2010 program. This aims to develop environmentally sound processes, products and packaging and to consider environmental factors at every stage of the design process. In 2006, we had opportunities to demonstrate this with some of our customers.

Wal-Mart has introduced a series of ambitious sustainability goals that require significant changes in its supply chain. This presents major implications and opportunities for K-C. We are working in partnership with them to contribute to their sustainable business strategy and have already proposed a number of improvements. For starters, we plan to remove plastic inner wraps from paper towel bundles, increase bath tissue roll sizes and compress the number of diapers in a package to help minimize waste and maximize distribution efficiency.

One of Wal-Mart's goals is to make significant reductions in product packaging. They have committed to reduce packaging by 5 percent by 2013 from 2008 levels. Since 2000, we have reduced levels of packaging on our products by 10 percent, and we plan to make further reductions as part of our Vision 2010 program.

[Learn more](#)

In 2006, we conducted consumer focus groups in the U.S., Germany and South Korea to gain a better understanding of consumer needs and expectations for environmentally sound products. In all three countries, we found strong support for increasing the environmental benefits of our products.



SCOTT® 100 percent recycled fiber products

sustainable professional products

Our efforts to meet our customers' expectations for sustainability are not limited to consumer products – there is plenty of demand for sustainable away-from-home products too.

Many K-C Professional & Other customers prefer to use products made from recycled fiber. To respond to this need, K-C Professional offers Scott branded hand towels and bathroom tissue with 100 percent recycled content. These contain a mixture of pre-consumer waste and post-consumer waste.

Greater absorbency reduces waste

We believe that the best long-term strategy to protect forests is to use wood fiber as efficiently as possible. Good quality, highly absorbent tissue and hand towels are more efficient and fewer are needed for each use.

In addition to selling our products in their stores, Wal-Mart and Sam's Club use K-C Professional products in the washrooms in their stores. We worked with them to conduct a utility test to demonstrate the environmental benefits of K-C professional washroom brands. The test compared our Scott 1000 Hard Roll Towel hand towels with a similar towel, yielding positive results.

The test found that Scott 1000 Hard Roll Towel hand towels absorb 35 percent more water than the competitive product, requiring significantly fewer towels per hand dry. This translates into significant cost savings for Wal-Mart and helps the company achieve its goal to reduce waste. Specifically the benefits to Wal-Mart are:

- Three times fewer cases of towel roll – or 25 fewer tons of paper per store – shipped and used each year
- A one ton reduction in packaging waste per store per year
- Fewer towel roll changes, increasing labor efficiency

innovations to prevent infection

K-C Health Care has a rich history of providing products for clinicians to protect themselves and their patients from infection, such as surgical gowns, masks and gloves. In 2006, we improved our core products and introduced new products to help prevent infection in various healthcare settings.

- Sterling nitrile exam gloves were introduced into many healthcare facilities in 2006. These gloves are latex-free, eliminating the risk of glove-related latex allergies occurring in patients and healthcare workers
- Our Secure-Fit technology helps surgical gowns and gloves remain in place, protecting clinicians and patients from cross-contamination
- Our Microcuff endotracheal tube reduces fluid leaking into the lungs, a leading cause of ventilator associated pneumonia, a serious infection
- InteguSeal microbial sealant is applied to a patient's skin to reduce the risk of contamination from skin flora during a surgical procedure.

We are helping to reduce healthcare associated infections in the U.S. through our partnership with the Surgical Care Improvement Program (SCIP). SCIP is a partnership of organizations committed to improving the safety of surgical care by significantly reducing complications including surgical site infection, post-operative ventilator associated pneumonia, adverse cardiac events, and deep vein thrombosis. We are excited to be part of this important national initiative.

In 2005 we donated \$250,000 to fund a significant piece of research by the Association of periOperative Registered Nurses (AORN). The Human Factors Study is running in five hospitals across the U.S. to explore the effectiveness of training and communication in reducing human error in surgical environments. The study made significant progress in 2006 and the outcomes will help to highlight the importance of communication and teamwork in the operating room.

Every year, we conduct numerous conferences and educational events to demonstrate our commitment to healthcare workers and patient safety. In 2006 we supported the Georgetown Healthcare Leadership Institute, presented a Surgical Site Infections Solutions Conference, and co-hosted our 11th annual Infectious Disease Conference with AORN.

product quality and safety

Our products must meet all relevant regulations, as well as our own strict safety and quality standards.

Our safety scientists provide support to each business segment, and specialist assistance in areas such as alternatives to animal and dermatological testing. All products undergo comprehensive safety assessments.

We carry out safety assessments throughout the lifecycle of a product, during research, manufacture, sale and use. Safety information on all products and product components is computerized and is readily retrievable. We also subscribe to commercial databases of toxicological information to supplement our own data. We provide regular training for our experts and support professional societies to keep up to date with the latest scientific practices and strategies. Our experts also work closely with their industry peers to encourage the highest human and environmental safety standards are applied throughout our sector.

Product Review Committees assess new technologies and their potential applications in products before they are brought to market. They consider the general safety of product components, employee safety, consumer use and benefits as well as environmental, regulatory and legal issues. Committees are made up of experts in each of these areas.

product recalls

On the rare occasions when we identify a problem in our products, we have quality systems in place so we can act quickly and effectively to resolve the issue. K-C used this process to recall four products in 2006, all from the Health Care segment. They were:

- P2 respirator masks, recalled in January because they did not conform to EN standard 149. This is a European safety standard for this kind of mask. The filter used in the product was changed in 2004 and not re-tested to check that it still met the standard. We redesigned the mask using a different filter that met the standard and relaunched the product in February. We implemented a more stringent testing program to prevent this happening again.
- Pain management kits, withdrawn in March because pyrogen levels within a component of the kit were above the legal limit set by the U.S. Pharmacopeia. We found a new supplier to replace these components and relaunched the product in May.
- Microcuff endotracheal tubes, recalled in March due to a potential problem with the integrity of sterile packaging. We found several packaging defects in Microcuff products delivered by a supplier. The supplier's processes were reviewed and corrected. We relaunched the product in September.
- R2 defibrillator electrodes, withdrawn in May due to potential cracks in the foil layer that might affect performance. An investigation found that all affected R2 defibrillator electrodes were manufactured prior to a design change in June 2005. No further corrective action was needed.

supporting alternatives to animal testing

We take our responsibilities for assuring the safety of our products seriously. We carry out the majority of our safety testing using non-animal procedures such as cell culture (in-vitro) experiments and studies with human volunteers.

K-C does not test cosmetics or consumer products on animals, unless specifically required by law. Animals may be used in testing to ensure the safety and efficacy of our medical devices or to ensure the safety of new materials when suitable alternatives are not available. These tests are conducted to the highest of standards in certified laboratories.

We invest in research focused on eliminating the need for animal testing to confirm our products are safe for humans. We have worked extensively to eliminate animal testing of consumer products and replace them with suitable non-animal alternative tests. We have long been a supporter of programs and organizations that investigate ways to remove the need for animal testing altogether. K-C is:

- A founding member of the Institute for In Vitro Sciences (IIVS), a non-profit foundation that promotes the adoption and regulatory acceptance of alternatives to animal testing.
- A member of the Fund for the Replacement of Animals in Medical Experiments (FRAME)
- A platinum sponsor to the biennial World Congress on Alternatives and Animal Use in Life Sciences.
- From April 2007, a member of the European Partnership for Animal Alternatives, a common forum between Industry and the European Commission to advance the replacement of animal testing.

**reach and ctfa
code of
commitment**

REACH

The European Commission is implementing a new regulatory framework for the management of chemicals, known as REACH (Registration, Evaluation and Authorization and Chemicals). This regulation aims to increase protection of the health of consumers and employees and of the environment through early identification of hazardous substances. It becomes effective on June 1, 2007.

REACH will require European manufacturers and importers of many chemicals to gather and register information for inclusion in a central database. It will also call for the evaluation and authorization of hazardous and persistent chemicals for each particular end use. As a user and importer of chemicals, rather than a manufacturer, we will work with our suppliers during 2007 and 2008 so that the chemicals we use are properly registered.

Our science, regulatory and supply-chain teams are working closely together to compile and manage the information necessary to maintain compliance, while minimizing the impact on our businesses.

CTFA Code of Commitment

In 2006, the Cosmetics, Toiletries and Fragrances Association, a leading U.S. trade association of which K-C is a long-standing member, introduced a Consumer Code of Commitment for cosmetic products. The Code provides consumers, regulators and other interested parties with clear, specific information regarding the industry's proactive and responsible approach to providing safe products.

We acknowledge and embrace the Code of Commitment. It reinforces our current safety practices and provides assurance to our customers, shoppers and users concerning our products.

environmental stewardship



Around the world our brands help keep people healthy and improve their sense of well-being. Sound environmental practices are integral to our overall business approach and we constantly seek new ways to improve our performance.

Making and distributing our products has an environmental impact and we manage these to the best of our ability. Included are energy use, creation of greenhouse gases and other air emissions, fresh water use, effluent quality, and solid wastes. Minimizing these impacts is fundamental to our contribution to sustainable development and to our success as a health and hygiene leader

We have a well-established program – our Environmental Vision - to demonstrate compliance with our policies. We launched Environmental Vision in 1995 to provide direction, objectives and targets to improve environmental management and performance. We designed the program to boost our performance well beyond regulatory compliance and to increase competitiveness, reduce costs and move toward sustainable manufacturing. We have made real progress, including significant reductions in the use of energy, fresh water and toxic substances, and in manufacturing waste and packaging sent to landfill.

But there is more to be done. In 2006, the program moved into its third five-year phase – Vision 2010 – with a number of focus areas for improvement. These reflect the most significant environmental concerns identified by the United Nations Environment Program and the World Business Council for Sustainable Development that affect our company: energy-related emissions, climate change, the availability of clean water, and land use and degradation. Our [Vision 2010 objectives](#) address these and other environmental issues important to our business

In this section we discuss each of the focus areas and objectives, report current performance in each (compared with previous years) and describe specific targets. We also report on our environmental management systems, legal compliance and environmental expenditures.

Many of our facilities are already meeting their Vision 2010 objectives. At the end of 2006, the following percentage of facilities had achieved their Vision 2010 targets:

Energy efficiency **25%**

policy, organization and management

Introduced in 1990, our [Fundamental Policy on Environmental Protection and Concern](#) serves as the basis of our environmental stewardship. Separate and specific policies provide more detail in areas including compliance, energy use, forestry practices and waste. These policies provide our wholly-owned and majority-owned operations with a structured approach to environmental compliance, performance measurement and management. Although not under our direct management, we encourage our equity affiliates to participate in our Environmental Vision and compliance auditing programs.

The Corporate Sustainability Committee oversees our commitment to sustainability at the most senior level. The Committee includes the group presidents from each of our global business units and other senior leaders. The Committee approves sustainability strategy and major initiatives and updates the board of directors on key topics and activities. In 2006, the Committee:

- Approved our [Vision 2010 program](#)
- Provided oversight for the development of our [updated fiber procurement policy](#)
- Directed and approved our [sustainability initiatives with major customers](#)
- Proposed the creation of an external Sustainability Advisory Board.

Our Sustainability Advisory Board will advise us on a range of sustainability topics and provide an independent perspective on our activities. Advisory board members will comment on our sustainability programs, review sustainability communications such as this report, and advise us on areas of potential risk to our business.

Matters relating to the environment, employee and product safety, quality, regulatory affairs and corporate sustainability are managed by a combined department. This comprehensive approach helps ensure the principles of sustainability are taken into account throughout our business, from facilities management to product design. We created a dedicated Corporate Sustainability team at the end of 2006, to help identify and coordinate sustainable business opportunities.

