

KIMBERLY-CLARK CORPORATION

A natural LEADER



2007 SUSTAINABILITY REPORT

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about this report

Welcome to our 2007 sustainability report. Here we describe our approach and performance in managing our impact on customers, shoppers and users of our products, employees, suppliers, the environment and the communities where we live and work.

We also provide a summary sustainability report that describes our performance in brief and discusses the five areas of sustainability we believe are particularly important.

This report is for the calendar year 2007 and covers our worldwide consolidated (wholly- and majority-owned) operations, with some highlighted exceptions. All monetary values are in U.S. dollars unless otherwise stated.

We welcome your comments and suggestions for our future reporting.

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www.kimberly-clark.com/investors/annual_reports.aspx.

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a message from our CEO

Welcome to our 2007 sustainability report. We enjoyed success in many aspects of our business this year. Sales volumes and revenues increased, and we led the Personal Products Sector of the Dow Jones Sustainability Indexes for the third consecutive year. We made significant progress in further implementing the Global Business Plan we introduced four years ago, and continued to invest in sustainable growth.

We recognize that only companies that build sustainability into the way they do business will have enduring success. Our business relies on natural resources such as wood fiber, energy and water. It is clearly in our best interest to design products and manufacturing processes that conserve these resources and secure their availability for the future. In 2007, we conducted a comprehensive life-cycle assessment of tissue products, which provides a sound scientific basis for making informed decisions about fiber use in our tissue products. At the same time, our business units are working to develop more detailed sustainability strategies for our products and operations.

Collaboration and engagement were important themes for us in 2007. We recruited five external experts to our new Sustainability Advisory Board. The Board members have expertise in the personal care industry, stakeholder engagement, socially responsible investment, corporate governance and green product design. We are excited about the experience each member brings.

Our work with customers continues as we strive to educate consumers about sustainability issues and our products' attributes. For example, Wal-Mart has selected K-C to join its newly established Supplier Sustainability Collaboration Board. In Costa Rica, we are piloting recycling stations in six Wal-Mart stores to increase paper recycling. As K-C is one of the largest buyers of recycled paper in the region, we will use much of the paper we collect in our products.

We are engaged with a broad range of stakeholders to improve the sustainability of our businesses and products. K-C Europe is working with partners including the Carbon Trust, whose draft methodology for calculating a product's total carbon footprint is being piloted on our Andrex and Huggies brands. We also work with WWF-UK Forest & Trade Network and the Forest Stewardship Council (FSC) on sustainable fiber sourcing. We believe that Kleenex is the first branded tissue product to carry the FSC label in the U.K.

We have made significant environmental improvements over more than a decade through our well-established Environmental Vision program, and are in a strong position to share our knowledge and good practices with our suppliers. In 2007, we launched *Sustainability at K-C: Guide for Suppliers* in North America and Europe to explain our expectations.

We have also maintained our commitment to the local communities where we operate. From our continued support for partner charities including UNICEF and the United Way of America, to emergency relief for earthquake victims in Peru, K-C and our employees around the world donate time, money and product to help those in need. The talent and commitment of our employees have led to our business, social and sustainability accomplishments.

Improving the health, hygiene and well-being of people the world over is K-C's mission, whether through our products, through customer education or through community investment. I am confident that K-C will continue to achieve sustainable growth, create value for our shareholders, provide sustainable employment opportunities and responsibly manage our use of the planet's resources.

Tom Falk, Chairman and CEO
April, 2008



about Kimberly-Clark

Kimberly-Clark is a leading global health and hygiene company with about 53,000 full- and part-time employees worldwide. We provide products that improve health and hygiene at home, such as diapers, feminine pads and facial tissue, as well as away-from-home products such as washroom essentials, and healthcare items such as surgical gowns, gloves, masks and medical devices. Our brands are some of the most trusted and recognized in the world and include Kleenex, Scott, Andrex, Huggies, Pull-Ups, Kotex, Poise, Depend, WypAll and Kimberly-Clark.

K-C 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. We have operations in 36 countries and sell our products in more than 150.

Our Personal Care and Consumer Tissue branded products are sold directly, and through wholesalers, to supermarkets, mass merchandisers, drugstores, warehouse clubs, variety and department stores and other retail outlets.

Our healthcare, away-from-home and do-it-yourself products are sold through distributors and directly to manufacturing, lodging, office buildings, food service, healthcare establishments and high-volume public facilities.

In 2007, K-C achieved net sales of \$18.3 billion, a 9 percent increase over 2006.

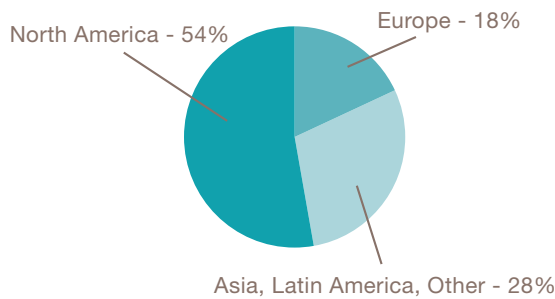
This was primarily the result of increased sales volumes for personal care products in developing and emerging markets and North America, as well as favorable currency exchange rates. Adjusted earnings per share increased by 9 percent in 2007, and we returned more than \$3.7 billion to shareholders through dividends and share repurchases. Further details of our financial performance in 2007 can be found in our annual report.

A sustainability leader

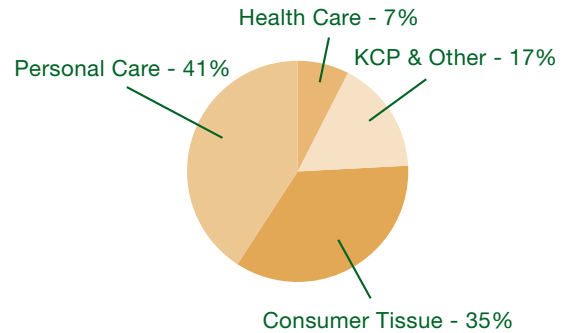
For the third consecutive year, K-C ranked No. 1 among Personal Products companies in the Dow Jones Sustainability World Indexes. Only 10 percent of the 2,500 largest companies worldwide qualify for the indexes, which identify the most sustainable companies by sector.



Revenues by geography



Revenues by segment



For more than 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.

managing sustainability

Our Global Environment, Safety, Regulatory and Scientific Affairs function manages all matters relating to the environment, energy, occupational health and safety, product quality and safety, and regulation. It includes a Corporate Sustainability team to identify and share best practices across the company. This comprehensive approach helps sustainability principles permeate our business, from facilities management to product design.

Our Environmentally Sustainable Technologies team partners with our businesses and suppliers to develop sustainable products, technologies and materials. Their work includes research into the use of biodegradable, renewable and recycled polymers in our products. In 2007, the team worked on increasing the use of post-consumer recycled (PCR) plastics in flexible packaging to improve our environmental footprint. See Sustainability and consumer products for examples. They also collaborated with Wal-Mart and Sam's Club on their sustainable packaging scorecard. The team also helped the trade associations INDA and European Disposables and Nonwovens Association (EDANA) develop "flushability" guidelines for evaluating how well nonwoven fabrics perform in this area.

Sustainability Advisory Board

In 2007, we recruited five external members for our new Sustainability Advisory Board. They are:

- *Niki Bey, an eco-design and life-cycle specialist at IPU Product Development (Denmark)*
- *George Carpenter, former Director of corporate sustainability, The Procter & Gamble Company (U.S.)*
- *Roger Cotton, a lawyer specializing in corporate governance in environment, health, safety and sustainability (Canada)*
- *Claude Fussler, former Vice President of Dow Chemical and former Director for Stakeholder Relations at the World Business Council for Sustainable Development (France)*
- *Timothy Smith, Senior Vice President, Director of Socially Responsible Investing, Walden Asset Management (U.S.)*

The Advisory Board, comprised of these five independent members and one K-C member, will provide advice on sustainability issues - plus an independent perspective on our sustainability programs and the potential risks and opportunities for our businesses.

EHS management system

In 2007, we began to implement a new, combined environmental, health and safety (EHS) management system. This system is designed to streamline and standardize our existing, separate environmental and safety management systems and compliance programs, incorporating their strengths and attributes to enhance performance. This improved management system will guide K-C facilities to:

- Systematically identify, control and reduce the risk of harm to employees, property losses and damage to the environment.
- Enhance compliance and improve performance.

The system emulates both the international standard ISO 14001 for environmental management and OHSAS 18001 for occupational health and safety. Some of our facilities choose to become certified to these standards as a demonstration of best practice or because of business need. At the end of 2007, 28 K-C facilities were certified to ISO 14001. Our other facilities are internally audited to standards at least as stringent.

In the fourth quarter of 2007, we introduced a requirement that all facilities and business units certify their level of compliance with applicable environmental laws and regulations, as well as our Vision 2010 Water Quality Standards. We have incorporated environmental compliance assurances into our quarterly internal controls process.

good governance

We remain 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 shareholders, employees and other interested parties we must manage our business responsibly. This means identifying and managing risks to our success as well as seizing opportunities.

Our board of directors and senior management are accountable for ensuring good corporate governance. K-C's board of directors has 11 independent members, in accordance with the New York Stock Exchange listing standards. Our Chairman and CEO is the only board member not considered independent. Our Audit, Nominating and Corporate Governance, and Management Development and Compensation Committees consist entirely of independent board members. The Nominating and Corporate Governance Committee periodically reviews our Corporate Governance Policies. Our Code of Conduct and corporate policies inform our employees that we expect consistent, ethical behavior and compliance with applicable laws. The Code and policies apply worldwide.

Employees can report violations on our intranet website. Employees in 56 countries can also report possible violations of the Code using an anonymous, 24-hour telephone hotline. Each year, we send out a notice to employees to remind them of the Code. In 2007, we received 31 reports via the Code of Conduct telephone hotline or our intranet website. All were investigated; 16 were classified as founded, 15 as unfounded. Appropriate disciplinary action ranging from a reprimand to employee termination was taken for all founded violations.

our stakeholders

Many different groups can impact or be affected by our business. We recognize the need to communicate with these groups so that they understand our products and operations and we understand and consider their needs and concerns. The table below describes how we engaged with our key stakeholders in 2007.

Stakeholder group	Primary areas of interest	Engagement in 2007
Customers, shoppers and users	<ul style="list-style-type: none"> • Improved health and hygiene • Product affordability • Good customer service • Product sustainability, e.g. with sustainably sourced or recycled content • Product quality and safety 	<ul style="list-style-type: none"> • Marketing and promotions, including cause-related campaigns • Environmental campaigns, e.g. recycling stations in Wal-Mart stores in Costa Rica • Product labeling, including environmental labels such as the Forest Stewardship Council (FSC) logo • Consumer satisfaction surveys • Phone calls, emails and direct mail • Customer meetings
Current and prospective employees	<ul style="list-style-type: none"> • Reward and recognition • Development opportunities • Business performance • Health and safety • Fairness and equality 	<ul style="list-style-type: none"> • Team meetings • @K-C intranet site • @myHR intranet site • Global trends survey • Employee networks • Town hall meetings with executives • Community investment, e.g. matching employee donations • Performance Management process
Suppliers	<ul style="list-style-type: none"> • Contractual terms • Sustainability requirements • Fiber procurement policy • Labor standards 	<ul style="list-style-type: none"> • Sustainability guide for suppliers • Risk assessments • Fiber supplier audits • Updated communication of fiber policy
Shareholders and the investment community	<ul style="list-style-type: none"> • Business performance • Corporate governance • Sustainable business strategy 	<ul style="list-style-type: none"> • Annual report and annual meeting • Investor website and communications • Quarterly and current filings with the U.S. Securities and Exchange Commission • Ratings, indexes and questionnaires • Over 200 meetings between executives and investors • Half-day investor meeting on company strategy and results • Participated in four analyst-sponsored conferences • <i>Investor Relations Quarterly</i> online newsletter
Communities where we operate	<ul style="list-style-type: none"> • Job opportunities • Local impacts such as water use, noise • Community relations 	<ul style="list-style-type: none"> • Local media • Community and volunteering programs, e.g. support for local branches of the United Way of America, Community Partners and matching gifts
Governments and regulators	<ul style="list-style-type: none"> • Legal compliance • Public policy 	<ul style="list-style-type: none"> • Advocacy by Government Affairs team and through industry organizations on items such as waste and energy policy • Meetings between Regulatory Affairs and government representatives • Meetings between mill staff and local government officials, e.g. on discharge permits to air and water, incentives for energy reductions
Non-governmental organizations (NGOs) and other interest groups	<ul style="list-style-type: none"> • Sourcing raw materials • Environmental stewardship • Labor standards • Animal testing • Shareholder resolutions 	<ul style="list-style-type: none"> • Sustainability report • Contribution to industry initiatives such as industry body, EDANA's sustainability reports and the World Business Council for Sustainable Development's sustainable forest products working group • Direct engagement with NGOs including Forest Stewardship Council, Greenpeace, and WWF

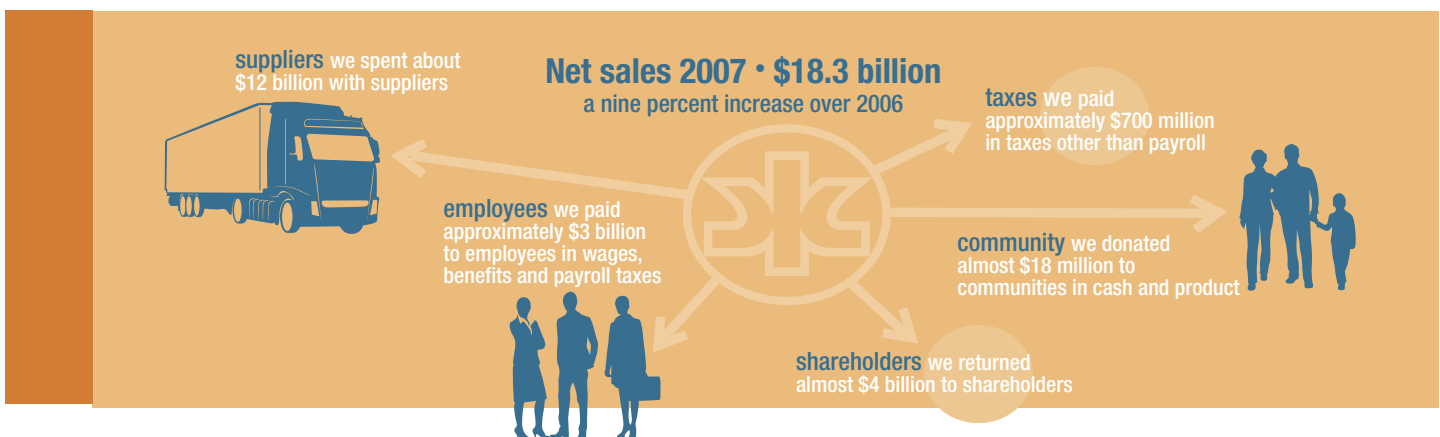
economic impacts

Sustainability is fundamental to the continued success of our company. By developing products that improve people's quality of life, we also create economic benefits for many of our stakeholders. The financial transactions we carry out in the course of our business have a positive impact on our stakeholders and the economies where we operate. Examples of our economic impacts include:

- Wages and other benefits paid to employees
- Products sold to customers and shoppers
- Materials and services purchased
- Taxes paid to governments
- Community investment
- Our stock value and dividends paid to shareholders.

Much of the benefit of these economic impacts continues to ripple through local economies after these initial transactions have taken place. Examples include our employees and suppliers spending their earnings on other goods and services, the creation of more jobs as our suppliers grow with us, and increased opportunities for people in local communities supported by our well-being and education programs.

The table below shows the major direct economic impacts of our global consolidated businesses in 2007.



public policy

Where permitted, and when appropriate, we communicate with government policy makers on matters that could significantly affect our businesses, employees, shareholders or customers.

Our involvement in public policy development is measured and responsible. We engage in policy matters that can have an appreciable impact on the execution of our Global Business Plan. This scope covers a wide range of policy areas, but our primary focus has been on energy, the environment and taxation issues.

Much of our engagement with policy makers takes place through business associations or coalitions of companies from a range of industries. Examples include leadership in the Absorbent Hygiene Products Manufacturers Association (AHPMA) Nappy Group, the EDANA Hygiene Absorbent Products Committee (HAPCO) and the Regulatory and Technical Task Force Board of the European Tissue Symposium. Some coalitions we belong to also include public interest and non-governmental organizations.

Kimberly-Clark does not currently contribute to political candidates, or to Political Action Committees that contribute to candidates, in the United States or Europe. We neither operate a Political Action Committee (PAC) nor make contributions out of company funds.

We comply with applicable laws regarding gifts, lobbying and other activities related to public policy engagement. Policy makers are an important stakeholder group, and our discussions with them form part of a long-term association. We greatly value any opportunity to increase their understanding of matters important to our businesses and stakeholders. Examples of our sustainability-related public policy activity in 2007 are:

Climate change

- Participating in the consultation process for the U.K. Climate Change Bill, and its potential impact on our pilot waste reduction projects and families using diapers.
- Developing a standard methodology for calculating a product's carbon footprint with the U.K.-based Carbon Trust.
- Participation in the annual Carbon Disclosure Project request for information on K-C's global climate change emissions and strategy.

Energy

- Applying available state incentives to develop a combined heat and power (CHP) plant at one of our U.S. facilities. This will reduce demand on the regional electricity grid and provide clean energy for K-C and other customers, including local businesses and residents.
- Supporting U.S. state legislation to encourage industrial use of landfill gas and other biomass to produce energy.

Recovered paper

- Working with the U.K. Government's Waste Resources Action Programme (WRAP) to improve the recovery of quality paper.
- Briefing Members of the European Parliament (MEPs) on the implications of exporting increased amounts of recovered paper to China.

Pediatrics

- Joined the Pediatric Continence Forum (PCF) in the U.K., to remain active in policy debate relevant to products such as Huggies DriNites youth pants.

Value Added Tax (VAT)

- Lobbying for reduced taxes on diapers in the 27 E.U. member states.

awards and recognition

Our company received the following recognition in 2007:

Sustainability and accountability

- Named sustainability leader in the personal products sector of the Dow Jones Sustainability World Indexes for the third successive year.
- Achieved highest global and home market ratings for the Personal Goods sector in GovernanceMetrics International global accountability ratings, which measure corporate governance and other areas of accountability.
- Ranked 13th of the top 50 U.S. companies in the inaugural LOHAS Index of companies that communicate their social responsibility. This ranking is based on research by the New Marketing Institute and research and analytics firm, KLD.
- Yuhan-Kimberly's 2007 sustainability report was awarded 1st place in an evaluation of sustainability reports by the Economy Institute of Hankyoreh Newspaper.
- The Korean Federation for the Environment Movement ranked Yuhan-Kimberly first in their sustainable management index, based on ISO 26000.
- Yuhan-Kimberly named best company for Corporate Social Responsibility by the East Asian Institute for its environmental protection programs.
- Yuhan-Kimberly received the Grand Award for Excellence in Sustainability Management from the Ministry of Commerce, Industry and Energy two years running.
- Yuhan-Kimberly received the LOHAS Management Prize from the Green Fund Foundation for its sustainability management and social responsibility.
- K-C Argentina ranked 19th out of 150 companies in Argentina for corporate social responsibility by Valor Sostenible, a magazine focused on corporate social responsibility.

Most admired

- Ranked as one of the 100 most admired companies in Argentina, and the third most admired company in the Cosmetic and Health Care category, according to the annual Prestige Ranking of Argentine Companies compiled by Ceop Consulting and published in Clarín newspaper.
- Named China Excellent Corporate Citizenship by the China Corporate Citizenship Committee of the China Association of Social Workers – a non-governmental organization approved by the Chinese Ministry of Civil Affairs.
- Yuhan-Kimberly named among the six most admired companies in Korea for five years running by Korea Management Association Consulting.

Environmental stewardship

- Received the U.S. Environmental Protection Agency SmartWay Transport Partnership Award for work reducing fuel use and emissions in K-C's distribution network.
- Received a Partners for Environmental Progress Community Partner Award for our recycled fiber facility at Mobile, Alabama, U.S.
- K-C Peru and its vendor, INGEMEDIOS, won an award for responsible solid waste management from CONAM, the national environment council, and DIGESA, the Health Ministry's environmental health department. In addition, for the composting part of the project, K-C Peru and INGEMEDIOS received a Corporate Creativity Award from the Peru University of Applied Sciences (UPC), in association with the national newspaper, El Comercio, local television broadcaster, ATV, and the RPP News Group.
- Our Barton-upon-Humber, U.K. facility won the Severnside Annual Recycling Award in the Best Overall Sustainable Waste Management Solution category.
- Taejon mill in Korea received the 2007 Best Environmental Award from Taejon Metropolitan City.

Product recognition

- K-C Australia received two national Packaging Evolution Awards for packaging excellence and sustainable working practices from Packaging Magazine. The business received first place in the Personal Care and Cosmetics Packaging category and Best in Show.
- Kleenex received the Best Selling Brand award at Watson's Health, Wellness and Beauty Awards in Thailand.
- Kotex received the Best Fit Award, voted for by shoppers of Mannings, a leading retailer of feminine care products in Hong Kong.
- Kotex received a Summer Champions Award for Best Female Protection in Summer, and a Bronze Health and Beauty Award, both from Hong Kong retailer, Watson's.
- Scottex Cartaspugna Towels voted Product of the Year in the Italian Marketing and Innovation awards.
- KLEENGUARD A70 Chemical Spray Protection Apparel received a Commitment to Worker Safety Award from Workplace HR & Safety magazine. The award recognizes achievements and innovation in safety equipment product development. This is the third year running that K-C Professional has received this award (formerly the Compliance Magazine Commitment to Worker Safety Award).
- MICROCUFF Pediatric Endotracheal Tube won a 2007 Marketing Award for Excellence (MAX) for product innovation, marketing effectiveness and success in its market segment. The MAX Award is presented annually by the department of marketing at Georgia State University's Robinson College of Business, in conjunction with the *Atlanta Business Chronicle*.

Community involvement

- K-C Spain's Calatayud Mill received the town's Gold Medal from the Calatayud municipality for its social and corporate commitment to the town. It was the first time the award had been given to a private company.
- HRH The Prince of Wales presented K-C with The Founders Award for its generous support over nine years for In Kind Direct, an organization that collects surplus and donated goods from manufacturers and distributes them at little cost to thousands of charities throughout the U.K.
- K-C's Mobile, Alabama, U.S. mill received the Mobile Area Chamber of Commerce Manufacturer of the Year award. The mill was chosen for its capital investment at the mill in 2007.

Employment

- Three K-C operations recognized by the Great Place to Work Institute out of more than 1,100 Latin American employers: Ecuador (No. 1 place to work in Ecuador and third greatest place to work in Latin America), Peru (No. 1 place to work in Peru and sixth greatest place to work in Latin America), and Colombia (13th greatest place to work in Latin America).
- K-C Russia was named as one of the Top Ten Best Employers in Russia, coming in ninth among 64 international and national companies in a study by the human resources consultancy, Hewitt Associates.
- Spanish business magazine, *Actualidad Económica*, named K-C Spain as the second best company to work for in Spain, highlighting K-C Spain's training and development program and work atmosphere.
- Both Hsin-Ying and Chung-Li mills received the Excellent Safety and Hygiene Unit of Taiwan Award and the 2007 Voluntary Protection Programs Unit honor.
- Ta-Yuan mill received the Safety and Health Model Award from the Industrial Development Bureau of Taiwan.
- Hsin-Ying mill acknowledged as a Friendship Workplace by the Labor Authority of Taiwan.
- Hsin-Ying mill received the LOHAS Workplace Award from the Health Department of Executive Yuan.
- K-C awarded Employer of the Year at the Society of Hispanic Professional Engineers U.S. national convention in October 2007.
- Robert N. Stargel, vice president of Global Nonwovens, received one of two 2007 U.S. Society of Women Engineers Rodney D. Chipp Memorial Awards. He was recognized for helping women into technical and managerial leadership positions and mentoring K-C's next generation of engineering leaders.
- Global Health Care sector president, Joanne Bauer, named in *Modern Healthcare* magazine's Top 25 Women in Healthcare, which includes well-known physicians, administrators, business executives and policy makers.
- Neenah Nonwovens, Wisconsin, U.S. received the Wisconsin Corporate Safety Award from the Wisconsin Council of Safety in recognition of workplace safety and health excellence.
- LaGrange, Georgia, U.S. facility received an Award of Excellence from the Georgia Department of Labor. This is given to any public or private sector employer that has experienced at least 250 workdays without days away from work due to workplace injuries or illnesses.
- Hendersonville, North Carolina, U.S. facility received a Certificate of Safety Achievement from the North Carolina Department of Labor.

Recognition from customers

- Yuhan-Kimberly received an award for supply chain management at the Efficient Consumer Response Asia-Pacific Conference.
- K-C Thailand received the Best Service Level and Collaboration Award for a Non-Perishable Vendor Managed Inventory Supplier from Tops supermarket. The award recognized achievements in respect to service, logistics, collaboration and business strategy.
- A survey of 170 Swedish retailers named K-C the Best Supplier for Tissue and Baby and Child Care in Sweden.
- Improved our ranking in the U.K. Performance Monitor survey, in which retailers rank the best suppliers to work with over the previous year, from 11 in 2006 to eight in 2007.
- Bunzl Australia Limited named K-C Professional its Supplier of the Year for the second consecutive year. Bunzl, one of K-C Professional's largest distributors, bestows the honor based on a supplier's alignment to their business plan, the way the supplier works with the Bunzl team, the resulting growth of the business and the supplier's diversity performance.
- Received three awards from retailer Dollar General: 2007 HBA Division Top Vendor Award for Family Care and Personal Care, 2007 Vendor Marketing Award and 2007 Supply Chain Silver Vendor Award.
- Awarded 2007 Rite Aid Vendor of the Year. K-C is the only repeat winner in the last five years.
- Won the Voluntary Interindustry Commerce Solutions Association (VICS) Most Innovative on the Supply Side Award. K-C won this award for consistently finding ways to better serve customers and consumers with initiatives that reduce out of stocks that cause lost sales at retail.
- Named Wal-Mart Supplier of the Quarter for Infant/Toddler Department in Q1 and Q3 2007. Wal-Mart recognized K-C for our business leadership and understanding of consumer insights, which allowed them to better serve their customers.
- Wal-Mart International recognized K-C as the Most Improved Supplier of the Year for 2007. This is the second time in the past three years K-C has won this award.
- Received Vendor of the Year Award for Albertsons Southern California Division.
- Received retailer CVS's 2006 Personal Care Supplier Partner of the Year Award (awarded in 2007). We were recognized for sales growth, strong improvements against their Logistics Scorecard, and our detailed analysis of their Extra Care data.
- Named Safeway's 2006 Supplier of the Year (awarded in 2007). This award is given annually to one company across all categories reflecting performance against Strategic Alignment, Innovation, Insights and Marketing and Supply Chain excellence.
- Our United States Consumer Products business ranked eighth out of all consumer products companies in the Cannondale PoweRanking, an influential annual survey of manufacturers and retailers.
- VHA, Inc. named K-C Health Care 2007 Supplier of the Year for providing the greatest support in helping its members achieve goals.
- K-C Health Care received a Premier Purchasing Partners' Performance Award for its outstanding performance.
- K-C Health Care received the Medical/Surgical Program: Bronze Supplier Award from MedAssets.



products and innovations

Our business teams continued to develop and launch products that enhance the health, hygiene and well-being of people every day, everywhere, including sustainability benefits. For example, many of our products are easy to use and dispose of and others reduce leakage and skin irritation, increase comfort and discretion, and help users maintain healthy, active lifestyles. Some products help people stay safe while away from home and others prevent infection.

In 2007, our business units continued to develop sustainability strategies that will help differentiate our brands and increase competitive advantage.

Our Design for the Environment program will play a large part in these strategies. We are applying “life-cycle thinking” to understand the full impact of our products and identify the best opportunities for innovation and improvement. This approach considers the potential environmental impacts in making and using a product – from the materials selected through to production, use, and disposal after use.

In the U.K., we launched our first Forest Stewardship Council (FSC) labeled product. We are also one of the companies working with the Carbon Trust to develop an industry-wide draft methodology for measuring carbon footprints more accurately and consistently. In the U.S., we are expanding a pilot of our Kleenex Naturals facial tissue and Scott Naturals bathroom tissue and paper towels, which contain a mix of high-quality, post-consumer recycled fiber and virgin fiber.

The K-C Professional & Other and Health Care businesses continue to develop new ways to help users of their products protect themselves from workplace hazards and infection, whether through product innovation or awareness-raising.



life-cycle thinking

Sustainability is a broad and complex concept. Improvements in one area can have negative implications elsewhere, neutralizing any benefits. Choices that appear obvious are often far more complex. Biodiesel or conventional fuel? Paper or plastic grocery bags? A comprehensive and holistic approach is needed to establish the most sustainable and cost-effective course of action that doesn't compromise quality or effectiveness.

We call this life-cycle thinking. It is based on life-cycle assessment (LCA), a well-established analytical technique used to calculate environmental impacts. Many complex environmental questions have been answered using this approach, and K-C is among those using LCA to inform our decisions. The results can be used to:

- Understand the full impact of our products
- Align our policies and decisions with sound scientific evidence
- Inform the strategies and action plans of each business group
- Evaluate the environmental risks and benefits of new product designs
- Identify the best opportunities for innovation and improvement.

In September 2007, K-C U.K. joined a pilot project run by the Carbon Trust to develop a common standard for measuring a product's carbon footprint – the total amount of carbon dioxide created during the product's life-cycle.

We will use the draft methodology to assess the carbon footprint of Andrex and Huggies, our biggest-selling brands in the U.K. Both are manufactured in the U.K., in keeping with our strategy to manufacture close to market, where possible. The draft methodology calculates the greenhouse gas emissions created by sourcing, manufacturing, distributing, retailing, using and disposing of a single product. We will use the resulting information to help identify opportunities for carbon reduction in our supply chain and to contribute to the development of our global carbon reduction strategy.



Virgin versus recycled fiber in tissue products

Our recent work in this area has been a life-cycle assessment (LCA) of tissue products made from virgin fiber versus those containing recycled fiber, carried out by the environmental consultancy, Environmental Resource Management (ERM). This independent study involved 14 tissue products, eight mills and five fiber suppliers. The scientific work was completed in late 2007, and we published a summary of the results in 2008.

The results show that both virgin and recycled fiber can be used in an environmentally responsible manner in a range of tissue products. The greatest environmental impact associated with tissue manufacture is the energy used in the mill. There is no significant difference between virgin and recycled fiber in the amount of water used or waste generated. This confirms that good energy and environmental management in our facilities, coupled with the best available manufacturing technology, is the best way to reduce the environmental impacts of our tissue products.

We believe that there is no environmental preference between using recycled or virgin fiber in the manufacture of our products. See Fiber procurement for more on our fiber use. The study also confirmed that the environmental impact of tissue products is modest compared with other household and commercial activities.

sustainability and consumer products

We share an increasing awareness of the need for more sustainable products with our customers (wholesalers and retailers) and consumers. We are building on the gains made over more than a decade through our Environmental Vision programs to make Kimberly-Clark and our brands sustainability leaders in the markets in which we compete.

Sustainable materials

In December 2007, Kleenex in the U.K. became our first Forest Stewardship Council (FSC) labeled product. FSC is an international, non-governmental organization that promotes responsible forestry. Our long-term goal is to source 100 percent of our virgin fiber from one of five internationally recognized certification programs, preferably FSC. This is no easy task, as only a small proportion of the world's forests are currently certified to the FSC standards.

Our life-cycle assessment study showed that virgin fiber and recycled fiber have similar environmental impacts. However, some consumers prefer recycled fiber for its perceived environmental benefits, and we are introducing more products to reflect this interest. In the U.S., we are piloting three consumer tissue products containing recycled fiber – Kleenex Naturals facial tissue, and Scott Naturals bathroom tissue and paper towels.

Naturals products contain our SoftBlend recycled fiber mix, which gives consumers good quality at the price they expect. Kleenex Naturals contain 20 percent recycled fiber, Scott Naturals bathroom tissue contains 40 percent and paper towels 80 percent. These products are available at select Wal-Mart, K-Mart, Food Lion and Albertsons stores, as well as online retailers such as Amazon.

Packaging reductions

We are using compressed packaging to fit more product into smaller packs. Yuhan-Kimberly (Y-K) in Korea has reduced cardboard and plastic packaging by 15 percent using compressed packaging on Huggies Gold diapers. As a result, waste and transport costs have also reduced by 15 percent.

Promoting the FSC

In addition to our well-known brands, K-C also manufactures own-brand products for major retail customers. In 2007, we partnered with U.K. supermarket chain Sainsbury's to introduce FSC-certified bath and facial tissues in their own ranges. Fiona Wheatley, Sainsbury's environment manager says:

"Kimberly-Clark shared all their forestry information with us, and we developed our FSC sourcing plan together. The FSC-certified ranges were introduced in May 2007. The products are FSC Mixed-Sources, containing fibre from well-managed forests and other controlled sources.