Our sustainability programs were previously managed by our Environmentally Sustainable Technologies team. This team partners with our businesses and suppliers to design sustainable products, technologies and materials. Their work includes research into the use of biodegradable, renewable and recycled polymers in our products.

Corporate sustainability management structure



environmental management systems

Our environmental management system (EMS) allows all of our businesses and facilities to take a clear and consistent approach to environmental stewardship. The EMS creates accountability and provides a framework for communicating environmental objectives, targets, policies and procedures and for recording performance.

We audit our EMS to ensure environmental issues are appropriately managed. We audited 67 of our mills during 2006 and rated each using a traffic light system. A green rating means no problems were identified; yellow shows that some improvements are still needed; and red means the system did not meet expected standards. A green or yellow rating was given to 97 percent of mills.



We do not require our facilities to be formally certified to the ISO 14001 standard for environmental management, although some facilities have chosen to do so as a demonstration of best practice or because of a business need. At the end of 2006, the following 22 Kimberly-Clark facilities were certified to comply with ISO 14001:

- Australia: Albury
- Belgium: Duffel
- China: Beijing, Guangzhou, Nanjing and Shanghai
- Israel: Afula, Hadera and Naharyia
- Korea: Anyang, Kimcheon and Taejon
- Mexico: Acuna, Magdalena and Nogales
- Poland: Klucze
- Spain: Salamanca and Calatayud
- Switzerland: Niederbipp
- Taiwan: Chungli, Hsin-Ying and Ta-Yuan.

Since 1980, we have been conducting environmental compliance inspections at our global facilities to verify that our sites comply with legal and corporate policy requirements and best practices. We inspected 69 mills in 2006. Of these, 96 percent were found to be at least satisfactorily controlled, with only 4 percent falling short. Mills that were not well controlled must develop action plans to address all issues identified at their sites.



In 2006, we began to develop a combined environment, health, and safety (EHS) management system and an assessment tool to support it. We will begin to implement the new, performance-based EHS management system and assessment process in 2007 and expect all sites to have fully implemented the integrated EHS management system by the end of 2010. This process will be taking the place of our Corporate Environmental Inspection program, our EMS program and our SMART safety management system program.

regulatory compliance

In 2006, our global operations received 12 notices of environmental non-compliance from regulatory agencies. These notices are issued when a regulated facility has failed to comply with applicable environmental laws and regulations. The majority of these cases were self-reported to the relevant authority. Two of the notices resulted in penalties totaling \$4,500.

Enforcement actions and fines

	2004	2005	2006
Enforcement actions	3	10	12
Fines	\$8,000	\$7,750	\$4,500

Chester, Pennsylvania, United States: The Delaware County Regional Water Quality Control Authority (DELCORA) issued a notice of violation in June 2006 because we had failed to take effluent samples in December 2005 and report the required data to them. The schedule for effluent sampling was reviewed, and reminders set up to prevent a recurrence. The facility was fined \$3,000.

Fullerton, California, United States: The South Coast Air Quality Management District (SCAQMD) issued a notice of violation (NOV) in January 2006. The notice related to emissions of nitrogen oxides (NOx) and carbon monoxide (CO) that exceeded our permitted limit during 2002 and 2003, when the mill first began to use combined heat and power. The facility was fined \$1,500. SCAQMD has since acknowledged that the average time period used to calculate these emissions was too short and agreed to extend it.

Our Environmental, Health and Safety Management System is critical for ensuring we continue to comply with environmental regulations during our business reorganization. We are increasing our focus on this system and related audits to reduce environmental non-compliances.

Demonstrating regulatory best practice

Our Experimental facility, or X-mill, in Neenah, Wisconsin, has been accepted into the Wisconsin Department of Natural Resources' Green Tier program for environmentally responsible businesses. Program members make legally binding commitments to further improve their environmental performance. In return, companies receive fewer inspections and are able to self-report environmental non-compliances, avoiding regulatory penalties and fines.

Also in the U.S., our Beech Island Mill has been accepted into the South Carolina Environmental Excellence Program (SCEEP) thanks to its sound environmental management system. SCEEP recognizes world-class environmental stewardship. It is administered by the South Carolina Department of Health and Environmental Control's Center for Waste Minimization in association with the University of South Carolina Institute for Public Service and Policy Research. Our participation demonstrates our commitment to environmental responsibility to our neighbors and regulatory agencies.

environmental expenditures

In 2006, our environmental capital expenditures were mainly on wastewater treatment equipment, air pollution prevention technology and improved solid waste handling. We completed a number of large capital improvement projects, which contributed to an increase in overall environmental spending.

2006 Global environmental expenditures (millions)			Total global environmental expenditures (millions)			
	Capital	Operating				
Air	\$7.6	\$26.6	Capital	\$19	\$19	\$23
Water	\$9.8	\$59.0	Operating	\$188	\$178	\$158
Hazardous wastes	\$0.1	\$2.9		2004	2005	2006
Solid wastes	\$4.6	\$53.9				
Pollution prevention	\$0.8	\$4.7				
Other	\$0.2	\$11.2				
Total	\$23.1	\$158.3				

energy use and climate change

Leading environmental bodies such as the Intergovernmental Panel on Climate Change (IPCC) believe that energy use and climate change are among society's greatest environmental risks. The IPCC was set up by the United Nations Environment Program and the World Meteorological Organization to assess the risks of climate change.

According to the IPCC, concentrations of greenhouse gases that trap heat in the Earth's atmosphere, such as carbon dioxide (CO₂), methane and nitrous oxide, have increased markedly as a result of human activities. The main cause is a rise in fossil fuel use resulting from increasing demand and rising populations.³

The security of energy supply is also under threat, due primarily to depleting energy reserves and political instability in the Middle East and elsewhere. What's more, the price of fossil fuels is expected to remain high, increasing manufacturing and distribution costs.

There are no easy solutions for mitigating climate change or securing energy supplies. As a global company, we recognize that we must contribute to reducing greenhouse gas emissions through increased energy efficiency, and use of cost-effective renewable and alternative energy sources. While helping to reduce the effects of climate change, these actions will also help secure our future energy supplies.

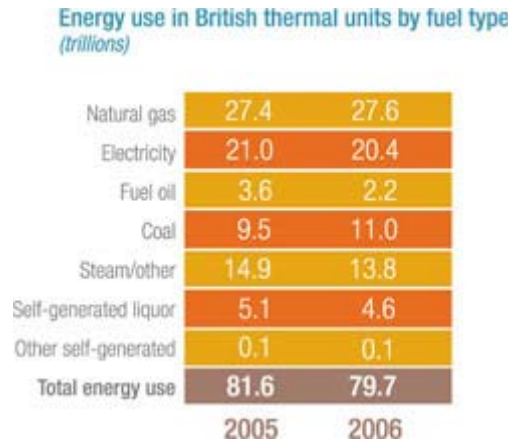
K-C uses electricity, natural gas, fuel oil, steam, and biomass for energy in our facilities, and fuel oils for product transport by road, air, and water. In the five years since 2000, we improved our energy efficiency by more than 19 percent. [Our Energy Policy](#) and [Vision 2010](#) program are designed to ensure that this trend continues.

³ Fourth Assessment Report of the Intergovernmental Panel on Climate Change, Summary for Policy Makers (www.ipcc.ch).

energy efficiency

Our energy management strategy confirms our commitment to establish energy efficiency programs and use alternative forms of energy where feasible and cost effective. In 2006, our total production-related energy use was 79.7 trillion British thermal units (Btu), compared with 81.6 trillion Btu in 2005 – a 2 percent saving.

Despite efficiency improvements, energy supply costs have continued to increase. We spent \$694.0 million in 2006 compared with \$644.5 million in 2005. Renewable energy accounted for 22 percent of total energy consumed. This includes spent liquor from our pulp operations and wood waste.

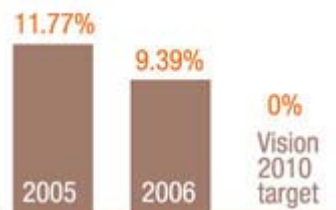


Vision 2010 target: Reduce energy consumption by achieving best-in-class energy efficiency targets. Each facility has targets based on benchmarks for each manufacturing process. These are combined with facility production levels to create facility-specific targets.

We measure energy efficiency by calculating the energy used per metric ton of production. In 2006, energy efficiency improved by 2.8 percent to 15.77 million Btu (mBtu) per metric ton of production, compared with 16.23 mBtu per metric ton of production in 2005.⁴

As part of Vision 2010, we have improved our process benchmarks. For consistency, we also now include third-party power generation at our Mobile, Alabama and Everett, Washington sites in the U.S. in our total energy use calculations. This almost doubles the energy usage at these facilities, and has caused the energy use per metric ton of product to be higher than reported last year.

Percent deviation from Vision 2010 targets



Energy efficiency

(million British thermal units per metric ton of production)

	2005	2006
Actual	16.23	15.77
Annual target*	14.52	14.41

*Based on the process benchmarks and that year's production

In 2006, 25 percent of our facilities met their Vision 2010 energy efficiency targets. Our Energy Services team identifies the facilities furthest from achieving their targets and regional energy coordinators work with them on their energy efficiency improvement plans. Each facility submits their energy use data quarterly into a global sustainability database which is used to track progress toward achieving our goals.

In 2006, our facilities continued their energy improvement efforts, including partnerships with other organizations. Here are some examples.

- Eight major lighting projects are planned or underway in our U.S. facilities. We expect these projects to reduce energy use for lighting by 40–50 percent. Most will also reduce energy required for air conditioning, as the new lighting will emit less heat.
- We became a partner of the U.S. Environmental Protection Agency's Energy Star program. The program helps businesses and other energy consumers improve their energy efficiency and allows businesses to use the program logo on specific energy-efficient products.
- Two personal care facilities made significant energy reductions. Our plant at Barton-upon-Humber in the U.K. reduced overall energy use per unit of production by 13 percent compared with 2005, through a combination of better heating and ventilation, improved productivity, and reduced lighting. Similarly, our Paris, Texas facility achieved an energy reduction of 3 percent per unit of production compared with 2005. This was the result of upgraded air conditioning and productivity improvements. Our Paris facility is also improving its compressed air system to reduce the electricity used for compressed air by an additional 15 percent by 2008.
- We have two projects underway to evaluate further applications of combined heat and power technology. This technology is already used at our Fullerton mill in California, U.S.

⁴ These data exclude Health Care production because the amounts are insignificant when compared to the other production.

climate change

We are committed to reduce our greenhouse gas emissions and our contribution to climate change. The progress we have made to increase the [energy efficiency](#) of our product manufacturing and distribution has already helped to reduce emissions of carbon dioxide (CO₂). This continues to be an important focus for Vision 2010.

Statistics on our CO₂ emissions have been recorded since 1990, and every year our data collection becomes more robust. In 2005, we began to assess our CO₂ emissions per metric ton of production, providing a baseline for subsequent years (see chart below).

We joined the U.S. Environmental Protection Agency's voluntary [Climate Leaders Partnership](#) in late 2005, which requires us to collect emissions data for the five other main greenhouse gases. We began to collect this data in 2006. Although less prevalent in the atmosphere, these five gases are more potent than CO₂. All emissions are converted into carbon dioxide equivalents, or CO₂-e, for ease of reporting, and show that our emissions of the five other gases are not significant (see chart below).

We reduced our greenhouse gas emissions from manufacturing from 1.30 tons of CO₂-e per unit of production in 2005 to 1.27 in 2006, a 2.3 percent decrease.

To calculate our emissions, we use the emission factors endorsed by the Climate Leaders Partnership, which are based on the Greenhouse Gas Protocol[®]. Mills participating in the European Union Emissions Trading scheme use the factors approved by that program.

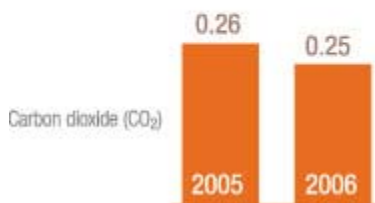
In 2006, we expanded our data collection to include emissions from U.S. product transportation, our U.S. sales vehicle fleet and our corporate jets.

Vision 2010 target: To achieve a year-on-year reduction of CO₂-e emissions per unit of global production for manufacturing. We also plan year-on-year reductions in emissions per unit of production for U.S. product transportation.

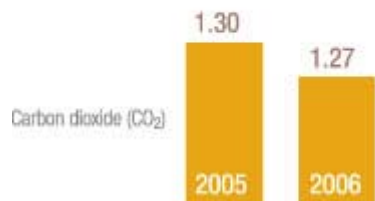
Actual greenhouse gas emissions from manufacturing - CO₂-equivalents (CO₂-e)
(million metric tons)

Carbon dioxide (CO ₂)	6.18	6.15
Methane (CH ₄)	0.02	0.02
Nitrous oxide (N ₂ O)	0.05	0.05
Hydrofluorocarbons (HFCs)	0.001	0.001
Perfluorocarbons (PFCs)	no known emissions	no known emissions
Sulfur hexafluoride (SF ₆)	no known emissions	no known emissions
Total CO₂-e	6.251	6.221
	2005	2006

Greenhouse gas emissions from U.S. transportation normalized to production
(metric tons of CO₂-equivalents per metric ton of U.S. production)



Greenhouse gas emissions from manufacturing normalized to production
(metric tons of CO₂-equivalents per metric ton of production)



U.K. Climate Change Agreement and the European Union Emissions Trading Scheme

In 2006, our U.K. facilities continued to participate in the government-led Climate Change Agreement (CCA), an initiative to reduce greenhouse gas emissions equivalent to those planned for Phase One of the European Union Emissions Trading Scheme (E.U. ETS). Our participating mills have contributed to the U.K. paper sector meeting its CO2 reduction targets under the scheme. This enables our participating mills to reclaim 80 percent of the Climate Change Levy paid (a U.K. tax on business energy use). Our U.K. mills will participate in Phase Two of the E.U. ETS in 2008.

Our continental European sites again complied with the mandatory E.U. ETS program. Our 10 affected facilities each receive an allowance of carbon emission credits based on their past emissions. Facilities with excess credits can sell them back to the market. Should CO2 emissions exceed the credits granted, additional credits must be purchased. In 2006, our European facilities involved with this program had sufficient credits overall to meet their requirements. We ended the year with approximately 21,000 metric tons of excess credits.

Switching to cleaner energy alternatives

Our facility at Kimcheon in South Korea replaced its Bunker-A fired boiler and Kerosene-fired incinerator with a cleaner and more efficient liquefied natural gas alternative. This has led to a reduction in carbon dioxide emissions of 21.7 percent compared with 2005, as well as dramatic reductions in emissions of sulfur and nitrogen oxides.

K-C joins SmartWay Transport Partnership

In April 2006, we became a member of the U.S. Environmental Protection Agency's voluntary SmartWay Transport Partnership (www.epa.gov/smartway). This program offers incentives for fuel efficiency improvements leading to reductions in greenhouse gas emissions from transport. Upon joining, we ranked fourth out of 20 companies in the Transport Partners Freight Shippers area for partnering with SmartWay carriers.

In addition, we are shipping product by rail (intermodal transport) to reduce or eliminate idling at the distribution center, reducing the use of gas powered fork-lift trucks, and including SmartWay membership in our carrier assessment program.

⁵ The Greenhouse Gas Protocol is an international coalition operating under the World Resources Institute and the World Business Council for Sustainable Development. The Greenhouse Gas Protocol is an international coalition operating under the World Resources Institute and the World Business Council for Sustainable Development.

waste reduction

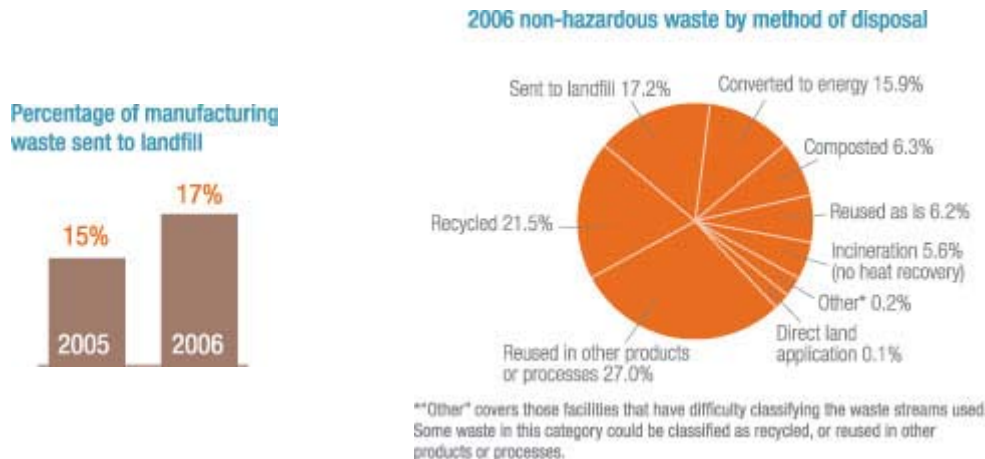
Waste disposal poses a considerable challenge for business and society. The increasing cost and decreasing availability of global disposal options, such as landfill, demand effective waste minimization and management.

Kimberly-Clark's Reduction and Disposal of Waste Policy, created in 1991, sets our standard for waste management. We comply with all legal requirements for waste reduction and recycling in the countries where we operate. Our Vision 2010 program includes objectives to recycle all our manufacturing wastes and to further reduce the waste our facilities generate.

Vision 2010 target: Eliminate manufacturing waste sent to landfill and reduce manufacturing waste per unit of output by 10 percent.

In 2006, we produced 1.42 million metric tons of non-hazardous solid waste, of which 244,000 metric tons were sent to landfill. Much of our manufacturing waste was recycled, composted, or incinerated (usually with energy recovery). Roughly one-third of waste was reused directly or made into other products. The amount of waste produced normalized to production has decreased 6.5 percent to 0.29 metric tons per metric ton of production in 2006 from 0.31 in 2005.

Though we generated less manufacturing waste in 2006, the amount of waste we sent to landfill rose slightly, increasing our overall percentage.



Our facilities implement programs to reduce manufacturing waste sent to landfill. Here are some examples from 2006.

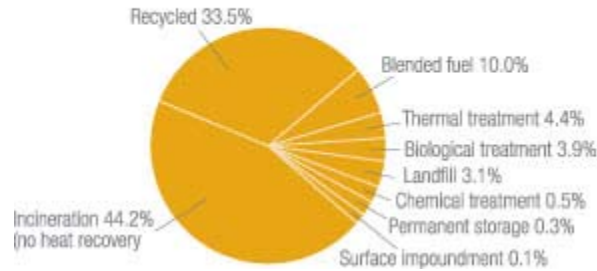
- Our Anyang mill in South Korea began recycling, rather than incinerating, sludge from its wastewater treatment facility. The sludge is now used by another company for worm composting. This composting program reduced nitrogen oxides emissions by 25 percent, carbon dioxide by 20 percent, ash generation by 30 percent and liquefied natural gas consumption by 25 percent compared with incineration. There is an expected cost saving of almost \$87,000 per year, and the change will help the mill comply with new air quality regulations coming into force in 2007.
- Our Everett mill in Washington, U.S., sells spent sulfite liquor, a byproduct of wood pulping, for industrial applications such as dust control. The mill consumes most of the product, known as TREX, in its production processes, but currently sells around 5 percent. In July 2006, large amounts of TREX were provided to the U.S. Forestry Service to control dust raised by vehicles and helicopters fighting a major forest fire 100 miles from the facility.

Hazardous waste

Our manufacturing operations also produce some hazardous waste. In 2006, we generated 230 metric tons of such waste.

We updated our electronic data collection system to include hazardous waste data in late 2005. This is helping us to use available data more effectively to reduce waste. We try to avoid the use of hazardous materials and the resulting waste and manage hazardous waste in accordance with all applicable rules and regulations. Our facilities continue to substitute non-hazardous materials for hazardous ones where possible and cost effective, and we seek opportunities to change processes to reduce hazardous waste generation.

2006 hazardous waste by method of disposal
(metric tons)



design for the environment

We have established a design for the environment program as part of our Vision 2010 program. This aims to develop environmentally preferred processes, products and packaging using principles of sound environmental design. Our goal is to consider environmental factors at every stage of the design process.

We have added internal life-cycle assessment capability to improve our product design and material sourcing decisions. We hope to use this work to increase our understanding of the environmental impacts of our products and manufacturing processes, and the impacts of any potential changes.

Vision 2010 target: Use environmentally sound design principles to develop sustainable products and packaging. Examples include increasing the use of renewable or recycled polymers and sourcing raw materials responsibly.

At K-C, design for environment means integrating environmental factors into product and packaging decisions. We have already made great progress. For example, we have compressed the package size for Pull-Ups training pants, reducing the amount of plastic and corrugate packaging required while increasing transport efficiency. The environmental impacts of this change in 2006 are:

- 800 fewer trucks required for delivery
- 290,000 less gallons of fuel consumed in transport
- 160 metric tons less poly packaging required
- 590 metric tons less corrugate packaging required
- Potential greenhouse gas emissions reductions equivalent to taking 840 passenger cars off the road in the U.S. annually.

We have also reduced the thickness of our diaper packaging in Europe from 60 to 45 microns. This will reduce the weight of the product by 25 percent, or 208 metric tons of plastic per year based on 2006 production. This reduction in plastic saves the equivalent of 3,000 barrels of oil annually.

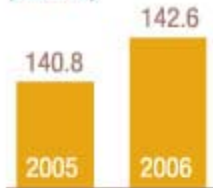
water use

Fresh water is becoming increasingly scarce in many areas of the world. Companies that use fresh water in their operations must take care to protect fresh water supplies for local communities in water stressed regions.

Tissue manufacture is a water-intensive process. Although our sites around the world have already made significant gains in water efficiency, further reductions in usage remain a priority in our Vision 2010 program. In 2006, our water use efficiency per unit of production decreased by 2 percent. Because of increased production, our total water use increased by 1 percent compared with 2005, to 142.6 million cubic meters.

Vision 2010 target: Reduce total fresh water use at our Consumer Tissue and K-C Professional facilities by achieving facility-specific water efficiency targets. We have a more stringent goal of 25 cubic meters in water-stressed areas and areas with lower regulatory benchmark levels. These include parts of the European Union, the Middle East, Africa and the U.S.

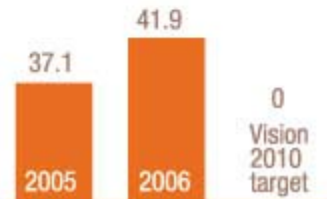
Actual fresh water use
(million m³)



Water use efficiency
(m³ per metric ton of production)

Actual	44.24	45.14
Annual target	32.28	31.81
	2005	2006

Percentage deviation from Vision 2010 water targets



Water conservation in California, U.S.

Fresh water is a precious resource in Orange County, southern California. K-C's Fullerton mill is the biggest industrial water user in the municipality, consuming more than 500 million gallons each year. In 2006, the mill began to install technologies to improve water quality and increase levels of recovery and recycling.