The benefits are described on the packaging to increase consumer awareness, with leaflets included in some facial tissue boxes to promote the FSC. Sainsbury's now offers one of the leading sustainable bath and facial tissues ranges in the U.K."

Using the same technique for Pull-Ups training pants in the U.S. has resulted in the following annual environmental benefits:

- 140 tons less corrugated cardboard – equal to 577 tons of fiber
- 38 tons less plastic packaging – the equivalent of 530 barrels of oil
- 193 fewer truckloads for distribution – saving 71,000 gallons of diesel fuel
- 795 fewer tons of carbon dioxide equivalents – the same as 156 average passenger cars.

K-C U.K. calculated that increasing the roll length in packs of Andrex Long Roll bathroom tissue will reduce carbon dioxide emissions by a minimum of 318 metric tons per year, because less packaging and fewer deliveries will be needed for the same volume of product (based on 2006 sales).

We have also reduced the thickness of polyethylene film used to package Huggies diapers in Europe by 25 percent. This will save 257,000 kilograms of plastic film a year at our Barton-upon-Humber, U.K. mill and a further 90,000 kilograms a year at our Jaromer mill in the Czech Republic.

synthetic fibers

We use polymers like polypropylene to make absorbent, nonwoven fabrics. We do not manufacture any materials from raw petroleum – all are purchased as polymers from suppliers.

Our strategy is to reduce our reliance on petroleum-based materials 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 2007, we converted 58 percent of total polymer waste back into K-C product and sold the rest for recycling, the same as in 2006.

We continue to investigate alternatives to petroleum-based materials. The options we are researching include:

- Polymers made from renewable materials
- Biodegradable polymers for use in flushable products that 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
 - In 2007, K-C Professional & Other in North America brought to market Scott Shop Towels with 20 percent recycled plastic in its packaging.

innovative professional products

Kimberly-Clark Professional (KCP) provides leading-edge health and hygiene products. These include products for use in away-from-home washrooms, clean and industrial manufacturing environments, and Do It Yourself. K-C Professional's global brands include Kleenex, Scott, Kimcare, WypAll, KleenGuard, and Kimtech.

In 2006, 85 percent of safety professionals we surveyed had seen people in their organization failing to wear the protective equipment provided. The main reasons cited were poor fit and discomfort. In response, in 2007 we introduced a new KleenGuard range of personal protective equipment designed for comfort and fit, making people more likely to keep their equipment on and stay safe. The range includes coveralls, gloves, respirators and eye protection. We also expanded our professional product offering in 2007, with a range of face masks to protect against airborne particulates. Again, the masks are designed for comfort, increasing the likelihood that they are worn.






As well as product performance, the survey also explored the extent to which environmental considerations influence purchases of personal safety products. Ninety-four percent of respondents said reducing impact on the environment was important to them. The top consideration is for products made with recycled materials, followed by the ability to reuse or recycle products after use. Products and packaging with reduced materials and a manufacturer's overall commitment to the environment were nearly tied for third place.

K-C Health Care has also introduced new products to make medical procedures safer. The Microcuff pediatric endotracheal tube is designed specifically for use in children. This removes the need to use over-sized tubes which can damage the trachea in children who need help breathing.

K-C Professional launches first-of-its-kind environmental impact calculator

In 2007, K-C Professional (KCP) launched an industry-first environmental impact calculator for its products. The tool is interactive, and combines data indicating the environmental impacts associated with manufacturing with quantitative product use data. It calculates product-specific information for fiber, energy and water use, and solid waste generation during product manufacturing plus the actual amount of product used for the intended purpose. This allows KCP to tell a more holistic story about the relative impact of its products.

SCOTT® 100% Recycled Fiber C-Fold Towels (02920) versus SCOTT® SCOTTFOLD* Towels (01970)

Product Brand	OPTION 1	OPTION 2	RESULTS COMPARISON		
	02920 SCOTT® 100% Recycled Fiber C-Fold Towels	01970 SCOTT® SCOTTFOLD* Towels	Savings	Percent	Equivalents
Recycled Fiber	100%	63%			
Dispenser Brand	09908 WINDOWS* Universal Towel Disp.	09908 WINDOWS* Universal Towel Disp.			
 Annual Consumption (Cases)	1,000	583	417	42%	
 Fiber Consumed in Manufacturing (Tons)	7.3	5.1	2.2	30%	-1.8 Trees Consumed
 Energy Consumed in Manufacturing (millions BTU)	83.2	91.8	-8.6	-10%	34.4 Homes-Day
 Water Processed in Manufacturing (Gallons)	144,540	26,421	118,119	82%	5.9 Swimming Pools
 Packaging Waste (Pounds)	1,300	857	443	34%	98.5 Persons-Day

Preventing infection

Cold and flu viruses cause millions of lost school and work days each year, while healthcare-acquired infections can delay patient recovery. Our businesses offer products designed to help prevent infection.

Hand washing is one of the most effective means of preventing the spread of infection. K-C Professional has introduced the first Hand Hygiene Voice Module, which every two minutes repeats a gentle audio reminder to wash your hands after using the restroom. The wall-mounted module automatically shuts off when the lights are out to save energy.

K-C Professional has also launched the first electronic bathroom tissue dispenser, which gives out five sheets of tissue when users place their hand underneath. We estimate that controlled dispensing will cut tissue use by 20 percent, creating environmental as well as hygiene benefits.

K-C Health Care launched the new 24-hour KimVent Oral Care Kit designed for patients breathing through a ventilator, as good oral care is important to reduce the risk factors for ventilator-associated pneumonia.

product quality and safety

Kimberly-Clark's Safety of Products and Services policy commits us to provide products and services that do not compromise public safety.

As one of the world's leading health and hygiene companies, we are committed to protecting consumers' health and safety. Our scientists have been conducting product safety assessments for many years. These assessments cover the complete life cycle of a product: research and development, manufacture, sale and use. Safety information for our products and components is held electronically and is readily retrievable. We also subscribe to academic and public databases of toxicological information to assist our safety assessments. Many of our experts lead select industry committees, bringing together K-C and our industry peers to apply the highest human and environmental safety standards industry wide.

We begin the safety assessment for each product by reviewing the safety of each individual component. We consider the concentration and application of the component in the product, consumer exposure to the component during product use, and residual levels of other materials that may be present in the component. We then evaluate and test the finished product to determine its overall safety. This comprehensive safety testing and scientific review assures consumers that our products are safe.

Consumer access to safety information

Part of our consumer service organization's role is to maintain an extensive global database of information on our products. When consumers who purchase and use our products have a question regarding safety, our consumer service representatives are able to quickly and accurately respond to their concerns.

Product Review Committee

K-C has for many years used internal Product Review Committees to assess new technologies and their potential application in products. The committees evaluate products, components and emerging technologies for general safety, employee safety, consumer use and benefits, as well as environmental, regulatory and legal concerns. The committees comprise experts in each of these areas.

REACH

The European Commission has implemented a new regulatory framework for the management of chemicals, known as REACH (Registration, Evaluation and Authorization and Restriction of Chemical substances). This regulation is designed to ensure that companies identify and manage hazardous substances in a consistent and timely manner to increase protection for consumers, employees and the environment.

REACH requires all companies that manufacture and import chemicals in Europe to gather and pre-register information for inclusion in a central database. It also calls 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 are working with our suppliers to assure that the chemicals we use are properly registered. We expect to register the main chemicals we use in 2008.

K-C has established a team of scientists, regulatory experts, supply chain leaders and product development engineers to manage the implementation of REACH and assure all corporate activities comply with its requirements.

animal welfare

All our products are assessed for human safety by qualified experts. We want to eliminate the need for animal testing where scientific methods and technological advances allow. Until this is possible, we keep the use of animals to a minimum by adopting the following approach:

- We carry out the vast majority of our safety testing using non-animal procedures.
- We do not test cosmetics, household products or their ingredients using animals, unless specifically required by law and/or regulatory agencies.
- We may use animal tests to study the safety of ingredients or products not intended for cosmetic or household use, e.g. medical devices and pharmaceutical products, when required by law and/or regulatory agencies or when non-animal alternatives are unavailable. These tests are conducted in strict compliance with applicable ethical and legal standards.

In addition, K-C has for many years encouraged the development of non-animal test methods by funding research into alternatives and by supporting scientific exchange. For example:

- We are a founding member of, and continue to support the Institute for In Vitro Sciences (IIVS), a non-profit foundation that promotes the adoption and regulatory acceptance of alternatives to animal testing.
- We support the Johns Hopkins University Center for Alternatives to Animal Testing (CAAT).
- We are a contributing member of the Fund for the Replacement of Animals in Medical Experiments (FRAME).
- We are 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.
- We are a voting member of the AAMI Animal Welfare Biological Effects Working Group.
- We have sponsored a number of international meetings on alternatives to testing. Most recently, K-C was a platinum sponsor to the 6th World Congress on Alternatives and Animal Use in Life Sciences, held in Tokyo in September 2007.



customers

shoppers and users

Every day, almost a quarter of the world's population uses Kimberly-Clark products to enhance their health, hygiene and well-being. We provide some of the most trusted and recognized consumer brands in the world, including Kleenex, Scott, Andrex, Huggies, Pull-Ups, Kotex, Poise and Depend.

Our customers are retailers and wholesalers that 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 those who buy and/or use our products at home, at work, in public facilities, or when receiving healthcare.

We use insights from customers, shoppers and users to inform our innovation teams and manufacture more sustainable products. Our aim is to become an indispensable partner to our customers, and engage with shoppers and users. This section explains how we partner with our customers and engage with shoppers and users.



customers

We work closely with our customers to coordinate our business plans, develop marketing plans, improve supply chain efficiency and promote sustainability.

In 2007, Kimberly-Clark was one of 11 companies to be selected a member of Wal-Mart's newly established Supplier Sustainability Collaboration Board. Companies were chosen for their leadership in sustainability. The Board's first of several meetings during the year took place in April 2007. The Board's goal is to help advance sustainability internationally where Wal-Mart operates by focusing on three areas: communication, education, and packaging. K-C is represented on subcommittees in all three areas. The Personal Care and Consumer Tissue products that Wal-Mart currently buys are included in Wal-Mart's packaging scorecard, which measures the amount and type of packaging used and any reductions we make.

Safeway has also selected K-C as one of several manufacturers to join its Manufacturer Collaboration Program. Safeway's leaders evaluated each manufacturer's economic and strategic value. They selected K-C to lead the development of collaborative promotion planning and forecasting.

In 2007, our United States Consumer Products business ranked eighth (ninth in 2006) out of all consumer products companies in the Cannondale PowerRanking, an influential annual survey of manufacturers and retailers. We improved our position in seven of eight categories this year.

From the survey: *"Kimberly-Clark is starting to make big inroads on its strategy. The idea of partnership works when you put support behind it. We are seeing signs that they are doing this."*

"Kimberly-Clark has made big strides this year in its customer team representation. They were our vendor of the year and earned every bit of it."

In Korea, Yuhan-Kimberly co-hosted campaigns with the government and key customers to support people in need. A special baby care product promotion, run in E-mart stores, aimed to promote the birth rate and support low-income families to care for their babies.

In a separate campaign, Yuhan-Kimberly, the Ministry of Health and Welfare and Lotte Mart promoted a telephone hotline for people suffering from problems such as bereavement, abuse or depression. The campaign ran in 52 stores, and 1 percent of sales were donated to the Ministry for helping people in need.

Promoting recycling in Costa Rica

Our Central American business is running a pilot program with Wal-Mart to encourage recycling in Costa Rica. If the one-year pilot is a success, we plan to expand it to Wal-Mart stores in other countries in the region.

K-C has set up "Green Spots" in six of Wal-Mart's Costa Rican stores. Wal-Mart customers are encouraged to bring used paper to the supermarket, so it can be recycled by local fiber producers and used in our products. Our Central American business is one of the largest recycled paper buyers in the region. Our Costa Rican tissue mill produces 100 percent recycled tissue products.

We donate the equivalent of the market value of the paper collected at Green Spots to a reforestation project in the country's capital, San José. The project aims to plant 50,000 trees over the next 10-15 years to create new parks and green spaces in the city.

To raise awareness of the program, we invested in banners, posters, leaflets, and cloth bags for people to take away for collecting used paper.



shoppers and users

Engaging with shoppers and users of our products helps us better understand their needs and concerns and reassure them that we are a responsible company. We value their feedback and provide a number of ways for them to contact us, in addition to our consumer research.

Our corporate website contains a Contact Us form for consumers in North America and Western Europe, and a mailing address and telephone number for countries where we operate. We provide additional contact information on packaging for most of our brands as well as on their websites.

We carry out a consumer satisfaction survey every 18 months. In 2007, we sent almost 8,000 consumer satisfaction surveys at random to shoppers and users of our products in the U.S., Canada, U.K. and the Netherlands who have previously contacted us. More than 96 percent of those who replied responded favorably regarding our consumer services.

Our North Atlantic Consumer Services team manages our processes for gathering consumer feedback to ensure we understand the responses to our products and promotions. The team helps integrate consumer feedback into our product development process. For example, in the U.S. we are piloting three “Naturals” consumer tissue products that contain recycled fiber, as many consumers see recycled as environmentally preferable. See Sustainability and consumer products.

Our North Atlantic Consumer Services also keeps our businesses up to date on trends in consumer interests and concerns. Several of our other businesses around the world run their own consumer feedback programs.

We use direct mailing to keep consumers aware of our brands and products, and to share useful health and hygiene information with them. For example, in the U.K. we provide new mothers with important information about baby skin care through the loyalty programs of key customers such as Tesco and Boots.

developing and emerging markets

We are seeing our fastest growth in developing and emerging (D&E) markets such as Asia, Eastern Europe and Latin America. Within these markets, we continue to focus on the BRICIT countries (Brazil, Russia, India, China, Indonesia and Turkey). The BRICIT countries represent half of the world's population, but only six percent of K-C sales.

Sustainable growth is an important part of our strategy in D&E markets. Local manufacturing is a key element of this; and we are planning more regional manufacturing centers. These will create employment, contribute to local economies and limit our environmental impact from product transportation.

New facility to bring opportunities in Russia

Many of our sales in Eastern Europe are in Russia. In 2007, we began to build a new facility in Stupino, 60 miles southeast of Moscow. We currently ship product to Russia from the Czech Republic and Poland, so the new site will reduce product transportation distances and associated environmental impacts.

The site is expected to be operational in 2009 and will create 150 jobs initially, with more expected as the site expands. Stupino has a history of producing military equipment and offers well-qualified technicians and engineers to staff and operate our state-of-the-art facility. We are also in discussions with Stupino Maternity Hospital about supplying them with personal care products and equipment.

We must be sensitive to governmental, economic and cultural differences in D&E markets. Still, our policies and Code of Conduct apply at all K-C facilities worldwide, requiring the same standards of all our employees and operations with respect to labor and human rights, environmental protection, governance and ethical business practices.

Average income levels are generally lower in D&E markets than in developed countries, and small, traditional stores often account for the majority of our sales. We design and sell affordable, quality products in appropriate pack sizes to suit the consumer purchasing power in each market. This means streamlining our business to keep costs low and ensure we can offer shoppers good value. We have successfully introduced a lower-cost training pant in southeast Asia, Latin America and Russia, and continue to sell individually packaged Huggies and Kotex products in Asia and South America.

Our range of semi-durable paper towels, developed to meet cultural norms in Latin America where disposable paper towels are rarely used, have been highly successful. Using K-C's Hydroknit nonwoven fabric, similar products have now been launched in more than 20 countries, including Israel and Korea.

Infant health and mortality are significant problems in some developing countries. Our products and expertise are ideally suited to make a difference in this area. In 2007, K-C partnered with the Chinese Nursing Association and the Indian Academy of Pediatrics to run seminars on infant healthcare. These were well received, and we plan to run similar seminars in the future in these and other D&E countries.

360 degree business approach brings benefits

Our Andean region has a comprehensive social responsibility program, known as K-C 360, which forms a key part of the region's business strategy. The program aims to reflect the social and cultural realities of these countries, and to reinforce the message that people always come first.

K-C 360 has elements covering human resources, supply-chain responsibility and community involvement. As well as benefiting these key stakeholder groups, the program enhances our image and reinforces our corporate values.



environmental stewardship

We continue to make environmental improvements in our operating footprint around the world, by using less energy and fewer natural resources, and producing less waste. We are also reducing the impact of our products. This commitment to sustainability is fundamental to our success as a health and hygiene leader.

We use energy in our manufacturing processes to heat and cool our office buildings, and in our business travel and product distribution. Our other direct environmental impacts include air emissions, fresh water use, wastewater discharge, and solid waste generation.

We regularly review our performance in these areas and look for ways to reduce our impact. It can help reduce costs and improve operational efficiency.