These measures, already in place at many K-C facilities, are expected to reduce the mill's water use by up to 40 percent. This will reduce the strain on the community's stressed water supply and wastewater treatment systems. The changes will also reduce the energy use and maintenance and wastewater costs associated with poor water quality, making the facility more competitive as well as more sustainable.

We expect these technologies to pay for themselves within three years. They will also qualify the mill for more than \$500,000 in conservation incentives from the local water authority.

emissions to water

Bleaching wood pulp purifies fibers by removing highly colored lignin compounds – naturally occurring substances in wood. Lignin affects not just the color, but also the strength, feel, and shelf-life of our products, which makes bleaching essential for meeting consumers' expectations. A variety of processes and compounds are used to bleach the pulp and recycled fiber used in our tissue products. These include chlorine dioxide, sodium hypochlorite, sodium hydrosulfite, oxygen, and hydrogen peroxide.

There is some concern over the long-term effects of chlorine on human health and the environment. Our preference is to purchase elemental chlorine-free (ECF) bleached pulp for use in our consumer products. This process uses chlorine dioxide rather than pure chlorine, reducing toxicity. During 2006, 89 percent of total pulp purchased was ECF and a further 7 percent was totally chlorine-free (TCF). Some of our South American and Mexican suppliers still use chlorine bleaching, accounting for around 4 percent of fiber use in 2006. We are no longer sourcing from one of these suppliers, are looking for an alternative to another and a third is installing a new ECF bleaching plant.

Our own two pulp facilities, in Tantanoola, Australia, and Everett, Washington, U.S., use TCF and ECF bleaching technology, respectively.

We make it a priority to properly treat all wastewater from our facilities. Our facilities use the best available technology, including primary and secondary treatment, to achieve high standards of wastewater management.

TCF feasibility study in Washington, U.S.

Between 2004 and 2006, our Everett mill in Washington State conducted a TCF feasibility study in accordance with its wastewater discharge permit. The study was performed in cooperation with several environmental interest groups, including the Washington Toxics Coalition, People for Puget Sound, Puget Soundkeeper Alliance, and WashPIRG. K-C funded an independent technical expert to help these groups interpret our data and comment on our analysis of the results before publication.

The study found that it is not economically viable to convert the mill's bleach plant to TCF because operating costs would be significantly higher than those of the existing ECF bleach plant. This decision will be reviewed if chemical and energy costs, the market price for TCF pulp, and/or consumer preference change significantly.

Vision 2010 target: Maintain treated wastewater quality consistent with best demonstrated technology at our direct discharge Consumer Tissue and K-C Professional facilities. See table below for detailed targets.

Our Vision 2010 targets for wastewater are based on two measures for assessing the level of wastewater pollution and the amount of treatment required. These are biological oxygen demand (BOD) and total suspended solids (TSS). We track BOD and TSS data at our facilities to show compliance with our wastewater treatment permits, and began collecting the data at a corporate level in 2006.

In 2006, 83 percent of applicable facilities met their TSS and BOD targets. We will work with the remaining facilities to improve their treatment systems and meet the targets.

Improving mill water quality benefits business and the environment

Our Delyn mill in Flint, U.K., installed a dissolved air floatation system in 2006. This has improved the quality of water recycled back into the plant, and reduced chemical use in the wastewater treatment plant by 75 percent compared with 2005. The quality of the final effluent produced has also improved. These measures will save the Delyn mill around \$81,000 per year.

Vision 2010 targets for average TSS and BOD emissions in wastewater (kg/metric ton)

Paper recycling facilities	Tissue manufacturing facilities
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Vision 2010 targets for average TSS and BOD emissions in wastewater
(kg/metric ton)

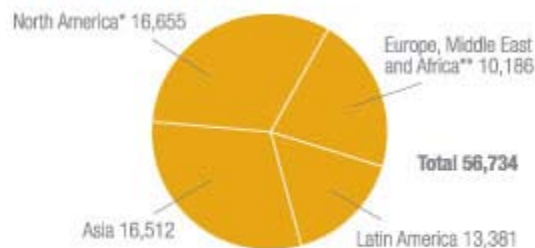
empl	Paper recycling facilities	Tissue manufacturing facilities
	2010 target	2010 target
TSS	3	2
BOD	4	2



Our employees are our most valuable resource and an important stakeholder group. Their talent and commitment are the source of our innovation and success. The role of our Human Resources (HR) function is to attract, retain, train, develop and reward the most talented employees. We also appreciate how diverse backgrounds, experiences and ideas can help us achieve the goals of our Global Business Plan.

At the end of 2006, we employed 56,734 people in full-time, part-time and temporary positions, a decrease of less than 1 percent from 2005. Of these, 98 percent are employed in regular positions and 2 percent are temporary workers. Using temporary workers helps us to expand and contract the workforce, as our workload ebbs and flows. Our aim is to make sure that their time with Kimberly-Clark is rewarding and productive.

K-C consolidated employees (full-time, part-time and temporary) by region as of December 31, 2006



*To be consistent with the definition of global regions used by K-C for financial reporting purposes, Mexico's headcount was moved from the North America region to Latin America in 2006.
 **South Africa headcount is included with Europe for reporting purposes. South Africa headcount was 761 as of 12/31/2006.

As part of our Global Business Plan, we are reducing the number of management levels to streamline decision-making and clarify accountability. We have made it a priority to conduct this streamlining in line with our values. It is our aim to treat all employees with dignity and respect.

[Find out more](#)

safety, health and hygiene

Kimberly-Clark is committed to protect the safety and promote the well-being of all employees, contractors and others involved in our operations and facilities. We have in place policies, structures and management systems to fulfill this purpose, and to measure and improve our safety performance.

During our annual safety week, Chairman and CEO Tom Falk shared his expectations about safety in a video message to the company's leaders. He made it clear that safety is fundamental to K-C, and that while other business priorities may change with time, our commitment to safety remains constant. He emphasized that team leaders must commit the necessary resources to identify and correct hazards. He also stressed the need for employees to report all unsafe behavior and conditions, not only those that result in injury.



**"Safety should
be at the forefront of every thought
and action for every employee,
every day, everywhere."**

Tom Falk, Chairman and CEO

policy, organization and accountability

Our [Corporate Occupational Safety and Hygiene Policy](#) guides our business and facilities to make safety central to all we do. By applying this policy, over time we have created a safer and healthier working environment, reduced worker compensation claims and improved productivity.

Each executive, manager and supervisor is responsible for preventing injuries to their team. Employees are accountable for their own safety, and for ensuring their actions do not compromise the safety of colleagues. We believe that encouraging every employee to take action is the best way to build awareness and create a positive safety culture.

Our Three Obligations campaign promotes personal accountability. It requires employees to stop work immediately and speak up if they:

- Feel unable to do their job safely
- See someone in an unsafe situation
- Are approached by someone concerned about their safety.

In 2006, we introduced changes to the organizational structure we have in place to further protect our employees.

- We created an Enterprise Safety Council (ESC) comprised of senior leaders with safety knowledge and decision-making authority from each of our businesses. The ESC provides advice on safety policies, standards and initiatives, input on our five-year safety plan and objectives, and support to senior leadership on safety priorities
- We also introduced a new safety audit process and audit tool to improve our safety management and compliance systems.

Our Occupational Safety and Hygiene (OS&H) team provides resources and expertise to K-C businesses worldwide. Its purpose is to:

- Set appropriate corporate safety standards and objectives
- Audit compliance with legal and corporate safety requirements
- Provide frameworks, systems and tools to help operating units meet corporate safety objectives and demonstrate best practice
- Help business and operating units develop the technical skills and abilities to design and implement their own safety programs.

A set of best-practice guidelines helps our global facilities to implement an effective safety structure. For example, guidelines require each facility to:

- Establish a safety steering committee with representatives from all departments and levels within the facility. The committee should direct safety strategy at the facility and establish teams for solving specific problems
- Schedule department or area safety meetings led by the manager and attended by employee representatives
- Conduct weekly or monthly safety meetings for all employees.

All facilities are responsible for maintaining their safety organization and practices in accordance with all national regulatory requirements. Continuous communication and training also play an important role.

safety management systems

Our Safety and Loss Control Management System ensures our businesses and employees have all the information needed to carry out their work safely. Team leaders complete a comprehensive Safety Leadership Training program that covers in-depth all aspects of the system. In 2006, we assessed performance at each facility using our Safety Management Assessment Rating Tool (SMART), which is part of the broader environmental, health and safety management system.

[Learn more](#)

While we do not require our businesses to have their safety management systems formally certified to recognized external standards, some of our sites choose to do so to demonstrate their good practice. At the end of 2006, nine mills were certified to OHSAS 18001: Alanno, in Italy; Klucze, in Poland; Hadera, Nahariya and Afula, in Israel; and Beijing, Nanjing, Shanghai and Guangzhou, in China.

In September 2006, our facility at Berkeley, North Carolina, was accepted into the Occupational Safety and Health Administration's Voluntary Protection Program (VPP) as a Star site. All five K-C nonwovens facilities in the U.S. have now achieved Star status.

Contractor safety

In March 2006, we began tracking contractor injury and illness globally. We require contractors whose employees work for us for more than 320 hours per month or more than 1,000 hours per quarter to report all injuries or illnesses that occur at a K-C facility or while doing work for K-C and result in:

- Days away from work
- Days of restricted work
- Recordable incidents without lost time.

In 2007, we will begin using these data to evaluate contractor safety performance. We have also developed a contractor safety standard and will use this to audit our contractors.

kimberly-clark health services



The Kimberly-Clark Health Services team provides occupational and preventive health services, advice and treatment to employees worldwide. Their mission is to maintain and promote health and well-being for our employees, to help improve employee performance and reduce illness, injury and absenteeism.

We offer a comprehensive health services package to U.S. employees and, in some businesses, to their domestic partners. The package consists of a complete health examination every three years and check-ups in the interim. We provide doctors and occupational health nurses at many of our facilities. Some facilities have a work-out facility on-site or give employees access to a local gym.

Additional services include medical advice for travelers, medical support for expatriates and their families, health education, and our counseling service: the Employee Assistance Program (EAP). The Health Services team also provides stress management programs and communication tools to help employees cope with changes to our business.

The Health Services team engages with non-governmental organizations, mental health providers, and the Human Resources and EAP teams to stay aware of occupational health issues and trends. These include mental health and substance abuse problems, relevant government and corporate policies, and assistance for employees in developing countries.

We have developed a pandemic crisis plan to help protect our employees and enable our business to continue in the event of a widespread outbreak of disease. We have assessed levels of preparedness at local operating units, functional areas and business units and taken appropriate action. A multi-disciplinary Pandemic Preparation Team is monitoring the progress of H5N1 avian flu, the current largest pandemic threat.

In 2006, our Health Services team helped raise awareness of how to prevent colds and influenza and offered influenza vaccinations to employees. In the U.S., almost 5,000 (32 percent) of employees had the vaccination. Health Services also provided medical support and recommendations to the Pandemic Preparation Team and regularly updated information on avian flu on our intranet.

safety and health performance

In 2006, there were 247 cases of work-related injury or illness that resulted in days away from work, compared with 315 cases in 2005. This represents a 22 percent decrease. As a result, our lost-time reportable incident rate (LTRIR)⁶ decreased to 0.3 per 200,000 hours worked from 0.4 in 2005.

We are pleased to report that there had been no lost-time reportable incidents for 12 months or more at **68 of our operating facilities** at the end of 2006.

We have always worked hard to protect employee safety. For the first time, our Vision program now includes objectives for safety as well as environmental performance. We have set ambitious goals to improve our performance based on key safety metrics by 2010. They are:

- Zero permanently disabling injuries or fatalities
- Global total reportable incident rate (TRIR) of less than 0.5. Reportable incidents are work-related events that result in fatalities, disabling injuries or illnesses, lost work days or restricted work
- Global lost-time reportable incident rate (LTRIR) of less than 0.2. This measures the frequency with which incidents cause time to be taken off normal work
- Global severity rate of less than 12. The severity rate is the number of days of lost or restricted work as a result of an injury or illness, per 100 full-time employees per annum
- Global contractor TRIR equal to or less than the K-C TRIR.

Vision 2010 safety goal progress*

	2005	2006	2010 Goal
Fatalities	0	1	0
Permanently disabling injuries	n/a**	10**	0
Global total reportable incident rate (TRIR)	0.8	0.7	0.5
Global lost-time reportable incident rate (LTRIR)	0.4	0.3	0.2
Global severity rate	23.6	21.5	12.0
Global contractor TRIR***	n/a**	1.3**	0.5

*Data for consolidated operations only

**We began tracking this data in March 2006

***Applies to all contractors who spend a cumulative total of at least 320 hours per month on a K-C site (1,000 hours per quarter). In 2006, we tracked the total recordable incident rate of 20,833 contract employees.

With great sadness, we report the death of an employee at our Sitio del Niño mill in El Salvador. A summer intern died from injuries sustained in an accident that occurred during a maintenance activity. Our equity affiliate, K-C de Mexico, also suffered two fatalities. A mechanic at the Ecatepec mill died from injuries suffered while clearing a pulp vat blockage. A truck driver from SODISA, a subsidiary of K-C de Mexico, died in a highway accident. We have fully investigated each incident and taken corrective action to prevent recurrence.

⁶ LTRIR is calculated by multiplying the number of lost-time injuries by 200,000 and dividing the result by the total hours worked.

safety compliance

In 2006, during U.S. Occupational Safety and Health Administration (OSHA) inspections at K-C facilities, the following violations were found:

- Our Everett, Washington facility was inspected in July. A roofing subcontractor working at the facility was fined \$4,000 for an unsecured work platform that had caused a fall
- Our Loudon, Tennessee facility was inspected in August and fined \$1,182 because of inadequate training and two poorly maintained eye wash units in place.

There were no other inspections at our global operations in 2006 that resulted in violations or fines.

talent management



Kimberly-Clark

Leadership QUALITIES

- :: visionary**
Making the future visible and reachable
- :: inspirational**
Lighting a fire in people and keeping it burning
- :: innovative**
Turning today's possibilities into new capabilities
- :: decisive**
Turning discussion into action
- :: collaborative**
Reaching out and forging teams across boundaries
- :: building talent**
Finding, developing, and retaining talent that makes our company stronger

In 2006, we continued to build on our talent management strategy to develop employees and support the growth objectives in our Global Business Plan. Through our Performance Management system, we emphasized the six K-C Leadership Qualities that we seek to develop in all employees:

- Visionary
- Inspirational
- Innovative
- Decisive
- Collaborative
- Building talent.

These six Leadership Qualities help employees to know exactly what is expected of them regardless of their position in the company. Employees can also look to the Leadership Qualities for ways to change their behavior and improve their performance. In 2006, we concentrated on turning our employees' understanding of the Leadership Qualities into improved business performance. A new online training tool has helped employees learn more about the Leadership Qualities, including how to relate each one to different workplace situations.

Investing in employees in the U.K.

Our U.K. Consumer Division retained its Investors in People (IIP) accreditation in 2006, a standard it first achieved in 1995. IIP is a well-known standard in the U.K. for companies with excellent programs for developing their people. The accreditation process involved an on-site assessment and interviews with employees about the company's culture and people-development programs. Accreditation ensures high levels of employee engagement and helps attract and retain talented people.

Increasing employee engagement

We believe there is a direct relationship between employee engagement and the overall performance of a company. Employees that are engaged with their company and their work

- Speak positively about the organization
- Choose to stay with the company despite opportunities to work elsewhere
- Choose to make extra effort to do a good job.

A survey in 2005 showed that 56 percent of K-C employees are engaged with their work, compared with a global average of 52 percent for similar-sized companies. The highest-performing companies have an employee engagement score of 65 percent or above and this is where we aim to be.

recruitment, mentoring and training

We want to attract talented employees to work for K-C, and provide a fair and rewarding workplace where people are encouraged to contribute and develop. This is essential to remain a competitive and successful business. In 2006, 1,186 new employees joined K-C in the U.S. and 2,512 left the company; 1,076 as a result of business changes. Read more about how we are transforming our business responsibly in the [Our commitment to health and hygiene section](#).

Employees joining a new company often find it difficult to learn the company's history and culture, meet new people and tackle a new job. Helping new employees integrate more quickly increases engagement, productivity, satisfaction and retention. In December 2006, we launched a Web site for employees joining or transferring to a job elsewhere in the company. The site is accessed through our intranet and has three main elements:

- A video of Chairman and CEO Tom Falk. He welcomes newcomers and encourages them to coordinate with their team leaders and to use the resources available on the new Web site
- A computer-based training program. This contains important information for employees joining, leaving and transferring within the company. It features a workbook for employees to access and update
- A checklist. This can be customized and includes administrative items and information specific to particular K-C locations.

In 2006, we designed and ran two programs to train people in coaching others: Coaching for Performance and Helping Others Succeed. The courses help participants to recognize the barriers that prevent people from performing well and to learn techniques for becoming a highly effective coach. The courses teach a systematic process of feedback, analysis, planning and action to enable team leaders to assess and understand coaching needs and establish and strengthen coaching relationships.

compensation and benefits

Kimberly-Clark provides competitive pay and benefits to our employees around the world. We monitor the competitiveness of our programs through participation in various surveys, as well as participation in industry groups.

We fully implemented our redesigned global Performance Management and Compensation systems for salaried employees. This is a major step toward universal HR practices across all global locations.

In January 2006, we began calibration sessions in which team leaders jointly review ratings of team members with peer team leaders. This approach holds team leaders accountable among their peers for consistently applying the new performance management process and rating employees fairly. Team leaders have conducted more than 200 calibration sessions to provide accurate and objective feedback to every salaried employee.

Our HR team received the Society for Human Resource Management's inaugural Strategic HR Leadership Award for its efforts in redesigning and implementing these systems. The award recognizes an HR organization that played a key role in improving the performance and reputation of an organization.

Competitive pay

Our company regularly analyzes and compares base salary and variable bonuses to maintain market competitiveness. Bonuses, including sales incentives, vary considerably between countries and businesses. Our executive bonus plan is applied globally and is part of the competitive remuneration for K-C's senior leaders.

Our robust Performance Management process transparently links salaried pay to performance against agreed upon and aligned objectives. This differentiated approach better positions the company to attract and retain talented employees, by rewarding excellent performance and holding people accountable for under-performing.

Most employees in North America and Europe can invest in K-C stock through saving and retirement plans and we will match a percentage of their contribution. Through our Equity Participation Plan, we award stock options, restricted share units and restricted shares to certain salaried employees based on past contribution and future ability to contribute to the organization.

Benefits and work/life balance

We generally provide additional financial and non-financial rewards to employees making an exceptional contribution, although they vary by country and business. There are programs to reward certain employees for ideas to improve processes or make cost savings, for reaching safety, quality or productivity objectives and for long service.

Vacation, leave entitlement and additional benefits including medical insurance, life insurance, support for long-term illness and healthcare benefits for domestic partners vary by country depending on local legislation and custom. Our Employee Assistance Program (EAP) provides counseling services to employees and their families in difficult times. For more on health services provided to employees, see the section on [Safety, health and hygiene](#).

We offer flexible working arrangements to allow employees to balance work with personal commitments, where this does not conflict with the running of our business. These include job-sharing, flexible hours and compressed work weeks.

diversity and inclusion

Diversity in the workplace creates business benefits. We want our workforce to reflect and understand the broad range of backgrounds and experiences represented by our customers, consumers and communities around the globe. A diverse workforce can generate different ideas and solutions. Valuing the differences and similarities across our workforce gives every employee the opportunity to do their best.

Diversity and inclusion are critical to our long-term success because they:

- Enhance consumer and customer confidence in our company
- Help attract and retain the best talent
- Increase innovation.

At the end of 2006, 25 percent of our board directors were women and 33 percent from ethnic minorities. Also, 35.9 percent of our salaried U.S. workforce were women, compared with 35.3 percent on December 31, 2005. The proportion of U.S. employees from ethnic minorities also increased slightly, from 11 percent at the end of 2005 to 11.8 percent on December 31, 2006.

Celebrating diversity in 2006:

- In 2006, K-C scored 85 percent in the Human Rights Campaign Foundation's Corporate Equality Index. This index rates 446 companies on their policies and practices for gay, lesbian, bisexual and transgender employees. K-C ranked in the top half of the 35 Retail and Consumer Products Companies
- John Amat, Vice President of Global Sales & Marketing for Kimberly-Clark Health Care, was named in *Hispanic Business Magazine's* list of Influential People in 2006
- The Roswell Women's Interactive Network in Georgia, U.S., celebrated its 10th anniversary and continued to sponsor events to promote women's career development at K-C and address their concerns
- K-C sponsored the Society of Women Engineers' efforts to reach out to female students of all ages across the U.S.

turning diversity strategy into action

In 2006, we focused on turning our diversity strategy into action.

In October 2006, we held a diversity conference at our facilities in Neenah, Wisconsin, and Roswell, Georgia. More than 500 team leaders attended, to explore how diversity can improve business and make K-C a better place to work. The conference included presentations from senior executives and workshops on topics including the definition of diversity and the role of managers in a diverse workforce.

Accessed online through our intranet, our diversity toolkit contains a variety of resources for team leaders and employees, such as:

- A series of short videos on how to manage differences in race, age, gender, sexual orientation, culture and language
- Tips on how to facilitate discussions about diversity and engage team members
- An evaluation for employees to assess the inclusiveness of their own actions
- A booklet on the skills needed to lead and work in cross-cultural global teams.

The materials are designed for a U.S. audience but can be used by employees worldwide. They will be developed as business and user needs evolve.

Creating opportunities for women in senior management

Women represent a critical audience in the marketplace for our products. Our Executive Women's Forum, comprising women who are members of our senior leaders group, aims to accelerate the development of women for senior leadership positions.

The Forum met in 2006 to discuss progress. The meeting allowed forum members to discuss strategies and share best practices to:

- Attract, retain and build talent
- Promote a diverse workforce
- Choose to make extra effort to do a good job.
- Support flexible careers for all employees
- Create opportunities for employees in operations as well as staff positions
- Overcome geographic challenges in attracting and retaining women leaders.

our employee networks

Our **employee networks** are groups of employees with a mutual interest and are a key component of our diversity program. Networks increase diversity awareness, help us to achieve our stated business objectives and give their members opportunities to develop personally and professionally.

In 2006 there were 16 employee networks in the U.S., with more than 3,600 members. The groups cover more established areas of diversity such as race and gender but also newer areas like parenting and caregiving. It is important to recognize that all our employees contribute to the diversity of our workforce, not only those from the minority groups most usually associated with diversity.

Kimberly-Clark Employee Network Groups



African American Employee Network (AAEN)

The African American Employee Network's mission is to help K-C attract and retain the best people, and serve as a resource to aid the career and personal development of African American employees.



Child Dependent Care Network (CDCN)

The Child Dependent Care Network provides K-C employees information and support for child dependent care issues that lead to quality, cost-effective solutions, ongoing education and awareness, and support for child care providers.



Family Caregivers Network (FCN)

The Family Caregivers Network provides K-C employees information, support and advocacy for adult dependent care issues.