Our Environmental Vision

Our Environmental Vision program, launched in 1995, provides us with direction, objectives and targets to improve environmental management and performance. This has helped us increase competitiveness, reduce costs and move toward sustainable manufacturing. We have made significant progress and are now in the third five-year phase of the program, which we call Vision 2010.

Vision 2010 sets out specific environmental objectives and focus areas. 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 business: energy use, climate change and the availability of clean water.



Many of our facilities are already meeting their Vision 2010 objectives. The table shows the percentage of facilities that had achieved their Vision 2010 targets by the end of 2007.

Facilities which have met their Vision 2010 objectives

Energy efficiency	26%	42%
Waste to landfill	43%	42%
Water use	57%	70%
Wastewater quality	95%	95%
	2006	2007

In this section we discuss each focus area and objective, report our performance in 2007 compared with previous years, and describe targets for the future. We also report on our environmental management systems, legal compliance and environmental expenditures.

Environmental expenditures

In 2007, our main environmental expenditures were operating expenses, including pollution control and maintenance costs, permit and administrative fees and research and engineering costs. Of the \$24 million spent on capital environmental improvements in 2007, we spent:

- \$9.3 million on wastewater treatment plant upgrades and process water recycling projects to meet governmental requirements and Vision 2010 fresh water use reduction objectives
- \$8.8 million on air pollution control equipment to reduce dust emissions and to burn cleaner fuels to reduce greenhouse gas emissions
- \$5.0 million to either reduce solid waste generation or allow more solid waste to be recycled
- \$0.9 million on miscellaneous environmental projects.

2007 Global environmental expenditures (millions)

Air	\$8.8	\$28.9
Water	\$9.3	\$64.8
Hazardous wastes	\$0.2	\$4.4
Solid wastes	\$5.0	\$57.1
Pollution prevention	\$0.2	\$4.9
Other	\$0.5	\$9.2
Total	\$24.0	\$169.3
	Capital	Operating

environmental assessment and compliance

Our newly combined environment, health and safety (EHS) management system is designed to streamline and standardize previously separate environmental and safety management systems and compliance programs, to enhance our overall performance.

We have a new assessment tool in place to support our combined EHS management system. It helps us identify any gaps in EHS management and performance at our mills and implement improvement plans.

We conducted 35 environmental, health and safety assessments in 2007, compared with 68 corporate environmental inspections in 2006. The number of assessments was reduced as part of the transition to the new EHS management system. The new assessment is more complex, focusing on how EHS is managed as well as taking a snapshot of performance and highlights areas where facility and corporate management systems can be improved.

We have also developed a set of operational control standards for areas including:

- Fresh water use
- Storm water control
- Wastewater management
- Air emissions control
- Waste management
- Management of polychlorinated biphenyls (PCBs)
- Control of ozone-depleting substances
- Asbestos management
- Management of radioactive devices
- Bacteria control management

We require each facility globally to certify quarterly its compliance with applicable environmental laws and regulations and corporate wastewater standards. During 2007, eight mills reported compliance exceptions. Issues of non-compliance are being addressed and, if appropriate, reported to government authorities. Mills must develop action plans to address any issues identified.

regulatory compliance

In 2007, we received seven notices of environmental non-compliance which resulted in fines from regulatory authorities. These notices are issued when a regulated facility has allegedly failed to comply with applicable environmental laws and regulations.

In February, foam appeared on the river adjacent to our Aranguren mill in Spain. Neither K-C nor the authorities were able to establish the cause. However, since the foam formed at the mill's point of discharge, the authorities used an administrative procedure to fine the mill €15,000 (around \$22,500).

Our Everett, Washington, mill received three notices of violation for briefly exceeding sulfur dioxide (SO₂) emission limits. Two of these incidents were excused under the regulations and the third exceedance resulted in a fine of \$2,000. The mill has taken steps to resolve the problem in each case.

The Everett mill also received two notices of violation relating to odor. In April 2007, mill employees fed a large volume of spent liquor into an empty basin in the wastewater treatment plant to remove pollutants before discharge. However, the liquid unexpectedly emitted a foul odor. The mill paid a \$16,000 penalty to the Washington Department of Ecology (DOE).

The second case followed complaints of smoky odors from a storage site three miles east of the Everett mill. A wood waste storage pile had been catching fire for several months. The mill developed and implemented best management practices, which have been effective in reducing the size of the wood pile, controlling flare-ups and preventing odor. The DOE issued a notice of violation and we paid a \$40,000 penalty. In addition, the mill donated funds to the Puget Sound Air Authority to abate pollution in the Everett area. Specifically, we have committed \$20,000 to replace older woodstoves in the area with modern clean burning models plus \$105,000 to retrofit heavy-duty diesel vehicles (e.g., transit coaches and well waste-haul vehicles) with pollution-reduction equipment.

In May 2007, K-C was served a summons in Pennsylvania state court by the Delaware County Regional Water Quality Authority (DELCORA). DELCORA is a public agency that operates a sewerage system and a wastewater treatment facility serving industrial and municipal customers, including K-C's Chester mill. DELCORA also regulates the discharge of wastewater from the Chester mill. DELCORA has alleged that the Chester mill underreported the quantity of effluent discharged to DELCORA from the mill for several years due to an inaccurate effluent metering device. DELCORA claims that the mill owes additional amounts based on the alleged underreporting. K-C believes that DELCORA's allegations are without merit and is vigorously defending against DELCORA's actions.

Enforcement actions and fines

Fines	\$8,000	\$7,750	\$4,500	\$206,000*
Number of enforcement actions	3	10	12	7
	2004	2005	2006	2007

*Also includes pollution abatement donations of \$125,000.

energy efficiency

Energy Efficiency Vision 2010

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 have a long-standing commitment to reducing our energy use and making our manufacturing sites as efficient as possible. Our long-term objective is to be highly energy efficient, and we try to use renewable energy where practical and cost effective. This is outlined in our energy management strategy.

Our total energy use has reduced over 9 percent since 2000 to 79.2 trillion British thermal units (Btu). In 2007, approximately 22 percent of the total energy consumed came from renewable sources. This includes spent liquor from our pulp operations and wood waste. Our world headquarters in Dallas, Texas, U.S. has entered into an agreement to purchase 100 percent of its power needs from electricity generated from landfill gas. The remaining landfill gas electricity from this project is supplied to our manufacturing facility in Paris, Texas.

We measure energy efficiency by calculating the energy used per metric ton of production. In 2007, energy efficiency improved by 1.8 percent to 15.5 million Btu (MBtu) per metric ton of production, compared with 15.8 MBtu per metric ton of production in 2006.

Energy use by fuel type *(trillion British thermal units)*

Natural gas	27.4	27.7	27.8
Electricity	21.0	20.3	20.7
Fuel oil	3.6	2.2	2.0
Coal	9.5	11.0	10.8
Steam/other	14.9	14.0	13.2
Self-generated liquor	5.1	4.6	4.6
Other self-generated	0.1	0.1	0.1
Total energy use	81.6	79.9	79.2
	2005	2006	2007

Energy efficiency *(million British thermal units per metric ton of production)*

Actual	16.2	15.8	15.5
Annual target*	14.5	14.5	14.0
Percent deviation from Vision 2010 targets	12.0%	9.5%	11.1%
	2005	2006	2007

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

In 2007, 42 percent of facilities met their Vision 2010 energy-efficiency targets, a large improvement on 2006.

To track progress against our goals, every facility enters quarterly energy use data into our global sustainability database. Our energy services team gives priority to those facilities furthest from achieving their targets and supports regional energy coordinators in implementing energy-efficiency improvement plans.

Our North Atlantic Consumer Products team is engaged in a focused energy-efficiency effort. During 2007, we asked each mill to rate themselves using an Energy Best Practices Scorecard that focuses on energy-efficient production and utility equipment and energy-efficient mill operating practices. Mills also rated themselves using an Energy Management Audit that covers energy awareness, the promotion of ideas for conserving energy, energy project management, and overall energy management.

Key North Atlantic Consumer Products mills have submitted a four-year energy plan for 2007–2010 including current and planned energy projects to achieve further energy savings. During 2008, mill teams will continue to implement energy-saving best practices such as lighting efficiency improvements, modifying temperature and humidity controls and optimizing compressed air systems.

Our mill in Paris, Texas, U.S. achieved significant energy use improvements. The facility installed controls to increase the efficiency of its air conditioning and heating. This allowed the team to more effectively control temperature and humidity during summer. The site also upgraded to more energy-efficient lighting and reduced the energy use of its compressed-air system by approximately 17 percent. The plant also purchases some renewable electricity generated from landfill gas.

Our mill in LaGrange, Georgia, U.S. recently upgraded its lighting by installing energy-efficient T8 fluorescent fixtures. These changes resulted in a 61 percent reduction in energy consumption over the previous lighting fixtures (metal halide, high pressure sodium and T12 fluorescent). The power for lighting consumption in production areas will decrease by 33 percent. Occupancy sensors have been placed in offices, conference rooms and other less frequently used areas to automatically turn off the lights when the rooms are empty.

Joining forces to save energy

During 2007, Kimberly-Clark joined ENERGY STAR, a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy that helps companies save money and protect the environment through energy-efficient products and practices.

The program offers an energy management strategy to measure current energy performance, set goals, track savings, and recognize improvements.



greenhouse gases

Greenhouse Gases Vision 2010

To achieve a year-on-year reduction of CO₂-e emissions per unit of global production for manufacturing. We also strive to achieve a year-on-year reduction in emissions related to U.S. product transportation.

We are committed to reducing our greenhouse gas (GHG) emissions by increasing energy efficiency at our manufacturing sites and in the distribution of our finished products. This is one of the focal points of our Vision 2010 program.

Our emissions are calculated using factors endorsed by the U.S. Environmental Protection Agency Climate Leaders Partnership and based on the World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Protocol. Mills participating in the European Union Emissions Trading Scheme use its approved factors.

We have a system in place to calculate and track carbon dioxide equivalent (CO₂-e) emissions from fossil fuels consumed on-site as well as purchased electricity. We also track emissions from distributing finished product in the U.S., leased vehicles and corporate aircraft flights. We track our absolute GHG emissions and emission intensity (per metric ton of production).

GHG emissions from manufacturing decreased from 1.29 tons of CO₂-e per unit of production in 2005 to 1.25 in 2007, a 3.1 percent reduction.

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

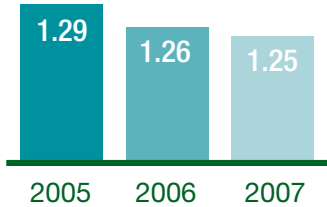
Carbon dioxide (CO ₂)	6.176	6.161	6.160
Methane (CH ₄)	0.016	0.016	0.016
Nitrous oxide (N ₂ O)	0.040	0.040	0.040
Hydrofluorocarbons (HFCs)	0.001	0.001	0.001
Total CO ₂ -e*	6.233	6.218	6.217
	2005	2006	2007

*We have no known emissions of Perfluorocarbons (PFCs) or Sulfur hexafluoride (SF₆).

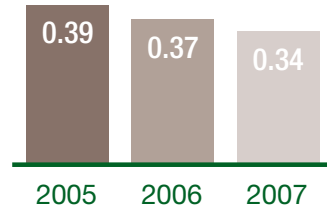
Direct and indirect greenhouse gas emissions from manufacturing – CO₂-e (million metric tons)

Indirect	3.40	3.31	3.44
Direct	2.83	2.91	2.78
Total	6.23	6.22	6.22
	2005	2006	2007

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



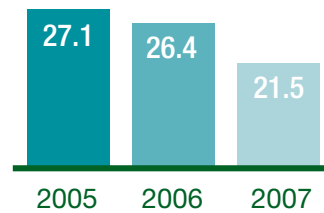
Greenhouse gas emissions from manufacturing, normalized to sales
(metric tons of CO₂-e per dollar of sales)



Actual greenhouse gas emissions from transportation – *(metric tons of CO₂-e)*

	2005	2006	2007
Truck and rail (U.S.)	649,615	631,373	625,797
Corporate jet	4,809	5,033	6,526
Total	654,424	636,406	632,323

Percentage energy from renewable sources



U.K. Climate Change Agreement (CCA) and the European Union Emissions Trading Scheme (E.U. ETS)

In 2007, our U.K. facilities continued to participate in the government-led Climate Change Agreement for reducing industry GHG emissions. Participating mills have contributed to the U.K. paper sector meeting its CO₂ reduction targets, entitling them to claim a discount on the Climate Change Levy (a U.K. tax on business energy use).

Our European sites again complied with the mandatory E.U. ETS program. Each facility received an allowance of carbon credits based on its past emissions. Facilities with excess credits can sell them back to the market. If actual annual CO₂ emissions exceed the credits granted, additional credits must be purchased. We ended 2007 and Phase I of the ETS with approximately 38,000 excess credits, approximately 6 percent of our total credits.

Phase II began on January 1, 2008 and will run for five years. It is mandatory for all our tissue mills in the E.U., including those in the U.K. Due to the oversupply of carbon credits in Phase I, allowances have been reduced in Phase II. However, we anticipate that our facilities will receive sufficient credits to cover their emissions.

New Milford unveils plans to generate cleaner energy

To reduce energy costs, we have invested in an on-site combined heat and power (CHP) unit to supply heat and electricity to our New Milford mill in Connecticut, U.S. The plant is under construction and expected to start up late in 2008.

The CHP unit will reduce demand on the local electricity grid, freeing up capacity for other businesses and residents. The CHP facility will also have the capability of generating up to 20 additional megawatts of electricity, which will be distributed to the regional transmission system. Kimberly-Clark was awarded a \$16 million grant from the State of Connecticut to support the project investment.

According to the U.S. Environmental Protection Agency, CHP systems are up to 50 percent more energy efficient than large, centralized fossil-fuel power plants. This is because CHP plants make use of “waste” heat that conventional power plants allow to escape.

We are also investing in CHP technology at our Romagnano Sesia site in Italy, which should be operational by the end of 2008.

SmartWay update

In 2006, we became a member of the U.S. Environmental Protection Agency’s voluntary SmartWay Transport Partnership. This program offers incentives for fuel efficiency improvements leading to reductions in greenhouse gas emissions from transport.

Since joining, K-C has encouraged all of its top carriers to participate in the program and all are currently SmartWay partners. We added SmartWay membership to our Carrier Assessment Score Card, to recognize carriers that join the program. We also encourage other fuel-saving strategies, such as “no idling” policies at all K-C facilities and increasing the amount of product shipped partially by rail rather than truck alone (intermodal transport).

In 2007, we were awarded a SmartWay Excellence Award in the Shipper category.



waste

Waste Vision 2010

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

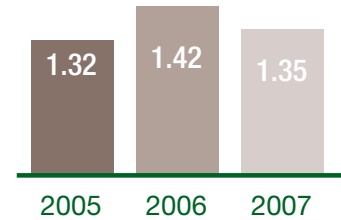
Kimberly-Clark’s Reduction and Disposal of Waste Policy sets our standard for waste management. We comply with all applicable legal requirements for waste reduction and recycling in the countries where we operate. Our Vision 2010 program includes targets to recycle all our manufacturing waste and to further reduce the waste our facilities generate. Our waste streams include waste product, packaging waste (plastic and corrugate), residual fibers from our wastewater treatment plants and construction waste.

In 2007, we produced 1.35 million metric tons of non-hazardous solid waste, of which 297,000 metric tons were sent to landfill. Approximately 638,000 metric tons were recycled, composted or incinerated and 415,000 metric tons were reused directly or in other products or processes. This represents an almost 5 percent reduction in total waste compared to 2006. The percentage of landfill has increased due to our expanded use of recycled fiber and de-inking processes, as well as reduced fiber lengths in Europe which generate more waste.

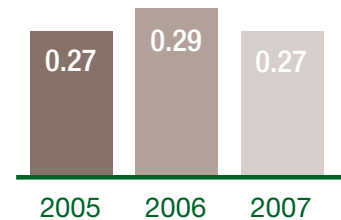
During 2007, we set up a Solid Waste Group to support our Personal Care business. This group will identify opportunities to reuse and recycle waste instead of sending it for incineration in waste-to-energy facilities. K-C's Barton facility in the U.K. will be used as a model for our other Personal Care facilities. Barton recycles 63 percent of its waste. A sorting process separates waste into 14 different streams which are reused or transported to recyclers. The mill has saved over £2 million (\$4 million) by recycling and reusing the waste in our own products. The mill recycles cardboard and plastic and reuses fiber and super absorbent materials from reclaimed diapers and the cores used to transport our raw materials. Barton won the Severnside Annual Recycling Award in the Best Overall Sustainable Waste Management Solution category.