Focus Asia-Neenah, Wisconsin (FA)

Roswell Asian Heritage Network (RAHN)

Focus Asia and Roswell Asian Heritage Networks support K-C in the recruitment, development and retention of Asian employees as well as provide opportunities for its members and others to appreciate cultural differences and to bridge gaps.



Gay and Lesbian Network

The Gay and Lesbian Network provides support for gay, lesbian, bisexual and transgender (GLBT) employees in the workplace, contributes to education and training on GLBT issues and recognizes the role of all employees in fulfilling K-C's strategic goals.



Latin American Network for Diversity (LAND)

The Latin American Network for Diversity's mission is to help K-C attract, retain and enhance the career and personal development of its members as well as serve as a resource on products and communication relevant to Hispanic consumers, customers and suppliers.



New Employee Opportunity Network (NEON)

The New Employee Opportunity Network assists K-C in attracting, retaining and developing new employees. Its mission is to help its members achieve their full potential and effectively drive growth for K-C by encouraging teamwork, leadership and networking.



Women's Interactive Network (WIN)

The Women's Interactive Network's mission is to assure that K-C continues to be an employer of choice for women and to help women advance personally and professionally by facilitating connections with other women.

human rights

Treating people with dignity and respect is a natural extension of our founding value of fair dealing. We require our facilities to meet the legal requirements of their country for all employment practices. This includes, but is not limited to: recruitment, hiring, promotion, demotion, transfers, layoffs, recalls, discharge, compensation, benefits, training, education and education assistance, and social and recreational programs. Decisions regarding the hiring of job applicants and subsequent employee actions must be made without discrimination on the basis of race, color, sex, sexual orientation, age, religion, national origin, disability, or other factors as provided by law.

We also articulate our expectations beyond legal compliance in our Code of Conduct and [Human Rights in Employment and Human Resources Development and Diversity policies](#). We hold managers in all our businesses accountable for the proper application of these policies.

We thoroughly investigate all reported human rights violations. In 2006, no incidents of non-compliance with our human rights policy were reported.

In 2006, we created a set of supplier guidelines to make all of our suppliers aware of our human rights and sustainability policies. These guidelines will be rolled out in 2007. We also assess our contract manufacturers on human rights criteria as part of our Contract Manufacturers Risk Assessment Process. [Learn more.](#)

All of our employees are free to join trade unions. In 2006, 19.6 percent of our employees in the U.S. were members of a trade union. In the U.S. the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy Allied Industrial and Service Workers International Union (USW) had the most representation. In the U.K. the Graphical, Paper and Media Union (GPMU), the Transport and General Workers Union (T&GWU) and Amicus reported the highest membership.

suppliers and ethical sourcing



We aim to ensure that the materials and services used to make our products are responsibly sourced. We expect our suppliers to comply with applicable laws and meet our own standards and specifications. We require all Kimberly-Clark representatives to behave ethically when making arrangements with suppliers and contract manufacturers. Maintaining strong relationships with our diverse network of suppliers is of great importance to us.

Greening the supply chain in Korea

Yuhan-Kimberly in South Korea completed an environmental supply chain management project in 2006. The project assessed the environmental management, financial performance and social responsibility of 14 key suppliers, covering 45 percent of material purchases.

Yuhan-Kimberly shared environmental management tools and best practices with the 14 suppliers, including those for waste reduction, energy efficiency, and life-cycle assessment. At the end of this three-year program, all suppliers were certified to the ISO 14001 standard for environmental management, and together had improved energy efficiency by 8.5 percent and reduced waste by 9.8 percent. Yuhan-Kimberly now plans to extend the project to its remaining suppliers.

relationships with suppliers

To remain competitive, we must continue to innovate, expand our brands and bring new products to market quickly. In doing so, we must remain mindful of the impacts such activities can have on the communities where we operate and the environment. We seek to work with suppliers who share our commitment to sustainability and have the resources and expertise to help us achieve our goals.

We aim to treat our suppliers with honesty, fairness and respect, and expect the same in return. We expect suppliers to comply with all applicable laws, standards and codes in the regions where they operate, including those regarding occupational safety, environmental performance and labor rights. Suppliers and contractors working at our facilities must comply with all of our site rules and procedures.

In our supplier relationships, we aim to:

- Uphold our core values of quality, service and fair dealing
- Seek suppliers who share our values and standards
- Protect suppliers' confidential information
- Pay invoices within the agreed time period
- Build a diverse supplier base to increase the skills available to us
- Provide a safe working environment for suppliers and contractors at K-C sites.

Sustainability in the supply chain

In 2006, we developed supplier guidelines. These guidelines show that we are committed to sustainability and encourage a similar commitment from our suppliers. They will be rolled out in 2007.

Reducing road miles in the U.K.

K-C teamed up with one of our pulp suppliers and Associated British Ports (ABP) on a project to eliminate 600,000 truck miles each year from British roads by using ocean freight. An estimated 41,000 tons of pulp annually are now shipped directly from the supplier's facility in the Netherlands to ABP Port of Barrow, near our Barrow Mill. The pulp was previously sent to our terminal on the river Thames and then transported more than 300 miles by lorry.

Peter Taylor, manager of our Barrow mill, said: "Environmental considerations, combined with those of being a good neighbor within the local community, are at the heart of our business and this arrangement benefits all. We look forward to working with ABP and establishing a strong partnership for the future."

contract manufacturing

Contract manufacturers produce finished, branded products to Kimberly-Clark's specifications. We use these companies to increase our manufacturing capacity or to make products that our own facilities are not equipped for, and would require a large capital investment to upgrade.

Some of our contract manufacturers are former K-C facilities and a small number are competitors. Contracting out presents some risks, such as:

- Potential interruptions to the supply of our products
- Damage to our reputation if a contract manufacturer fails to meet regulatory requirements or to uphold our high environmental, safety and labor standards
- Sharing proprietary knowledge, expertise and innovation with companies that may also be competitors.

We believe the benefits to our business of using contract manufacturers can outweigh the risks. Outsourcing allows us to bring new products to market quickly, increase our focus on core product lines, reduce capital investment and increase our supply of high quality products.

We have put in place measures to identify and reduce the risks of contract manufacturing. In 2006, we introduced a risk assessment process. This considers a contract manufacturer's performance in the following areas: finance, environment, regulation, product quality and safety, labor issues, occupational safety, operational issues, and transport.

Once the decision has been made to outsource a product, a number of potential contract manufacturers are chosen for evaluation. We send each candidate a brief questionnaire to identify and exclude high-risk companies. We follow up with a more detailed questionnaire to the remaining companies and select potential suppliers based on their responses. We visit and assess the selected manufacturer's site to identify any remaining sourcing risks and develop a plan to mitigate them.

This risk assessment process is being implemented globally for all new contract manufacturers. We plan to use a similar process to assess existing contract manufacturers, major new suppliers and significant existing suppliers. This will take place over the next two years.

The risk assessment also benefits suppliers. Reducing the sourcing risks that we identify will help to improve their business efficiency, reduce their operating risks and attract further business opportunities.

supplier diversity

Just as we aim for our employees to reflect the cultural and ethnic diversity of our customers and consumers, we also seek to use a diverse range of suppliers. This increases the skills and expertise available to us. In the U.S., such supply-chain diversity is often a condition of dealing with government and many of our business-to-business customers.

In the U.S., our goal is to make 5 percent of purchases from minority-owned suppliers and another 5 percent from women-owned suppliers by the end of 2010. In 2006, the amount of money spent increased with both groups, moving us closer to these targets.

Spending with minority- and women-owned suppliers
 (\$ millions)

Minority	\$43	\$76	\$84
Women	\$138	\$141	\$153
	2004	2005	2006

The growth in our spending with minority- and women-owned suppliers is directly related to the quality of the products and services they provide. Much is repeat business. We do not award business to uncompetitive suppliers merely to fulfill quotas – we purchase from these groups because they work hard to meet and often exceed our requirements.

Our new electronic procurement system makes it easier to compare bids from different suppliers, allowing us to include more suppliers in the bidding process. Our Sourcing and Supply Management department identifies new minority suppliers by attending trade shows, reading minority business publications and through membership of the National Minority Development Council and Women’s Business Enterprise National Council in the U.S.

We are reviewing the products and services we purchase to identify further opportunities to employ more diverse suppliers. We also work with our suppliers to encourage them to purchase from a diverse range of suppliers in their own businesses.

ethical sourcing of raw materials

Most Kimberly-Clark consumer products contain natural fibers derived from wood pulp. Soft and hardwood fibers are blended to give the levels of softness, strength, and absorbency that consumers expect from tissues, diapers, feminine care and incontinence care products.

The wood pulp we use is principally sourced from forests in the U.S., Canada and Brazil. We buy the vast majority of our pulp from external suppliers, and make the rest in our two remaining pulp mills from logs or wood chips bought from suppliers. We do not own or manage any forest land.

It is widely accepted that natural forests and tree plantations should be managed to meet the social, economic, ecological and cultural needs of present and future generations. For example, preserving forests is essential to protect the many plant and animal species they support and to help stabilize our climate.

Sustainable forest management ensures the timber yielded does not exceed the level at which the forest can regenerate. Such management is designed to protect whole forest ecosystems, including the trees, plant life, soil quality, wildlife and freshwater supply. By using a number of [certification programs](#), companies can demonstrate that their timber products are legally sourced from sustainably managed forests.

Many of our products also contain synthetic, nonwoven fibers that are petroleum-based. This poses a long-term risk to our business because global petroleum supplies are finite, and are subject to disruption and price volatility.

Responsible sourcing of fibers and other raw materials plays an important role in our commitment to sustainable development. We have adopted practices that direct our businesses to meet industry standards and applicable best practices. We also continue to seek suitable alternative materials such as plant-based fibers, viable secondary (recycled) materials and methods of reclaiming, reusing and recycling our own waste into our products.

our fiber procurement policy

We introduced our policy on Sustainable Use of Natural Resources in 1991 and updated it in 2003. In 2006 we began to develop a specific Fiber Procurement Policy. This was finalized early in 2007 and replaced the original 1991 policy and 2003 revision. The new policy reflects changes to our business (our forest lands have been sold), industry best practice, and feedback from customers, consumers and non-governmental organizations. The policy aims to:

- Enhance our leadership on sustainability issues
- Respond to the concerns of our customers, shoppers, users and other groups
- Ensure we can verify our compliance with the policy.

The policy provides that we strive to maximize the use of environmentally responsible wood fiber consistent with product performance and competitive market conditions. We define environmentally responsible fiber as:

- Wood pulp purchased from suppliers that have had their forestry operations or wood fiber procurement activities certified to one of the forest certification systems listed below
- Wood pulp manufactured by K-C from logs or chips purchased from suppliers that have had their forestry operations or wood fiber procurement activities certified to one of these forest certification systems
- Recycled fiber recovered from pre- or post-consumer waste paper.

Our goal is to purchase 100 percent of our wood fiber from certified suppliers. The forest certification systems we recognize are the:

- Forest Stewardship Council (FSC)
- Sustainable Forest Initiative (SFI)
- Canadian Standards Association's National Sustainable Forest Management Standards (CSA)
- Sistema Brasileiro de Certificação Florestal (CERFLOR) in Brazil
- Program for the Endorsement of Forest Certification Schemes (PEFC).

The Central Point of Expertise on Timber Procurement (CPET) is a U.K. Government service that advises public sector buyers. In December 2006, CPET approved five forestry certification schemes as assurance of legally sourced timber from sustainably managed forests. Four of these are already recognized by our fiber procurement policy: the CSA, FSC, PEFC, and SFI. The CERFLOR standard is accepted by the PEFC, and so is equivalent to these four standards.