It is not just our Personal Care facilities that are tackling their waste. Our Delyn and Coleshill mills in the U.K. have upgraded the presses they use in tissue manufacture, reducing the amount of water in the waste product. This has led to a 12 percent reduction in wastewater treatment plant residuals transported off site. Drier waste can be disposed of more easily, saving the mills \$500,000 annually. It is currently being used to restore old coal mining spoil sites, which are highly acidic. The calcium carbonate in the waste reduces the acidity and increases the soil's capacity to hold nutrients.

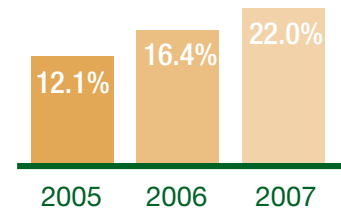
Total waste
(million metric tons)



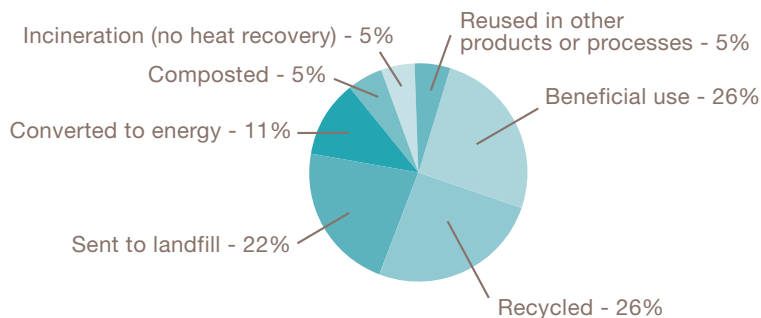
Waste per metric ton of production
(metric tons)



Manufacturing waste sent to landfill



2007 non-hazardous waste by method of disposal



water use

Water Use Vision 2010

Reduce total fresh water use at our Consumer Tissue and K-C Professional & Other facilities by achieving facility-specific water efficiency targets. We have reduced our 30 cubic meter per metric ton of product standard to a more stringent goal of 25 cubic meters in water-stressed areas and those with lower regulatory benchmark levels. These include parts of the European Union, the Middle East, South Africa, Mexico and the U.S.

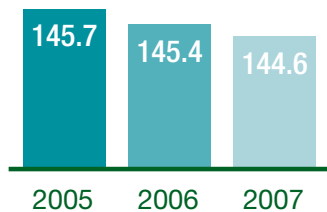
In 2007, our total water use decreased by over 800,000 cubic meters compared with 2006, despite an almost one percent growth in production.

Although we have already made significant improvements in water efficiency and the quality of water we return to the system, further reductions in usage remain a priority under our Vision 2010 program.

K-C China's Shanghai tissue mill is working to reduce wastewater discharge. By optimizing the manufacturing process and enhancing process water treatment, the site has successfully increased the wastewater recycling rate. The mill has managed to decrease fresh water consumption per ton of production to 22.3 cubic meters in 2007, from 26.9 in 2006 – a 17 percent reduction.

Our non-tissue mills are also working to reduce their water use. For example, our diaper facility in Calatyud, Spain, has reduced its water use by 75 percent since 2006.

Actual fresh water use (million m³)



Beech Island mill environmental initiatives

Kimberly-Clark's Beech Island facility in South Carolina, U.S. has become one of our most environmentally advanced sites. In early 2007, the mill started a wastewater long-loop recycling system.

This has enabled the mill to reuse up to 60 percent of its final treated wastewater, diverting it back into the manufacturing process, rather than discharging it into the Savannah River. This initiative has reduced water drawn from the river by the same volume. This long-term conservation project will allow the mill to achieve Kimberly-Clark's water use benchmark of less than 30 cubic meters per metric ton of production by 2009.

In addition to the wastewater initiative, we developed a landfill gas project that will supply naturally occurring methane gas from a regional landfill site to one of the mill's boilers. Substituting landfill gas for natural gas helps the environment by reducing greenhouse gas emissions and supports the economy by providing a stable, local source of alternative energy.

Methane gas will be delivered to the Beech Island mill via a 16-mile pipeline. This will provide the mill with most of the energy needed to generate steam for its manufacturing processes during the summer months and will be supplemented with natural gas during winter heating. The pipeline installation and boiler modifications are being managed by a unique partnership among K-C, Siemens Building Technologies and the Three Rivers Solid Waste Authority. The system was started up in April 2008.



The annual reduction in greenhouse gases will be equivalent to removing more than 4,300 vehicles from the road or 52,000 barrels of oil.

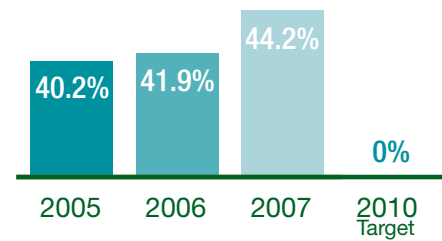
The emphasis on sustainability at Beech Island mill has increased local support for growth of its operations, which has created 150 new jobs.

Water use efficiency*
(m³ per metric ton of production)

Actual	44.2	45.1	45.6
Annual target	31.6	31.8	31.6
	2005	2006	2007

* Data represents our consumer tissue and K-C professional businesses.

Deviation from Vision 2010 water targets



releases to water

Release Water Vision 2010

Maintain treated wastewater quality consistent with best demonstrated technology at our direct discharge Consumer Tissue and K-C Professional & Other facilities.

During the manufacture of tissue products, wood pulp is bleached to remove natural lignin compounds. This is essential to meet consumer expectations, as lignin affects the color of the product as well as the strength, feel and shelf life. 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.

For our consumer products, we purchase elemental chlorine-free (ECF) and total chlorine-free (TCF) bleached pulp. The ECF process uses chlorine dioxide rather than pure chlorine, reducing toxicity. During 2007, 94 percent of total pulp purchased was ECF and a further 5.8 percent was TCF. One of our South American suppliers still uses chlorine bleaching, but plans to convert to ECF by July 2008. It is our intention to use no pure chlorine-bleached pulp after the third quarter of 2008.

The two pulp mills we operate in Tantanoola, South Australia, and Everett, Washington, U.S., use TCF and ECF bleaching technology, respectively.

We seek to treat wastewater from our facilities properly. Our facilities use advanced technologies, including primary and secondary treatment, to achieve high standards of wastewater quality. Our Vision 2010 corporate targets for wastewater quality 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 all our facilities to show compliance with our wastewater treatment permits. We began to aggregate this data at a corporate level in 2006.

In 2007, 95 percent of applicable facilities met their TSS and BOD targets, the same as last year. We will continue to work with the remaining facilities to improve their treatment systems and meet the targets.

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

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



employees

Kimberly-Clark employees are our most valued resource and are at the center of all that we do. Their talent and commitment are crucial to our innovation and success.

The role of our Human Resources (HR) function is to attract, retain, develop and reward employees at all levels. Treating employees with fairness and respect also motivates our people to work to the best of their ability. We work hard to create a workplace where employees can succeed and we invest in training to help develop their skills. We also understand that encouraging employee diversity supports creativity in the workplace.

At the end of 2007, we employed about 53,000 full- and part-time employees and 1,600 temporary employees, a decrease of more than 3 percent from 2006.

During 2007, a number of our operating companies won awards for good workplace practice.

Kimberly-Clark employees* (full-time, part-time and temporary)

North America	16,655	16,117
Asia	13,381	14,429
Europe, Middle East & Africa	10,186	9,636
Latin America	16,512	14,730
TOTAL	56,734	54,912
	2006	2007

*by region as of December 31, 2007

Employee turnover*
(U.S. only)

Overall	10.0	14.9	13.1
Voluntary**	7.3	8.7	7.7
Involuntary***	2.7	6.2	5.4
	2005	2006	2007

* Turnover ratios are for the U.S. only and exclude intern/temporary employees, intermittent employees, non-employees (contractors) and separations related to the spin-off of Neenah Paper, Inc.

** Voluntary Turnover includes separations due to resignations, retirements, deaths and total and permanent disability.

*** Involuntary Turnover includes separations due to discharge, divestiture, facility closure, organization restructuring, shortage of work, negotiated separations and layoffs.

global business plan update

Our Global Business Plan (GBP) contains a number of important measures to ensure we remain competitive, support our growth and build on our success. We are transforming K-C into a leaner, more focused company. Each business has set its own priorities for change to meet the growth and change objectives of the GBP.

In some areas, we are adjusting staffing levels through reductions, people leaving the company voluntarily and transferring employees to different jobs. Reductions are taking place through a combination of selling and closing facilities, outsourcing portions of some functions, and organizational changes. Our priority is to carry out these changes responsibly and in line with our values to achieve a smooth transition for our businesses and for affected employees.

We are reviewing the way we provide our Business Support functions to help us become a more effective organization. Business Support Delivery is about doing the right work in the best way and in the best place. This is more than outsourcing – other strategies include making use of the best talent from around the world and process improvements.

We made good progress in 2007. We transferred many of our major support service processes to partner organizations and established a new governance framework to manage service delivery. The five Business Service Delivery partners we have outsourced functions to are:

- Accenture – human resources
- Cognizant – IT applications
- Genpact – finance and accounting
- TCS – IT infrastructure
- IGC Commerce - Sourcing and Supply Management

By the end of 2008, management anticipates that there will be a net workforce reduction of about 10 percent, or 6,000 workers, since 2005 and that approximately 24 facilities worldwide will be sold, closed or streamlined.

safety, health and hygiene

Kimberly-Clark is committed to protecting safety and promoting the well-being of all employees, contractors and others involved in our operations. We have policies, procedures and management systems in place to fulfill this purpose, and to measure and improve our safety performance. We are concerned with the safety of employees at work and at home, and continue to develop well-being programs to support them and their families.

We used our global Safety Week 2007 to re-emphasize safety-conscious behavior and highlight workplace safety as a core company value. Safety Week also celebrated achievements such as 62 consecutive months without a recordable workplace injury at K-C Professional's Corinth mill in the U.S.

Over the next year K-C expects every business unit to continue to:

- Identify potential workplace hazards
- Eliminate critical risks, particularly in the areas of work-related transportation, working at heights and working in confined spaces
- Learn from safety successes at other K-C sites

safety management systems

In 2007, we began to implement a new, combined environmental, health and safety (EHS) management system. This system is designed to streamline and standardize our existing, separate environmental and safety management systems and compliance programs, incorporating their strengths and attributes to enhance performance.

We report our safety performance in this section rather than with environmental performance because it is a key issue for our people. We think it is more useful for the report to reflect who is affected rather than how we manage issues internally. We summarize the EHS management system's common elements in the *About Kimberly-Clark* section of the report.

Our Safety and Loss Control management system provides our businesses and employees with the knowledge they need to carry out their work safely. It includes a comprehensive Safety Leadership Training program completed by all team leaders. We are assessing performance at each facility using our EHS Management System Assessment process.

As a part of the EHS Management System, we have developed safety operational control standards for activities such as lifting operations and workplace transport. These standards will provide minimum performance requirements and help to reduce or eliminate safety and health hazards. Facilities are assessed against these standards during EHS Management System assessments. Any shortfall identified is used to develop facility-specific EHS improvement plans.

safety and health performance

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

- Zero fatalities
- Zero permanently disabling injuries
- 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 a work-related injury per 100 full-time employees per annum
- Global contractor TRIR equal to or less than the K-C TRIR

Vision 2010 safety goal progress

Fatalities	0	1	1	0
Permanently disabling injuries	n/a*	10*	14	0
Global total reportable incident rate (TRIR)	0.9	0.7	0.7	0.5
Global lost-time reportable incident rate (LTRIR)	0.5	0.3	0.3	0.2
Global severity rate	24.3	21.5	19.4	12.0
Global contractor TRIR**	n/a*	1.3*	1.9	0.5
	2005	2006	2007	2010 Goal

* 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 2007, we tracked the total recordable incident rate of 10,158 contract employees.

In 2007, there were 272 cases of work-related injury or illness that resulted in days away from work, compared with 249 cases in 2006.

We are pleased to report that 47 manufacturing facilities achieved 12 months without a reportable incident in 2007. In August, K-C Professional's Corinth, Mississippi, U.S. facility celebrated five years of injury-free operation.

OSHA Voluntary Protection Programs (VPP) recognize workplaces that have achieved and are maintaining excellence in worker safety and health protection through cooperation among government, industry and workers. All of our nonwovens facilities in the U.S. have achieved VPP recognition. Our Lexington and Hendersonville sites in North Carolina, U.S. achieved North Carolina VPP Star recognition, which distinguishes them with the highest level of safety and health excellence.

We had one fatality in 2007. An operator at our Barrow, U.K. facility died in an accident involving mill equipment. K-C management has reminded employees that no performance target or production goal is ever worth putting someone at risk. We introduced several capability-building measures to prevent future fatalities. These included:

- Web seminars – conducted in English and Spanish – on working at heights, confined space operations, electrical safety, chemical management and workplace transport. Approximately 250 employees participated in the 15 sessions
- A one-day train-the-trainer course in identifying Class A hazards for global nonwoven employees
- Two-day safety training and hazard recognition session at six mills in Mexico. There were approximately 320 participants
- A 36-hour safety course for facility safety coordinators covering topics such as electrical safety, machine guarding and fall protection in Roswell, Georgia, U.S.
- EHS management system implementation training sessions.

We also evaluated our EHS resources and identified areas to build greater capabilities. We are using this information to develop a comprehensive, long-term training plan.

safety compliance

In 2007, one violation was alleged during regulatory inspections at K-C facilities. In addition, one issue raised during 2006 by the U.S. Occupational Safety & Health Administration (OSHA) was resolved during 2007.

Our Everett mill in Washington, U.S., received an enforcement notice following a Washington Department of Occupational Safety and Health (DOSH) inspection in August 2007. DOSH had received a complaint concerning potential exposure to high voltage electricity. DOSH inspectors found no fault or misconduct by K-C, but determined that certain employees were not following safe work practices. On appeal the proposed penalty against K-C was reversed.

Our New Milford mill in Connecticut, U.S., was inspected and fined \$9,000 by OSHA in February 2006 for allowing tissue dust to accumulate on internal building structures and for not installing electrical equipment appropriate for an environment in which dust was present. We paid the penalty and have been implementing corrective measures specified by a settlement agreement we entered into with OSHA in February 2007.

talent management

Recruitment

In 2007, we continued to refine our talent management strategy to develop employees and support the growth objectives in our Global Business Plan. This included a particular focus on improving capability in the areas of insights and innovation, customer development, brand building and sustainability. We also increased time and resources invested in our talent management process.

In 2007, our human resources team launched a new website for employees in the U.S. called Open Opportunities. This helps employees find available positions within K-C and is part of our new approach to career development and recruitment. The new site will improve our ability to develop our people and place the best-qualified candidates within the company. In addition to managing their own career paths, employees can also use Open Opportunities to recommend friends and family members for K-C jobs by posting their resumes for consideration.

Training and development

We want our employees to learn and develop their skills while working for K-C. Providing training opportunities helps us attract motivated and talented employees. This is vital to our long-term competitiveness. In 2007, we spent a total \$13.6 million dollars on training in North America and Europe.

We launched new training courses including:

- Inspirational Leadership course - a two-day program targeted at senior leaders
- Leadership Journey course - two modules (three days plus two days with coaching in between) for high potential leaders.

employee relations

Good internal communication helps keep our employees informed and involved in company activities as well as providing opportunities for them to give feedback on how we are doing. 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.

Creating a respectful workplace

During 2007, we refined our harassment and inappropriate behavior training in the U.S.

*The revised **Respectful Workplace** training emphasizes respect for all our colleagues – not just the prevention of bad behavior. All team leaders and team members are required to attend the training.*

The session is designed to fully inform team leaders of our position statement, which strongly prohibits any form of workplace discrimination or harassment, and explains expectations for appropriate workplace behavior. Participants also learn about the resources available if they experience harassment or other inappropriate behavior in the workplace.

In 2007, K-C employee networks held a Senior Leader Speakers series at U.S. corporate locations. Each event was attended by more than 300 employees. Presenters included our Chief Human Resources Officer, Chief Strategy Officer, Chief Marketing Officer and President of Consumer Sales and Customer Development for North America. Topics ranged from Business Support Delivery to our journey to become an indispensable business partner.

During 2007, more than 3,500 Kimberly-Clark employees around the world participated in a Global Trends survey. The survey listed 20 global trends on everything from technology and families to politics and poverty. Participants ranked these in order of perceived impact on K-C over the next ten years. The top concerns selected were:

- Rapidly changing business and competitive environments
- Continued growth in global energy demand
- The demand on businesses to be socially responsible and transparent, with more pressure to be forthcoming about environmental impacts.