We will give preference to wood fiber certified under the Forest Stewardship Council standard, where it is available and meets product performance requirements and competitive market conditions.

We will not knowingly use wood fiber from illegally harvested timber or forests areas requiring protection, such as primary tropical rainforests. For a definition of forest areas requiring protection, please refer to the complete [policy](#)

Södra is a cooperative of more than 35,000 private forest owners in southern Sweden and an important K-C supplier.

"Södra has worked with K-C Europe on a continual basis for 10 years, to ensure all environmental changes and challenges are met. Frequent exchanges, both formal and informal, occur between forestry, regulatory, and technical personnel within both companies, to ensure K-C is supplied with optimal product in terms of environmental performance. These cover issues such as forest certification, energy conservation, and logistical efficiencies, across a number of regions in Europe and the Middle East. The environment is no longer a subject for occasional discourse; it has become an integral part of day to day business between our two companies."

*Nigel Holland, Managing Director,
Södra Cell (UK) Limited*

fiber procurement in 2006

In 2006, 71 percent of the fiber used in our products was virgin and 29 percent was recycled. Of the virgin fiber, we bought 90 percent from external suppliers and made the remaining 10 percent in our own mills from logs or wood chips bought from suppliers.

At the end of 2006, 89 percent of virgin fiber, wood pulp and timber we purchased came from suppliers that have had their forestry operations or fiber procurement activities certified by one of the five schemes listed in our [fiber procurement policy](#). Seven pulp suppliers, accounting for 4 percent of our virgin fiber purchases, were not certified, although they do practice sustainable forest management.

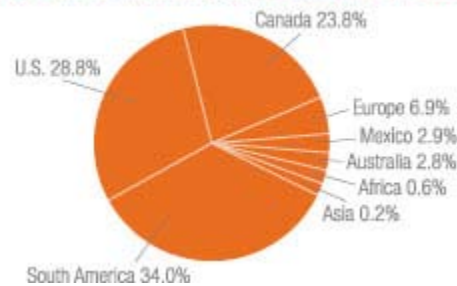
In 2005, we followed up with eight suppliers who had not complied with our fiber procurement policy. During 2006:

- Three of these mills became certified
- One became partially certified
- One began work toward certification
- One we did no business with
- Two took no action. We will no longer source from one of these and the second will seek certification in 2007.

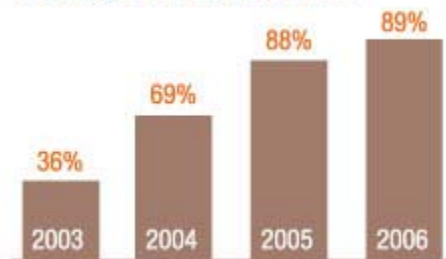
As well as updating our policy, in 2006, we took a number of additional steps and developed more plans to improve our fiber procurement practices. We:

- Commissioned an independent study of the feasibility of increasing our use of FSC-certified fiber, as its availability is limited. The results show we should be able to increase our use of FSC-certified fiber in the next 10 years, although because of its limited availability we will also need to use fiber from other certification schemes. Read a summary of the results [here](#)
- Proposed an external sustainability advisory board to advise us on sustainability issues relevant to our business, including fiber procurement
- Plan to initiate an independent life-cycle assessment in 2007, comparing the environmental impacts of using virgin versus recycled fiber in our tissue products
- Will report publicly on compliance with our fiber procurement policy in our annual sustainability report using information from the new tracking system
- Will continue reviewing our global fiber purchases to verify compliance with our policy
- Will engage with groups interested in forestry issues around the world and respond to stakeholder inquiries as appropriate.

Geographic location of virgin fiber purchases in 2006



Percentage certified fiber purchased

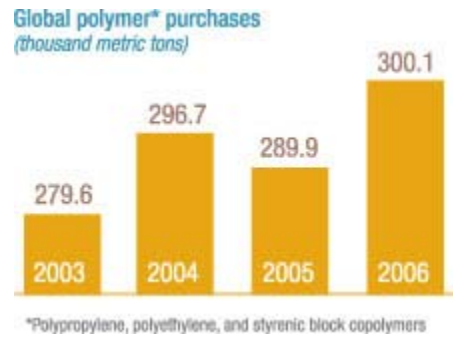


Breakdown of purchased certified fiber by certification scheme (%)

Certification Scheme	2005 (%)	2006 (%)
Forest Stewardship Council	8.8	7.7
Sustainable Forestry Initiative	49.5	39.3
Canadian Standards Agency	9.7	11.6
Sistema Brasileiro de Certificacao Florestal	26.0	33.3
Program for the Endorsement of Forest Certification Schemes	6.0	8.0

sourcing synthetic fibers

Synthetic materials, or polymers, like polypropylene are principally derived from petroleum and are used to make nonwoven fabrics. These are key components of diapers, training and youth pants, feminine and incontinence care products, and healthcare products. We do not manufacture any petroleum-based raw materials - all are purchased in polymer form from suppliers.



Because of the global instability of crude oil prices and supply, our strategy is to reduce the amount of polymers purchased by converting waste polymers into pellets for reuse in our products. We aim to reuse 75 percent of our polymer waste and to recycle the remainder through other channels. In 2006, we converted 58 percent of our total polymer waste back into K-C product.

We are also investigating alternative materials for use in our products. The materials we are researching include:

- Polymers made from renewable materials such as agricultural crops, to reduce our reliance on non-renewable fossil fuel
- Biodegradable polymers for use in flushable products and to provide more flexible disposal options
- Recycled polymers to extend the useful life of natural resources:
 - Our European business is investigating the use of recycled plastics in diapers
 - We are investigating the use of product packaging containing up to 10 percent post-consumer recycled polymers in 2007.

community



At Kimberly-Clark, our culture of caring for others extends beyond our famous brands. We frequently donate products, money and time to improve lives and support causes that strengthen families and communities.

Established in 1952, the Kimberly-Clark Foundation carries out our corporate community investment and matches our employees' donations and volunteering efforts locally. The K-C Foundation, our company and our employees around the world respond to causes and programs with financial contributions, product donations and volunteered time. We have also forged many long-term partnerships with charitable organizations that share our commitment to improve the health and well-being of the world's families.

In 2006, K-C and our employees donated a total \$24.3 million in cash and product to causes worldwide. This includes \$1.3 million given to match donations made by our employees and \$1.1 million to match time volunteered by our employees.

Enterprise and Foundation cash and product donations

Community investment (millions)	\$23.4	\$25.5	\$20.2
Percent of K-C net income	1.3%	1.6%	1.3%
	2004	2005	2006

our partner charities

Our partner charities

We have built long-term relationships with charitable organizations that share our commitment to improving the lives of families around the world.



In the U.S., these include the Boys & Girls Clubs of America, the United Way of America, and the YMCA of the USA. Internationally, we support UNICEF, MedShare International and a number of environmental organizations.

partners in the united states



Boys & Girls Clubs of America

We have supported the Boys & Girls Clubs of America (BGCA) for more than 20 years. The BGCA supports our commitment to strengthen family relationships through their network of youth clubs. Our present and former Chairmen and CEOs Tom Falk and Wayne Sanders sit on the organization's board.

[Find out more](#)



United Way of America

The United Way is a network of more than 1,300 community-based organizations. We encourage our employees to donate money to United Way organizations, and we match their donations dollar for dollar. In 2006, K-C and our U.S. employees raised nearly \$6 million for United Way organizations through individual donations and local campaigns that featured fund-raising activities such as garage sales and raffles.

In 2006, we were presented with the United Way of America's Summit Award for Corporate Community Investment in recognition of our commitment to improving lives in local communities.

[Find out more](#)



YMCA of the USA

The YMCA serves more than 10,000 communities in the United States. Since K-C began its partnership with YMCA in 2001, we have donated \$12 million to this cause. In 2005, we pledged \$3 million to support the organization's Activate America initiative, which is helping communities to lead healthier lives.

Since the initiative began, 48 communities in the U.S. have made changes, including reinstating physical education in schools, changing school vending and snack policies, improving city-wide trail systems and bike paths, creating local walking clubs, planting community gardens, starting farmers' markets and working with mobile food pantries. In 2006, teams from these communities attended the annual YMCA Pioneering Healthier Communities Conference to share their experiences.

In 2006, our Everett Mill in Washington, U.S. donated 788 acres of land worth more than \$4.7 million to the YMCA of Snohomish County. We worked in partnership with the YMCA to identify common goals for this land, and agreed on an approach that will help the YMCA serve the needs of children and adults while benefiting the environment.

[Find out more](#)

"This extremely generous gift is the largest donation in our 100-year history. I can't overstate the value of this gift from a synergistic perspective. It pushes our growth objectives forward and enables us to attract a higher level of interest from many other donors."

*Jerry Beavers, President and CEO
of the YMCA of Snohomish County*

international partners

UNICEF

We have donated almost \$4 million to UNICEF (United Nations Children's Fund) since 2001. This includes a pledge of \$2.6 million in 2005 to their Hope Lives Here AIDS campaign. This makes us the largest single U.S. corporate donor to the initiative.

In 2006, our support provided direct services to children in China affected by HIV/AIDS. These included educational subsidies for books, uniforms, school supplies, and information on HIV/AIDS for schools in areas with many children affected by, or living with, HIV/AIDS. Each year, we issue a fundraising challenge match, which UNICEF promotes. In 2006, challenge match mailings and emails reached more than 850,000 donors and raised more than \$1.1 million.

"Kimberly-Clark has been a valued partner for the past five years. They were the first company to come on board and lend support to orphans and vulnerable children. We are very pleased with the partnership and excited that Kimberly-Clark is receiving this well-deserved recognition."

*Charles J. Lyons,
President of the U.S. Fund for UNICEF*

In recognition of our support for UNICEF, we received the U.S. Chamber of Commerce Business Civic Leadership Center's 2006 International Community Service Award.

[Find out more](#)

MedShare International

MedShare International, a non-profit organization based in Atlanta, Georgia, U.S., provides surplus hospital supplies and equipment from the U.S. to developing countries. In 2006, we sponsored eight shipments of containers with a market value of more than \$2 million to locations in Latin America. Our facilities in Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Peru participated. Our Roswell, Georgia, U.S. employees also volunteer time for this cause by packing boxes of surplus medical equipment for shipment.

Environmental groups

As a major user of forest resources and water, we support organizations that help manage these resources in a responsible and sustainable way. We set aside more than \$100,000 in 2006 to support environmental organizations. The organizations we support include Conservation International, CARE, NatureServe and The Forest Dialogue.

supporting local communities/ north america

We focus our charitable support and the efforts of our employees on communities in which we operate, as this is where we believe we can and should make the most difference. Our businesses and employees donate money and time, which help to improve lives and build trusting relationships with our neighbors. Here we discuss some examples from our businesses around the world in 2006.

North America

Our employees donate money and volunteer their time to support their local communities. We have a number of programs in the U.S. to reward their efforts and generosity. These include our Matching Gifts program, through which employees donated \$1.3 million to U.S. charities in 2006. We matched these donations dollar for dollar. Our Community Partners program provides \$500 grants to charitable organizations where employees and their spouses or domestic partners volunteer more than 30 hours per year. In 2006 we donated \$1.1 million to organizations through this program, and our employees volunteered more than 66,000 hours of their time through our Community Partners Program.

Our Bright Futures Scholarship Program awards \$20,000 college scholarships to up to 100 children of our employees in the U.S. and Canada each year. Scholarships are awarded on the basis of merit, and take into account academic performance as well as leadership and participation in school and community activities. In 2006, 95 children were awarded scholarships.

Our executives also contribute to the community by volunteering their time and talents and serving on the boards of community and charitable organizations.

- Chairman and Chief Executive Officer Tom Falk serves on the boards of the University of Wisconsin Foundation and the Boys and Girls Club of America
- Senior Vice President and Chief Strategy Officer Bob Black volunteers at the Park Cities Family YMCA in Dallas, Texas
- Group President of Developing and Emerging Markets Robert Abernathy serves on the Emory University Goizueta Business School Advisory Board in Georgia and the University of Alabama Arts and Sciences Advisory Board. He also serves on the boards of the North Fulton United Way in Georgia and Texas Health Resources
- President of Kimberly-Clark Health Care Joanne Bauer serves on the boards of MedShare International and the HealthCare Careers Foundation
- Senior Vice President and Chief Human Resources Officer Lizanne Gottung serves on the boards of the North Fulton Child Development Association in Georgia and the American Heart Association based in Dallas, Texas
- Senior Vice President of Law and Government Affairs and Chief Compliance Officer Ronald Mc Cray serves on the board of the Hockaday School in Dallas, Texas; the Dean's Council of the Harvard Law School Association in Massachusetts; the University Council of Cornell University in New York and the Council of Foreign Relations.

supporting local communities/ latin america

Andean Region

We have operations in Bolivia, Colombia, Ecuador, Peru and Venezuela. Our regional social responsibility program *Estamos Dejando Huella* (We're leaving a trace) is helping to build a strong culture of corporate responsibility in all five countries. The program supports sustainable initiatives that relate to our Global Business Plan, our products and our customers, and encourage employee participation. Each country applies these common principles to its own activities. These are some examples:

- In 2006, we provided health assistance to more than 300 Colombian families whose livelihood depends on searching rubbish dumps for recyclable materials. We also donated notebooks to help with their children's education and provided financial support for child care
- In Ecuador, we donated 300,000 square meters of land to the Infant and Family Institute when we closed our site at Babahoyo. The land will be turned into a park and a K-C representative will remain on the board of the project to ensure its success
- In Peru, we are part of the United Nations' World Food Program pilot project in Huancavelica. In this region, 74 percent of people live in extreme poverty and 53 percent of those under five years old are chronically malnourished. We won the Integration and Solidarity prize from Radio Programas in recognition of our work to educate people about good nutrition.

Argentina

In 2006, we continued to sponsor Casa de los Niños and Jardín Jesus Misericordioso. Casa de los Niños is part of the Marco M. Avellaneda Foundation, which helps to protect local children and teenagers through education, recreation, sports and health programs and by helping them to find work. Jardín Jesus Misericordioso is a day-care center for low-income families in Pilar, near Buenos Aires. We donate money and products to both organizations each month. During 2006 we donated \$35,000 in cash and \$13,000 in products.

We continue to donate 10,000 diapers each month to the Pedro de Elizalde children's hospital in Buenos Aires and 5,000 diapers per month to the Policlínico regional hospital in San Luis. We also donated 10,000 diapers to the children's non-governmental organization, FUNDASAP.

Brazil

The Urban Forest project, our initiative to raise environmental awareness among children in schools near our sites, has reached more than 2,500 students. In 2006, we held workshops for teachers and other staff, and donated teaching resources to help raise awareness and motivate students to recycle. Students can bring recyclable waste to school and exchange it for cash or resources for their school. The waste is collected for recycling by a K-C supplier. We hold site visits for students, parents and school staff to learn about our production processes and environmental policies.

In 2006, the Urban Forest project was recognized in the environmental relations category of local newspaper Mogi News' Social Responsibility Awards.

**supporting local
communities/
europe**

Poland

Our "Pomóżmy razem" (Let's help together) program supports three organizations that train Labrador guide dogs for people with disabilities. We promote these organizations on product labeling for our Velvet brand, and make financial contributions. We donated a total \$16,500 in 2006.

Turkey

Each year the average person uses materials produced from roughly seven trees. K-C Turkey is part of a project supported by the Forest Municipality in Turkey, to plant seven pine trees as a birthday present for employees. We planted seven trees for each of our 100 employees in 2006 and will match this commitment in 2007.

United Kingdom

In Kind Direct provides surplus goods and equipment from U.K. companies to charities and community groups. K-C is one of their largest suppliers and donated 132 pallets of personal care and baby products during 2006, worth almost \$180,000.

supporting local communities/ asia-pacific

Australia

In 2006, employees at our Millicent Mill in Australia moved closer to raising the \$100,000 needed to buy a new medically equipped aircraft for the Royal Flying Doctors Service (RFDS). Many people in the region rely on the RFDS for urgent medical care. Employees are raising the funds by donating the value of their Safety Vouchers (a safety incentive awarded by our Millicent mill for each injury-free month). This is matched by a company contribution. The total now stands at \$75,000.

China

K-C China has donated approximately \$40,000 for the upkeep of two pandas through the Chengdu Giant Panda Breeding Research Center's Panda Adoption Program over the past seven years. Cash donations are only part of our support for the panda program. In fact, we have spent more effort raising conservation awareness among the public.

On Children's Day in June 2006, we held a panda drawing competition in Chongqing to help raise conservation awareness among young people. Our work to educate and communicate with the public was recognized by the Chinese newspaper, Guang Ming Daily, and the American Chamber of Commerce in Beijing.

New Zealand

In 2005, New Zealand suffered an influenza outbreak of near epidemic proportions. In 2005 and 2006, the Kleenex team at K-C New Zealand consulted with education and health experts to develop and expand an awareness-raising campaign on the use of good hygiene to limit the spread of colds and flu called SneezeSafe.

The campaign was sent to 5,800 preschools and primary schools across the country, and encouraged children to share what they had learned with friends and family. It also explained how Kleenex Anti-Viral tissues contain a moisture-activated middle layer scientifically proven to kill cold and flu viruses. This is an innovation that leading virologist Dr. Lance Jennings describes as a "good safeguard" against the spread of cold and flu viruses – especially when combined with cold and flu hygiene as promoted by the SneezeSafe message.

Thailand

In Thailand, we partnered with the Kanchanaburi provincial government and Thailand's Ministry of Natural Resource and Environment to plant 10,000 young trees as part of HM the King's Diamond Jubilee project. K-C employees organized and took part in the replanting of 40 acres of the Kanchanaburi forest, one of the most critical woodlands in Thailand. The forest supports the Mae Klong River, a key waterway for communities and a water supply to Bangkok.

cause-related marketing

We run cause-related marketing campaigns in partnership with local and national charitable organizations. This is good for business and for the charities involved – helping us promote our products, educate our shoppers and users and raise money for good causes. Here are some examples of our cause-related marketing campaigns in 2006.

In the U.K. we ran a promotion on packaging of our Andrex brand to support Guide Dogs for the Blind in the U.K. and Ireland. Consumers could buy a toy puppy dressed in a guide dog training jacket and all profits went to the charity – a total of £250,000 (\$490,400) over 12 months.

Also in the U.K., we raised money for breast cancer research. In partnership with U.K. retailer Tesco, our Kotex brand sold red gerbera daisy pin badges for £1 (around \$1.90). This raised more than £20,000 (\$38,000) for the charity Breakthrough Breast Cancer.

In Australia, we produced a limited edition pack for our Kleenex facial tissue brand to raise awareness of the Children's Medical Research Institute's (CMRI) Jeans for Genes day. Children and professionals taking part in the initiative donate a small sum to CMRI and wear jeans to school or work. Employees at our Australian sites raised AUS\$9,000 (around \$7,000) on the 2006 Jeans for Genes day and we donated a further AUS\$100,000 (\$77,500).

In the U.S., we expanded our participation in the "Box Tops for Education" program, through which people collect coupons from boxes of our products to raise money for their school. Coupons appeared on more than a billion packages of our Kleenex, Scott, Cottonelle and Viva brands and each is worth 10 cents. We plan to roll out the program to Huggies, Pull-Ups, GoodNites, Kotex, Poise and Depend products in 2007.

Also in the U.S., our Viva paper towels brand is contributing a minimum \$100,000 to the Breast Cancer Research Foundation. Much of the donation will come from coupons in a newspaper insert distributed in September 2006. We will donate 10 cents for each coupon redeemed.

Help KOTEX® help Breakthrough Breast Cancer

The **Kotex® Cares** campaign is a new and exclusive partnership with Tesco and will launch during Breast Cancer Awareness Month on October 11th.



Jojo Albert - Actress on Hollyoaks

Kotex® has produced a beautiful red gerbera pin badge for only £1 to be sold at select Tesco stores throughout the country. All proceeds will be going to Breakthrough Breast Cancer with the aim of raising over £20,000 for Breakthrough's vital research, campaigning and education work.



Emily Scott - Actress Model Celebrity Love Island

The celebrities will be showing their support for the **Kotex® Cares** campaign by wearing the red gerberas throughout October in a bid to raise awareness and as much money as possible for Breakthrough.

Show your care with **Kotex® Cares** this Autumn and wear the special gerbera pin as well. Limited number of pins are available free of charge at the reception.



Kasey Hazel - Sun Model

PS spread the word and tell your friends and family too!





data summary

This table shows our performance in 2006 against key sustainability performance indicators. All data are for our worldwide consolidated (wholly- and majority-owned) operations, unless otherwise stated⁷.

Indicator	2006	2005
Financial		
Net sales (billions)	\$16.7	\$15.9
Environmental stewardship		
Number of enforcement actions	12	10
Value of fines received	\$4,500	\$7,750
Total environmental expenditure (millions)	\$181	\$197
Total energy use (trillion Btu)	79.7	81.6
Energy efficiency (million Btu per metric ton of production)	15.77	16.23
Carbon dioxide equivalent emissions from manufacturing (million metric tons)	6.22	6.25
Production-related carbon dioxide equivalent per metric ton of production	1.27	1.30
Total waste generated (million metric tons)	1.42	1.48
Metric tons of waste per metric ton of production	0.29	0.31
Percentage of waste sent to landfill	17%	15%
Total water use (million cubic meters)	142.6	140.8
Water use efficiency (m ³ per metric ton of production)	45.14	44.24
Employees		
Total employees (full-time, part-time and temporary)	56,734	57,141
Percentage female employees (U.S. salaried employees only)	35.9%	35.3%
Percentage ethnic minority employees (U.S. salaried employees only)	11.8%	11.0%
Percentage of employees with union membership (U.S. only)	19.6%	19.5%
Total reportable incident rate (TRIR)	0.7	0.8
Lost-time reportable incident rate	0.3	0.4
Fatalities	1	0
Global severity rate	21.5	23.6
Suppliers and ethical sourcing		
Spending with minority-owned suppliers (millions)	\$84	\$76
Spending with women-owned suppliers (millions)	\$153	\$141
Percentage recycled fiber used	29%	29%
Percentage certified fiber purchased	89%	88%
Community		
Total global community investment - product and cash donations (millions)	\$20.2	\$25.5
U.S. employee giving (millions)	\$4.1	\$4.8

⁷In previous years, we included data from our minority-owned operations (equity affiliates). In 2006, we have chosen only to report on those facilities over which we have management control. We have adjusted comparative figures from previous years to reflect this where necessary.

appendices

Kimberly-Clark 2006 Sustainability Report

Policies

Product Safety Policies

- Safety of the corporation's products and services

Environmental policies

- Fundamental policy on environmental protection and concern
- Protection of the biosphere
- Energy policy
- Reduction and disposal of waste policy

Employment policies

- Human resources development and diversity policy
- Occupational safety and hygiene policy
- Human rights in employment policy

Ethical sourcing policies

- Fiber procurement policy

Community policies

- Charitable donations policy

Executive Summary Of FSC Feasibility Study

- Commissioned an independent study of the feasibility of increasing our use of Forest Stewardship Council (FSC) certified fiber, as its availability is limited.