Union representation

All of our employees are free to join a union. In 2007, approximately 19 percent of our U.S. employees were covered by union contracts. In Europe, approximately 80 percent of mill workers and 10 percent of professionals were covered by union contracts.

compensation and benefits

Kimberly-Clark's goal is to provide a global set of competitive compensation and benefit programs that attract and retain talented employees. Our programs are reviewed annually to ensure they are aligned with the company goals as well as competitive practices.

In addition, Kimberly-Clark believes compensation should be aligned with performance. As a result, K-C seeks to create compensation programs where pay components such as base salary adjustments and short- and long-term incentive awards are aligned with individual and/or business performance.

Work life balance

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.

Making employees' families feel part of K-C

In addition to strict compliance with labor regulations in each country, K-C has developed work life balance and health programs for employees and their families in the Andean region.

Our Andean operations' leaders are aware of and sensitive to the importance of our employees' personal lives. They understand that work life balance can be equal to or more important than money. Our employees in five countries took part in an insight workshop to learn how to achieve this balance.

The welfare of employees and their families is also a top priority. From health and vaccination campaigns to workshops on drugs, alcohol and obesity prevention; from sewing, arts and crafts courses and sports events, each country in the region has developed supplementary activities so that our employees and their families feel K-C is part of their lives.

health services

Kimberly-Clark Health Services works to maintain and promote employee health and well-being. We provide occupational health services, advice and treatment to employees worldwide. These services include health screening, medical advice for business travelers, medical support for expatriates and their families, health education, preventive health services and vaccinations, and our counselling service: the Employee Assistance Program (EAP). We employ doctors and occupational health nurses at many of our facilities.

The health services we offer are aligned to business and health needs, which vary from region to region. Programs are designed to:

- Improve individual and organizational health and well-being
- Optimize policies and procedures for all employee health issues
- Ensure compliance with legal and regulatory employee health standards globally.

Health Services employees participate in international conferences with government officials, non-governmental organizations, mental health providers, human resource team members, and employee assistance program professionals to better evaluate issues related to employee health and well-being. Discussion topics include mental health and substance abuse problems, public policy relating to occupational health, and employee assistance programs for developing countries.

Health Services works closely with other parts of the business to develop crisis plans to protect our employees and enable business to continue in the event of a widespread disease outbreak. Health Services also provides medical support and recommendations to K-C's Pandemic Preparation Team and regularly updates information on avian flu on K-C's intranet.

In 2007, we provided more than 4,700 influenza vaccinations to K-C employees in the U.S. The Health Services team in the U.S. also provided stress management programs and communication tools to help manage the impact of change.

The Health Services teams in the U.S., Europe, and Latin America also provided stress management programs and communication tools to help manage the impact of change.

During 2007, K-C South Africa's facilities in Enstra and Cape Town implemented an HIV/AIDS education and awareness program, including voluntary counseling and testing. As part of the implementation, we recruited employees to help educate their peers. The two facilities have provided health training and education to around 60 percent of employees, covering health issues such as obesity, alcoholism, tuberculosis, personal hygiene and nutrition. In addition, Cape Town focused on drug awareness during its annual Safety Day celebrations.

In 2007, Health Services developed a new global health and well-being initiative called "Livewell", which will be launched globally in 2008. This has been designed to raise global employee awareness of our health programs and to communicate health and well-being as a corporate value. We have developed special programs to help employees enhance their health and manage their energy to reduce risk factors, illnesses, injuries and absenteeism.

diversity and inclusion

Diversity in the workplace is an asset to our business. We want our workforce to reflect and understand the broad range of backgrounds and experiences of our customers, consumers and communities around the world. Valuing differences and similarities across our workforce helps attract the best talent and gives every employee the opportunity to do their best.

At the end of 2007, two of our 12 board directors were women and three from ethnic minorities. Of our U.S. workforce, 30.5 percent were women, compared with 31.3 percent on December 31, 2006. The proportion of U.S. employees from ethnic minorities increased slightly, from 17.1 percent at the end of 2006 to 17.7 percent on December 31, 2007.

Employee diversity
*(U.S. only)**

	2005	2006	2007
Percent women employees	32.5	31.3	30.5
Percent of women in management**	24.9	25.6	26.1
Percent ethnic minority employees	16.4	17.1	17.7
Percent of ethnic minorities in management**	7.6	9.2	9.8

* Data includes all employees in the U.S. and salaried employees only for 2005 and 2006.

** "Management" is defined as U.S. employees in EEO category 00 (executive/senior level officials and managers), EEO category 01 (1st/middle level officials and managers) and team leaders in EEO categories 02 (professionals) and 04 (sales workers).

We have a European Diversity Council to represent employees in France, Italy, Spain and the U.K. The Council's role is to develop and monitor diversity metrics, advise European HR department on diversity issues and propose diversity objectives and strategies to the European leaders.

We are members of a number of diversity organizations in the U.S. including:

National Society of Black Engineers	K-C joined their Board of Corporate Affiliates in 2000. We hold the highest level of corporate membership. NSBE has 270 chapters, 18,000 members.
Society of Hispanic Professional Engineers	K-C is a member of their Industrial Partner Council. K-C has conducted workshops at the last five conventions. SHPE has over 7,000 members.
Society of Women Engineers	K-C is a member of their Corporate Partnership Council. SWE offers professional and personal development. K-C women are in leadership roles at national level and the Atlanta chapter in Georgia.
Out and Equal	K-C Diversity Director serves on the Out and Equal Board of Directors.
Catalyst	Research and advisory organization working to build inclusive environments and expand opportunities for women at work. Database available to all K-C employees. Annual conference attended by K-C 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 in their country for all employment practices. We articulate our expectations beyond legal compliance in our Code of Conduct, as well as our Human Rights in Employment and Human Resources Development and Diversity policies. Managers in all our businesses are accountable for complying with these policies.

Globally, K-C prohibits any form of workplace discrimination or harassment, based on race, color, sex, sexual orientation, age, religion, national origin or disability as provided by law and has high expectations for appropriate workplace behavior.

Our corporate policy states that Kimberly-Clark will not employ child, prison, indentured, or bonded labor, nor use corporal punishment or other forms of mental or physical coercion as a form of discipline in any of its global operations. Further, Kimberly-Clark will not knowingly conduct business with vendors that engage in any of these practices. (In the absence of any national or local law, Kimberly-Clark will define “child” as less than 15 years of age. If local minimum age law is set below 15 years of age, but is in accordance with developing country exceptions under the International Labor Organization (ILO) Convention 138, the lower age will apply.)

employee networks

K-C's Employee Networks are groups of employees who share a mutual interest in helping each other to grow professionally and contribute to business results. The networks provide a variety of ways for employees to learn more about K-C and get to know each other better. And since they are open to all employees, networks offer an opportunity to explore different cultures and establish relationships with K-C employees from different backgrounds.

The key benefits of the Networks are:

Development – providing opportunities for network members to develop and refine knowledge and skills that will help them to be successful in current and future business roles.

Recruiting – providing guidance and support in identifying, attracting and retaining top talent from diverse backgrounds.

Retention – helping individuals from different backgrounds to feel included in the K-C community and also within the surrounding residential community.

Feedback to senior leaders – helping to identify issues and opportunities for strengthening K-C's organization and sharing their unique perspective.

In 2007, there were 15 employee networks at locations in the U.S. with more than 3,600 members. The groups cover more established areas of diversity such as race and gender, as well as newer areas like parenting and family care-giving. It is important to recognize that all our employees contribute to the diversity of our workforce. We need innovative solutions to business challenges to win in the marketplace. Therefore we need to attract and retain the best talent regardless of background.

- African American Employee Network
 - Wisconsin, Georgia
- Child Dependent Care Network
 - Wisconsin
- Family Caregivers Network
 - Wisconsin
- Focus Asia
 - Wisconsin, Georgia
- Gay and Lesbian Network
 - Wisconsin
- Latin American Network for Diversity
 - Wisconsin, Georgia
- New Employee Opportunity Network
 - Wisconsin, Georgia, Tennessee
- Women's Interactive Network
 - Wisconsin, Georgia, Tennessee



supply chain responsibility

We work hard to manage the direct social, environmental and economic impacts of our operations. We also seek to influence our supply chain to manage its impacts, including those relating to labor conditions and the environment. We expect our suppliers to comply with applicable laws and to meet our standards and specifications.

We treat our suppliers with fairness and respect. Maintaining strong relationships with our network of suppliers is essential for the smooth running of our business, and for us to continue to grow sustainably. We keep our suppliers informed of our sustainability objectives and activities through our Sustainability at K-C: Guide for Suppliers, launched in 2007.

fiber procurement

As a major global producer of tissue products, we pay particular attention to our fiber procurement. We have policies and standards in place to promote a sustainable fiber supply chain.

We believe that sustainable virgin and recycled fiber can both be used responsibly in tissue products and provide the level of absorbency and softness that customers and consumers expect. We have conducted a scientific life-cycle assessment to compare the environmental impacts of K-C tissue products with varying levels of virgin and recycled fiber.

Most Kimberly-Clark consumer products contain natural fibers derived from wood pulp. Soft and hardwood fibers and in many cases recycled fiber 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 mainly sourced from forests in the U.S., Canada and Brazil. We buy about 92 percent of our virgin fiber from external suppliers, and make the rest in our two pulp mills in Everett, Washington, U.S. and Tantanoola, Australia from wood chips bought from suppliers. We do not own, manage or harvest any forest land.

Sustainable forest management ensures the timber cut down does not exceed the rate at which the forest can regenerate. It is designed to protect whole forest ecosystems, including the trees, plant life, soil quality, wildlife and freshwater supply. By adhering to one of several recognized forestry certification programs, companies can demonstrate that their timber products are responsibly sourced from sustainably managed forests.

Our fiber procurement policy

We strive to maximize our use of environmentally responsible wood fiber consistent with product performance and competitive market conditions. Our long-term goal is to purchase 100 percent of virgin wood fiber from certified suppliers. The forest certification systems we currently recognize are:

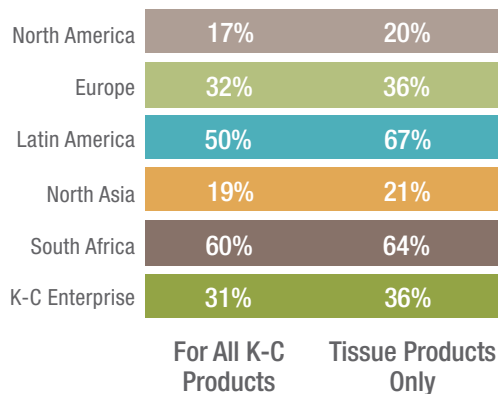
- Forest Stewardship Council (FSC). We give preference to FSC-certified wood fiber where it is available and meets product performance requirements and competitive market conditions
- Sustainable Forest Initiative (SFI)
- Canadian Standards Association’s National Sustainable Forest Management Standards (CSA)
- Sistema Brasileiro de Certificação Florestal (CERFLOR) in Brazil
- Program for the Endorsement of Forest Certification Schemes (PEFC) in Europe

We will not knowingly use wood fiber from illegally harvested timber or forest areas requiring protection, such as primary tropical rainforests. For definitions of forest areas requiring protection and environmentally responsible fiber, please refer to the complete policy.

performance

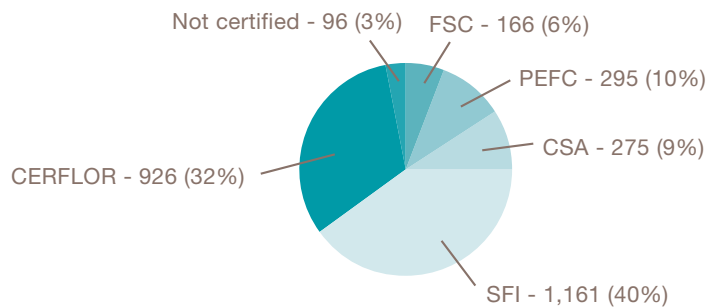
Of the fiber used in all products manufactured by K-C and our equity affiliates in 2007, about 31 percent was recycled. We used around 36 percent recycled fiber in our tissue products. We bought 92 percent of virgin fiber from suppliers, and made the remaining 8 percent in our own mills in Everett, Washington, U.S. and Tantanoola, Australia from wood chips bought from suppliers.

Recycled fiber use by region

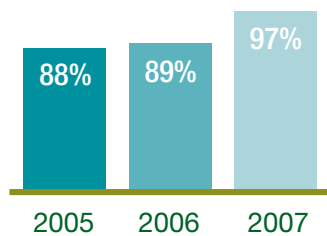


For the year 2007, 97 percent of the wood pulp, timber, logs and wood chips we purchased for manufacturing in our facilities came from suppliers certified to one of the five schemes listed in our fiber procurement policy. Seven pulp suppliers, accounting for the remaining three percent of virgin fiber purchases, were not certified, although they do practice sustainable forest management and most plan to certify their woodlands or fiber procurement activities. We audit all our fiber suppliers every three to four years.

Breakdown for fiber purchases by certification scheme
(thousand metric tons of certified fiber - percentage of total fiber)



Fiber used from certified suppliers



Fiber procurement results

In 2007, we assessed 14 forestry suppliers to verify compliance with our fiber procurement policy. All 14 suppliers have had their forestlands or fiber procurement activities certified to one of the five sustainable forestry schemes specified in our policy. The assessments did not identify any major areas of non-compliance with our fiber policy. Two of these suppliers are working toward the Forest Stewardship Council (FSC) Chain-of-Custody certification in addition to the certification schemes they already have in place.

We have made good progress on the commitments we made in our 2006 sustainability report regarding fiber procurement. Here is a brief update:

- We have completed an independent life-cycle assessment with a leading environmental consultant, Environment Resources Management (ERM), to compare the environmental impacts of using virgin versus recycled fiber in our tissue products.
- We continue to review our global fiber purchases to verify compliance with our policy using supplier questionnaires and audits
- We continue to report publicly on compliance with our fiber procurement policy
- We engaged with non-governmental organizations with an interest in forestry and related organizations including the FSC, Greenpeace and the WWF.

In November 2007, Kleenex brand facial tissue in the U.K. became our first FSC-labeled product. Andrex bath tissue is expected to follow in 2008. We also produce FSC-certified product for some of our major retail customers in the U.K., including Sainsbury's supermarkets.

K-C joined the WWF-UK Forest & Trade Network (FTN) in December 2007. Founded in 1991, the FTN is a partnership between WWF and businesses that promote responsible management of the world's forests. Members commit to tracing their timber and paper products back to the forest source.

We will continue to strengthen our fiber procurement practices in 2008. Our goals are to:

- Continue to work toward 100 percent certification for our fiber suppliers
- Continue to work toward increasing the available supply of FSC-certified fiber, and the amount of FSC-certified fiber that we purchase
- Audit 20 of our fiber suppliers
- Communicate our progress publicly
- Share best practices with the WWF-UK FTN.

our suppliers

Our suppliers are the companies worldwide providing the goods and services we need to run our facilities and make our products. These include contract manufacturers that produce finished products to our specifications. We use these companies to increase our manufacturing capacity or to make products that our own facilities are not equipped for or that would require a large capital investment to upgrade. In 2007, 95 percent of Kimberly-Clark's North American cost of sales related to our own production and contract manufacturers accounted for the remaining 5 percent.

We have more than 25,000 suppliers of materials and about 100 contract manufacturers supporting our global businesses.

We prefer suppliers who share our commitment to sustainability and have the resources and expertise to help us achieve our broader goals. We expect suppliers to comply with all applicable laws, standards and codes and to enhance the sustainability of their operations. In return, we aim to treat our suppliers with honesty and respect.

We want our suppliers to benefit from our success and grow alongside us, and so have a keen interest in the welfare of their employees. We have extended some of our employee welfare programs to the packing cooperatives we use in Colombia, Ecuador and Peru. Also in Colombia, our Consumer Tissue business has run safety, health and well-being campaigns and training programs for employees of recycled fiber suppliers. This has helped boost loyalty from these suppliers in a market where recycled fiber is increasingly scarce.

In 2007, we rolled out *Sustainability at K-C: Guide for Suppliers*. We sent 1,000 major suppliers in North America and Europe a letter containing a link to the document on our corporate website and asked them to set sustainability objectives for 2008. We have started to hear back from some suppliers, especially those with robust programs who believe their products will help K-C meet our sustainability objectives. We are planning on translating the document to send to suppliers in other regions.

We continue to conduct risk assessments for all new contract manufacturers, following the successful introduction of this process in 2006. In late 2007, we translated our risk assessment questionnaire into Mandarin and began a pilot program to assess five existing contract manufacturers in China.

supplier diversity

We source from a range of suppliers that reflect the diversity of our customers and consumers. This is in keeping with our founding value of fair dealing, and increases the skills and expertise available to us. In the U.S., supply chain diversity is a condition of dealing with government and many of our corporate customers.

In the United States, our goal is for 5 percent of our spending to be with minority-owned suppliers and another 5 percent with women-owned suppliers by the end of 2010. In 2007, our spending with these groups was 2 percent and 3 percent, respectively. This represents a 40 percent increase in spending with minority-owned suppliers since 2006, and a 17 percent increase in spending with women-owned suppliers. Most of this growth is the result of increasing our business with existing diverse suppliers.



community

Kimberly-Clark has a long-standing commitment to supporting children and families worldwide. We improve health and hygiene through our products and help change lives through our charitable work.

Our company, our employees around the world and the K-C Foundation contribute to good causes financially, through product donations and by volunteering their own time.

Our giving strategy

We focus our charitable support on causes that strengthen the world's families, the communities where we operate and the environment. This is where we believe we can and should make the most difference. By donating company and employee money and time, we help improve the quality of life for the people around us. We also raise money through social marketing initiatives that involve our customers and consumers.

Our corporate community investment is channeled through the K-C Foundation. In addition to contributing to a host of global charitable causes, the foundation matches donations of up to \$10,000 per employee in the U.S.

In 2007, K-C and our employees donated a total of \$21.6 million in cash and product to causes worldwide. This includes \$1.2 million given to match donations made by our employees and nearly \$1 million to match time volunteered by our employees.

Corporate and Foundation cash and product donations

Community investment (millions)	\$23.4	\$25.5	\$20.2	\$17.9
Percent of K-C net income	1.3%	1.6%	1.3%	1.0%
	2004	2005	2006	2007

supporting families

K-C has long-term partnerships with several charitable organizations that share our commitment to improving the health, hygiene and well-being of the world's families.

Boys & Girls Clubs of America

We have supported the Boys & Girls Clubs of America (BGCA) for more than 20 years. BGCA helps us fulfill our commitment to strengthen family relationships through their network of youth clubs, which aim to promote children's development by instilling a sense of competence, usefulness and belonging.



This year, the Boys & Girls Club of Collin County, Texas, U.S. is one of 25 BGCA Clubs selected to receive a grant to become a pilot site for Family P.L.U.S. (Parents, Leading, Uniting, Serving). Family P.L.U.S. is a three-year, \$7 million initiative sponsored solely by K-C that provides family-strengthening programs and resources at a local level to enable parents and other caregivers to spend quality time with their children. It also helps parents to increase their skills in areas such as career development, financial literacy and technology.

Our present and former Chairmen and CEOs, Tom Falk and Wayne Sanders, respectively, serve on the organization's board of governors.

UNICEF

Since 2001, K-C has committed more than \$6 million to UNICEF's programs, providing life-saving supplies and healthcare, education and skills training to more than 350,000 children in 24 countries.



In 2007, K-C teamed up with UNICEF to help the tens of thousands of Brazilian children living in extreme poverty. K-C is giving almost \$1 million over two years to fund a series of child-survival programs in Brazil and offer children the opportunity to survive, develop and learn.

Our support will help around 8,000 pre-school teachers and 9,000 healthcare agents provide improved care for vulnerable children in indigenous and quilombolas (descendants of former slaves) communities.

As a way to ensure that K-C's donation meets Brazilian children's most pressing needs, company officials accompanied UNICEF volunteers and staff on field visits to areas where UNICEF's humanitarian efforts are already underway. They have written a blog and produced a video about their experience.

MedShare

K-C has extended its partnership with MedShare International, an Atlanta-based non-profit organization that collects surplus U.S. medical supplies and equipment for distribution to medical facilities in the developing world. Since 1999, K-C has supported MedShare's mission by providing employee and retiree volunteers, donating medical supplies and equipment, and through financial contributions.

K-C is donating \$250,000 over the five years to 2009 to sponsor shipments of medical supplies to hospitals in Latin America. This year, we also hosted MedShare's annual fundraiser "MedSharing: A World of Art" at our Roswell, Georgia facility. This art auction netted \$25,000 for future container shipments.

During 2007, our Latin American facilities donated equipment worth \$1.8 million through MedShare, to hospitals in Colombia, El Salvador, the Dominican Republic, Honduras, Nicaragua, and Panama.

Activities around the world:

Europe

In the U.K., we continued our support for In Kind Direct, a charity which encourages manufacturers and retailers to donate high-quality surplus goods for distribution to good causes. K-C has supported the charity by donating toilet paper, diapers, baby wipes, facial tissues and hand towels for the past ten years. This year we donated 207 pallets of product worth a total of approximately \$250,000.

In 2007, we were presented with the annual In Kind Direct Founder's Award by the Prince of Wales, founder of the charity.

North America

In North America, K-C gave more than \$1.5 million in college scholarships to high school students who are sons and daughters of K-C employees. This is part of the Bright Future Scholarship Program, which is designed to further the education of students with the potential to become the next generation of leaders in our communities.

employee involvement

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 \$1.2 million to U.S. non-profit organizations in 2007. We matched these donations dollar for dollar. Our Community Partners program provides \$500 grants to non-profit organizations where employees and their spouses or domestic partners volunteer more than 30 hours per year. In 2007, we donated nearly \$1 million and our employees volunteered more than 98,000 hours of their time through this program.

In the U.S., employees can also participate in payroll giving, a voluntary program where donations to the United Way are deducted directly from participating employees' salary each pay period. We have committed to matching employee gifts to United Way dollar for dollar.

Many of our executives also contribute to the community by serving on the boards of community and charitable organizations, for example:

- Chairman and Chief Executive Officer Tom Falk serves on the boards of the University of Wisconsin Foundation and the Boys & Girls Club of America
- Group President, Developing and Emerging Markets, Bob Black volunteers at the Park Cities Family YMCA in Dallas, Texas
- Group President, North Atlantic Consumer Products, 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
- Senior Vice President and Chief Human Resources Officer Liz Gottung serves on the boards of the North Fulton Child Development Association in Georgia and the American Heart Association based in Dallas, Texas
- President of Kimberly-Clark Health Care, Joanne Bauer, serves on the board of MedShare International.

Activities around the world:

China

Since 2003, K-C China has donated much-needed diapers and tissues worth more than \$16,500 to the New Day Foster Home, an orphanage for handicapped children from all over China. Every year, K-C organizes employees to visit the children, and allows them time off to arrange field trips for the children. Our donations and support also make surgeries possible for the children.

New Zealand

K-C New Zealand introduced a new scheme where employees are entitled to one paid day of leave per year to volunteer with the charity or community organization of their choice.

Mexico

Post-consumer waste collected by employees at our Avent Nogales mill in Mexico is being used to produce Papercrete, a mix of waste paper and cement used to build affordable, low-impact housing with good insulation. Many local businesses have taken part in the project, with K-C employees participating.

environment

At Kimberly-Clark, we take concern for the environment and conservation of natural resources seriously. As a major user of forest resources and water, we support organizations that help manage these resources in a responsible and sustainable way.

In 2007, we doubled our donations to environmental causes to \$200,000.

Conservation International: \$100,000

K-C donated \$100,000 to Conservation International (CI) for a new biodiversity conservation project. The project will have environmental benefits for the Atlantic Forest in Brazil, a major global pulp-producing region that provides around 30 percent of our fiber. It will help preserve and restore habitats for endangered species, conserve some of the most affected areas of the Atlantic Forest, and protect streams and fragile slopes. The project will also help us bring together regional pulp producers and local non-governmental organizations in a coordinated effort to make plantations throughout the region more sustainable.



The Forest Dialogue: \$20,000

We regularly work with The Forest Dialogue (TFD), an independent group that brings together environmental groups and industry to explore sustainable forestry management issues. Attendees include K-C suppliers Aracruz, International Paper, Weyerhaeuser, Stora Enso and Mondi, as well as prominent non-governmental organizations such as WWF, Conservation International, the World Conservation Union, the Forests Peoples Program, Nature Conservancy, the World Resources Institute, the World Bank and the World Business Council for Sustainable Development.



We support TFD's work to engage with other stakeholders to address forestry-related topics such as illegal logging, certification systems and tropical rainforest protection.

The National Environmental Education Foundation: \$30,000

The National Environmental Education Foundation (NEEF), the American Meteorological Society and the Weather Channel have partnered on an initiative called Earth Gauge. This initiative helps television weather programs provide basic environmental information to their viewers. The initiative currently provides environmental information to 63 markets and a potential 151 million viewers. This is expected to increase to 80 markets by the end of 2008.



Our donation of \$30,000 will help NEEF develop a climate change education component to educate the U.S. population (and many K-C consumers) about climate change. We will also help to expand forestry-related information.

World Resources Institute: \$50,000

World Resources Institute (WRI) aims to develop robust international agreements and U.S. policies on climate change, to foster widespread investment in climate-friendly technologies and to reduce greenhouse gas emissions by expanding the use of clean alternatives.



In 2007, we donated \$50,000 to participate in WRI's Corporate Council, participate in its Climate Midwest group and support the start-up of Climate Southeast, a local business forum on climate change. We are also interested in WRI's future work in carbon labeling, where the carbon footprint of the product is labeled on the packaging, as this is an issue of growing interest to K-C.

The Urban Forest Project, Brazil

K-C Brazil's Urban Forest Project is an environmental education program, developed with teachers. It is designed to raise environmental awareness in schools and involve local communities in environmental protection. We provide financial awards to the schools involved. These can be used to improve the school infrastructure, for maintenance and to provide new games and sport facilities.



During 2007, the program launched in three towns with events such as debates, marches and group work designed to develop community awareness of environmental issues. So far, 12 schools have taken part, involving over 230 teachers and almost 6,000 students.

being a good neighbor

Caring for our neighbors and the communities where our employees live and work is an important element of our charitable work. When disaster strikes the communities where we operate, people turn to us for help. Manmade and natural disasters can be devastating for our employees, neighbors, customers and consumers. We are committed to helping communities return to normal as soon as possible.

Disaster victims need essential items and assistance right away. The best way to help relief organizations help others is to ensure that emergency staff and volunteers are equipped and well prepared in advance of a crisis.

In 2007, we pledged \$1 million to the American Red Cross Annual Disaster Giving Program (ADGP), to help fulfill basic human needs during times of disaster. As an ADGP member, Kimberly-Clark is committed to helping the Red Cross and their volunteers prepare communities for disaster and keep families safe.

Our contribution supported disaster relief efforts in Southern California by providing food, shelter, counseling and other assistance to victims of catastrophic wildfires.

K-C Peru donated four tons of our product to help people in areas of the south of the country devastated by an earthquake. The donations helped improve the health and hygiene of affected families.

United Way of America

The United Way is a network of more than 1,300 organizations trying to improve lives by mobilizing the caring power of communities. For decades, K-C and our employees have donated time and money to United Way organizations across the U.S. We match employee donations to the United Way dollar-for-dollar.



K-C is one of around 130 companies nationwide that are a part of United Way's National Corporate Leadership group – companies that conduct campaigns in all their facilities across the U.S. and who raise \$1 million or more. Last year, K-C employees raised \$2.8 million for their local United Ways through workplace campaigns. K-C matched that dollar-for-dollar. Employees raised another \$390,000 through fundraising events including golf tournaments and raffles. Our nationwide United Way contribution was almost \$6 million (up \$500,000 or 10 percent from 2006). Fifty-seven percent of our employees participated, compared with an industry average (according to United Way) of 42 percent.

YMCA of the USA

America's 2,663 YMCAs serve over 20 million people each year, bringing communities together and uniting people of all ages, races, faiths, backgrounds, abilities and income levels. Since 2001, K-C has contributed more than \$11 million to support the organization's family and youth programs and its Activate America Initiative, which helps communities to lead healthier lives.

During 2007, K-C awarded Everyday Healthy Day Grants totaling \$300,000 to 30 YMCAs nationwide. All YMCAs within 25 miles of a K-C facility were eligible to apply. The YMCAs will use the money to implement innovative health and wellness programs for children and families. For example, the YMCA in Wilmington, Delaware, is promoting physical activity, healthy food choices and tobacco prevention in its after-school programs. The YMCA in Lexington, North Carolina, plans to convert an under-used space into a new Youth Wellness Center with fitness equipment appropriate for children and staff qualified in youth fitness.

Colombianitos, Colombia

K-C Colombia sponsors the communities neighboring our Barbosa and Puerto Tejada plants through an alliance with Colombianitos, a local organization which keeps children away from violence through sports, music and dance.

The program benefits around 400 children near our Barbosa plant and 1,200 children in the area around our Puerto Tejada plant. Colombianitos also holds workshops with the children's relatives and parents to discuss subjects related to K-C's values, leadership and social investment in the region. On average we communicate to 400 parents every month.



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. Cause-related marketing helps us promote our products and educate our shoppers and users while raising money for good causes. Here are some examples of our cause-related marketing campaigns in 2007.

Comic Relief

Kimberly-Clark U.K. teamed up with British charity Comic Relief to raise money to help millions of disadvantaged people in Africa and the U.K. Every two years, Comic Relief holds six weeks of events culminating in its main fundraiser, Red Nose Day. The Andrex and Kleenex brands ran on-pack promotions supported by advertisements featuring professional comedians, Web pages filled with fun, public relations campaigns, and point-of-sale activities in all major retailers.

Thousands of people bought Kleenex brand facial tissue and “blew £1” or about \$2 by sending a text message to enter a competition. Seventy pence (\$1.40) from each entry went to Comic Relief. Five entrants won expenses-paid trips to the Red Nose Day televised fundraiser, and more than 2,000 won inflatable Red Nose Seats. One lucky Londoner won a visit from ex-England rugby star Matt Dawson.

The Kleenex and Andrex campaign raised £525,000 (approximately \$1.05 million) and K-C employees raised £26,000 (approximately \$52,000).

The South African Guide Dog Association for the Blind

For the second consecutive year, Baby Soft bath tissue used its well-known brand to help the South African Guide Dog Association for the Blind (SAGA). With the help of consumers, Baby Soft contributed funds to train puppies to become guide dogs for visually impaired South Africans.

Baby Soft hid Guide Dog puppy tokens inside newly packaged white premium bath tissue packs. Customers finding a token sent a text message containing the token’s unique code, and were sent a guide dog puppy soft toy in return. For every puppy sent out, the Baby Soft brand donated R10 (approximately \$1.50) to SAGA, helping them train future guide dogs and give vital support to visually impaired individuals.

The Breast Cancer Research Foundation USA

During 2007, Viva towels pledged up to \$200,000 to the Breast Cancer Research Foundation (BCRF) through donations linked to the purchase of specially designed Viva towels. Viva also contributed \$5.00 to BCRF for every new visitor signing up to the new Viva Diva Café Web site, up to \$50,000.



community consultation

We regularly consult with the communities where we work to understand their concerns and identify common goals and needs. Together we agree on the approach that will best serve the community and that will have the least negative impact.

The approach taken by our New Milford facility in Connecticut, U.S. is a good example of how we consulted with communities in 2007. We informed the local community of our intention to construct an on-site combined heat and power (CHP) unit at the facility. The campaign aimed to gauge community reaction to the idea and involve local people in our planning. Our consultation included:

- Community leadership meetings, where we gave presentations to a variety of community groups and leaders
- Providing information to the community through the local media
- Holding an open forum for information sharing, where the public could meet with and ask questions of the project team and mill managers



data summary

Indicator	2007	2006	2005
economic impacts			
Net sales (billions)	\$18.3	\$16.7	\$15.9
Cash returned to shareholders (billions)	\$3.7	\$1.6	\$2.3
environment			
Number of enforcement actions	7	12	10
Value of fines received	\$206,000	\$4,500	\$7,750
Total environmental expenditure (millions)	\$193	\$181	\$197
Total energy use (trillion Btu)	79.2	79.9	81.6
Energy efficiency (million Btu per metric ton of production)	15.5	15.8	16.2
Percentage energy from renewable sources	21.5%	26.4%	27.1%
Carbon dioxide equivalents from manufacturing (million metric tons)	6.22	6.22	6.23
Carbon dioxide equivalents per ton of production (metric tons)	1.25	1.26	1.29
Carbon dioxide equivalents per dollar of sales (metric tons)	0.34	0.37	0.39
Total waste (million metric tons)	1.35	1.42	1.32
Waste per metric ton of production (metric tons)	0.27	0.29	0.27
Percentage waste sent to landfill	22%	16%	12%
Total water use (million cubic meters)	144.6	145.4	145.7
Water use efficiency (cubic meters per metric ton of production)	45.6	45.1	44.2
Percentage ECF wood pulp purchased	94%	89%	88%
Percentage TCF wood pulp purchased	6%	7%	6%
employees			
Total employees (full-time, part-time and temporary)	54,912	56,734	57,141
Percentage women employees (U.S.)	30.5%	31.3%	32.5%
Percentage ethnic minority employees (U.S.)	17.7%	17.1%	16.4%
Percentage women in management ¹ (U.S.)	26.1%	25.6%	24.9%
Percentage ethnic minority managers ¹ (U.S.)	9.8%	9.2%	7.6%
Percentage employees with union membership (U.S.)	19.0%	19.6%	19.5%
Total reportable incident rate (TRIR)	0.7	0.7	0.9*
Lost-time reportable incident rate (LTRIR)	0.3	0.3	0.5*
Fatalities	1	1	0
Global severity rate ²	19.4	21.5	24.3*
supply chain responsibility			
Percentage recycled fiber used ³	31%	29%	29%
Percentage virgin fiber from certified sources	97%	89%	88%
community			
Total community investment – product and cash donation (millions)	\$17.9	\$20.2	\$25.5
Percent of net income	1.0%	1.3%	1.6%
Employee giving (U.S., millions)	\$3.8	\$4.1	\$4.8

¹ "Management" is defined as U.S. employees in EEO category 00 (executive/senior level officials and managers), EEO category 01 (1st/middle level officials and managers) and team leaders in EEO categories 02 (professionals) and 04 (sales workers).

² Days of lost or restricted work as a result of a work related injury per 100 full-time employees per annum.

³ Data represents K-C and equity affiliates.

* 2005 occupational safety data restated to represent consolidated operations only.

external assessment

For the first time in 2007, we sought an external assessment of our sustainability reporting from experienced and independent observers. We asked two members of our newly formed Sustainability Advisory Board to read a draft of the report and comment on its strengths, weaknesses and gaps.

This is their assessment, followed by our response to their comments.

**Tim Smith, Senior Vice President, Director of Socially Responsible Investing,
Walden Asset Management**

Kimberly-Clark's 2007 Sustainability Report starts quite properly with a view from the top of the company. Tom Falk's letter sets the tone, makes the business case and issues the challenge that Kimberly-Clark is not simply going to REPORT on sustainability but strive to BE sustainable on a wide range of issues.

The report then moves from an exhortation to a description of how Kimberly-Clark plans, promotes and puts sustainability into effect, moving it from theory to reality.

This is Kimberly-Clark's fifth Sustainability Report and it is a process of continuous improvement, building on past learnings, present achievements and identifying future challenges. The breadth of the issues covered in the report is impressive. One of the strengths of the report and the program is that it isn't defensive and is open to ideas for improvement.

Let me list a couple of examples of where the report could go deeper.

- The Employee section rightly identifies employees "as our most valued resource" and diversity as "an asset to our business." The report gives a few impressive statistics about the Board and workforce but inclusion of more detailed numbers of women and minorities on the job ladder is needed for a full picture. Many leadership companies include the EEO-I form for the last three years in their diversity reporting. Without more information we have an incomplete picture of how diversity is improving.
- Supply chain responsibility – commendably Kimberly-Clark steps up and takes shared responsibility for the corporate responsibility of its supply chain especially related to sustainable forestry. However, the lack of any meaningful description of the labor issue and how suppliers are held accountable to respecting labor rights is distressing. Ironically, a product could be environmentally responsible but produced overseas by grossly underpaid and exploited employees. How does KC evaluate whether suppliers are treating employees fairly? This is a vitally important area to beef up, in terms of disclosure, company policy and monitoring.

The 2007 Sustainability Report continues to highlight exciting progress as well as pointing to areas where even more can be and must be done.

K-C's response

We appreciate the recognition that our reporting reflects genuine efforts within our company to become a more sustainable business.

At present, we do not publish our complete EEO-I data set in any setting, but rather choose relevant data. We have improved our reporting on diversity statistics since 2006 by including all U.S. employees in our figures and by including select EEO-I statistics which we think are most appropriate for this report.

We also recognize the need to strengthen our supply chain responsibility program. We are confident that our fiber procurement policy and performance lead our industry and we are considering ways to further promote appropriate labor standards in our supply chain.

Roger Cotton LL.B., LL.M, Barrister and Solicitor, Corporate Governance in Environment, Health & Safety

Overall, the 2007 Report easily exceeds the standard of content and organization of similar reports. It includes thorough discussions of the most forward issues (climate change, sustainable forestry), as well as providing the expected data and information on issues under the sustainability umbrella. I also took the opportunity to compare the 2007 Report to the four previous reports, and am impressed with the substantive strides made in a relatively short time.

The introduction by Tom Falk (particularly the leading paragraphs) is an excellent reflection on sustainability as an issue integral to the company. The report highlights that building sustainability into the way Kimberly-Clark does business is the preferred approach, and sustainability is not just an add-on or cost of doing business. The list of new achievements and initiatives in 2007 is impressive, and most of them flowed naturally from the 2006 report. While some were, of necessity, short on specifics in the introduction, in almost all cases one could readily find the specifics in the text to follow.

A few comments for consideration:

- One area where other companies' reports have moved forward is to set goals for the next year (at least). There are many references to Vision 2010, and it may be worth considering adding a 2008 column in each table of longer-term targets. This is especially true when some of the trend data is static or negative. In light of the workforce reduction, one might ask how the status quo can be maintained, much less progress achieved, without specific targets to work toward.
- There is a strong commitment to "life-cycle thinking" in the introduction, so specific targets might be warranted. Unlike carbon footprinting (which is in its infancy, and a cautious approach is reasonable), life-cycle assessment is a bit further down the road, and the company may well be able to select the next target(s) for assessment.

- There are a number of issues regarding employees that could be strengthened. Employee diversity statistics are for the U.S. only (a record-keeping issue likely, but more could be read into it). There could be a discussion of employee working conditions, i.e. a standard of care and respect that is a corporate standard. Global workplace issues are difficult, but are currently very much the focus for many companies.
- Environmental performance is dealt with strongly as an external stakeholder issue, and less so as a workplace issue. In the employee section, it is difficult to identify environmental initiatives in the workplace, i.e. recycling, use of alternative fuel company vehicles, cycling and transit subsidies.

K-C's Response

Our Vision 2010 targets are not annual targets, but those we hope to reach by 2010. Our goal is to make sustainable improvements over the long term. Our business units may set individual annual targets to reach their long-term goals.

We are still considering how to best use life-cycle assessments more widely in our business. As our business units develop their sustainability strategies, they may set goals relating to life cycle or design for environment.

Currently, K-C is not able to efficiently gather global diversity statistics because we do not have a global information system which tracks the data. As we develop diversity goals, there will be a global component.

Regarding working conditions, our Code of Conduct and employment policies apply at all our operations worldwide. Our Corporate Policy, Instruction on Human Rights in Employment, includes a provision as follows:

"Kimberly-Clark does not employ child, prison, indentured, or bonded labor, nor use corporal punishment or other forms of mental or physical coercion as a form of discipline in any of its global operations. Further, Kimberly-Clark will not knowingly conduct business with vendors that engage in any of these practices. (In the absence of any national or local law, Kimberly-Clark will define "child" as less than 15 years of age. If local minimum age law is set below 15 years of age, but is in accordance with developing country exceptions under the International Labor Organization (ILO) Convention 138, the lower age will apply.)"

As part of our 2008 sustainability strategy development and roll-out, employee engagement will play an important role. At a variety of office and operational locations, environmental initiatives are put in place and practiced by our teams (e.g., recycling, alternate transportation). Our 2008 Sustainability Report will strive to showcase some of those initiatives.

Kimberly-Clark Corporate Policies

Safety of the Corporation's Products and Services

Policy Statement

It is the policy of Kimberly-Clark to provide products and services that recognize a sincere and proper regard for public safety.

Policy Comment

It is the intent of this policy to:

- Establish management accountability to ensure that products and services are safe for public use.
- Conduct regular assessment of all products and services to ensure that they meet current regulatory requirements and public safety expectations.

Safety of the Corporation's Products and Services Policy Instructions

Management Accountability

Each Sector President is responsible for ensuring that the Sector's products and services are safe for public use. This responsibility includes the initial introduction of any product or service into public use, as well as an on-going responsibility to review products and services and complaints thereon for continuing compliance with regulatory requirements and public safety expectations.

Product Review Committees

Each corporate operating headquarters shall have a Product Review Committee which is responsible for reviewing the development of each new or materially revised product. It is the Sector President's responsibility to ensure that no product manufactured or distributed by the Corporation is sold, bartered or donated to another unless the product has been reviewed by a Product Review Committee.

Each Committee shall review all available scientific, legal, medical, environmental and other data concerning the product to ensure that the product is safe for its intended use, complies with all applicable governmental rules and regulations, and otherwise meets Corporate standards.

Each Committee shall be composed of a representative from the following departments chosen by the senior on-site representative of such department and such other management representatives as the principal on-site manager may, from time to time, deem appropriate: Product Safety, Quality Assurance, Energy and Environment, Research and Development, Legal, and Medical.

Environmental Protection and Concern

Fundamental Policy

It is the policy of Kimberly-Clark to conduct its affairs at all times with a sincere balanced and proper regard for the environment. For these purposes, the word "environment" includes all the conditions, circumstances and influences surrounding and affecting the development of people and all other living things which are directly or indirectly impacted on by the company's affairs.

In furtherance of this fundamental policy, the company will at all times keep in effect appropriately updated specific policies on environmental matters such as, but not limited to: human rights in employment, occupational safety, health and such other human resource matters as are from time to time appropriate, and environmental assessment measures and control procedures relating to protection of the biosphere, sustainable use of natural resources, reduction and disposal of waste, use of energy and the safety of the company's products and services.

Kimberly-Clark's fundamental policies on why it exists and on its corporate citizenship and regard for the public interest shall at all times be considered when construing this policy on environmental protection and concern.

Policy Comment

It is the intent of this fundamental policy to cause to exist throughout the company and all of the people serving it, a proper environmental ethic which is and will always be part of our culture.

Protection of the Biosphere

Policy Statement

It is the policy of Kimberly-Clark to protect the biosphere by ensuring that adequate environmental assessment measures and control procedures are maintained and followed in product and process design and in ongoing operations. For purposes of this policy, "biosphere" is defined as the air, land, water and living organisms impacted by the manufacture of company products or by the use and disposal of those products.

Policy Comment

It is the intent of this policy to:

- Adhere to legal requirements protecting the biosphere.
- Develop and adhere to an environmental plan, which considers the total product life cycle (i.e., from product/process design to product use/disposal).
- Periodically audit environmental performance at all locations.

Protection of the Biosphere Policy Instructions

Environmental Compliance

- All Kimberly-Clark facilities will continuously comply with applicable national, state and local laws, regulations and permit requirements relating to protection of the environment.
- Compliance at each facility shall be a specific responsibility of the senior site manager. Assistance in determining compliance requirements and in monitoring ongoing conformance is available from Corporate Environment and Energy.

Environmental Planning

- Each Kimberly-Clark business unit and operating facility shall develop and adhere to an environmental plan which shall be integrated into its overall business plan. These plans should outline current environmental programs and expenditures and should assess longer term environmental issues affecting the business or facility. The plans should also identify future capital and operating costs for environmental programs.
- Each business unit and operating facility will update its environmental plan annually and obtain management approval for its plan through the regular budgeting process. Procedures covering reporting of current environmental costs and estimation of future costs are included in CFI 11-03, Appendix G.
- To insure consistent consideration of environmental issues, all capital appropriations should address environmental requirements. Where significant compliance issues are present or where revised permits will be required, the appropriation should be endorsed by the Vice President, Environment and Energy, in accordance with Corporate Financial Instruction 51-25. The Environment and Energy technical staff should be consulted early in the project development process to insure timely identification of environmental impacts and adequate delineation of required control measures.

Corporate Environmental Inspections

- Corporate Environment and Energy will complete periodic (most often, annual) Corporate Environmental Inspections (CEIs) at all Kimberly-Clark operating facilities worldwide. These CEIs will assess compliance with applicable environmental legal requirements and with established corporate environmental standards. Recommendations will be made and assistance provided to correct any problems identified.
- All solid and hazardous waste storage, transportation and disposal vendors should be inspected prior to initial use and at least annually thereafter. Environment and Energy staff is available to conduct such reviews.
- An inventory of approved vendors will be maintained by Environment and Energy and Corporate Purchasing and distributed to operating facilities.

Use and Conservation of Energy

Policy Statement

It is the policy of Kimberly-Clark to efficiently use energy and to actively pursue energy conservation.

Policy Comment

It is the intent of this policy to:

- Establish programs to ensure the efficient use of energy and to encourage energy conservation.
- Use renewable forms of energy such as wood wastes and waste-to-energy systems where feasible and cost effective.
- Conduct periodic audits of all major steam plants, recovery boilers and other energy systems to ensure their safe, efficient and environmentally responsible operation.
- Encourage all fuel suppliers and utilities with which the company does business to follow environmentally responsible operating practices.

Reduction and Disposal of Waste

Policy Statement

It is the policy of Kimberly-Clark to design its products and processes so as to reduce the volume and weight of materials and to minimize the disposal of product and manufacturing waste.

Policy Comment

It is the intent of this policy to support an integrated approach to waste management, including source reduction, recycling, waste-to-energy systems and conservative use of landfilling.

Human Resources Development and Diversity

Policy Statement

It is the policy of Kimberly-Clark to recruit, promote and support the professional development of a diverse global work force.

Policy Comment

It is the intent of this policy to:

- Ensure that diverse pools of candidates are considered in recruiting and promotion.
- Recognize that business performance is dependent on the contributions of individuals and that, given the opportunity, people will strive to achieve their full potential and become fully motivated when they understand how working towards company objectives will also help them achieve personal goals.
- Recognize that an individual is responsible for his/her self-development and that the company is responsible for providing an environment which allows such development.
- Encourage frank, open and ongoing communication between supervisor and employee concerning the employee's job performance and potential for career growth.
- Emphasize promotion from within.

Occupational Safety and Hygiene

Policy Statement

It is the policy of Kimberly-Clark to promote and support occupational safety and industrial hygiene and to manage in a manner that seeks to eliminate occupational injuries and illnesses.

Policy Comment

It is the intent of this policy to:

- Allocate appropriate resources to develop programs to prevent accidents, injuries and illnesses.
- Provide a workplace that conforms to applicable local, state and federal codes and laws governing occupational safety and health.

Occupational Safety and Hygiene Policy Instructions

Each Kimberly-Clark business shall establish and implement an Occupational Safety and Hygiene management process which, at a minimum, will include the following elements:

- **Management Leadership and Commitment** - Employee safety and industrial hygiene is a fundamental value of the organization. Effective leadership lays the foundation for a solid safety and hygiene management system by establishing facility-specific policies, providing resources, assigning responsibilities, establishing expectations, and evaluating performance.
- **Employee Involvement** - Employees are committed to safety and health protection for themselves and fellow workers. They understand the hazards of the tasks they perform and follow the standard operating procedures and practices after actively participating in their development. Employees show their concern for their fellow workers through open communication of safety and industrial hygiene expectations.
- **Hazard Identification** - All new facilities, processes, materials, equipment, and procedures are evaluated to identify all risk exposures. Additionally, existing facilities, procedures, etc., are reviewed periodically to identify changes that may present new safety and hygiene hazards.
- **Hazard Prevention and Control** - Feasible engineering controls, equipment and building safeguards, and safe work procedures are identified, implemented, and maintained to address hazards. Personal protective equipment needs are identified and the appropriate equipment is available and worn as required. Standards of good housekeeping and order are maintained.
- **Safety and Hygiene Training** - Knowledge and skill training needs are identified and training is provided to ensure each employee can perform his/her job in compliance with requirements for safety, hygiene, production, and quality.
- **Emergency Response Planning** - As outlined in the K-C Crisis Management Manual, potential emergencies are identified (natural disasters, fires, chemical spills, etc.), controls are implemented where possible to prevent a crisis event from occurring, procedures are designed and practiced to provide maximum protection for employees should an emergency occur, and internal and external resources are available to minimize the consequences.
- **Accident/Incident Investigation** - Incidents which could or did result in injury, illness, property damage, and/or process loss are investigated to identify all basic causes. Controls are identified and implemented to prevent recurrences and minimize the risks. Information is communicated to the Occupational Safety and Hygiene Team and to others where similar equipment or activities exist.

- **Recordkeeping** - Injury and illness records are developed, reported and retained to meet Corporate and regulatory requirements. Records of training, inspections, hazard analyses, and other pertinent activities are maintained as required.
- **Regulatory Compliance** - Regulatory requirements are considered a minimum component of the safety and hygiene process. Applicable regulatory requirements are identified, the basis for the requirement is evaluated and understood, and compliance activities are developed and implemented. A process is established to monitor continuing compliance.

These instructions provide the basic framework for a world-class occupational safety and hygiene system. Specific guidelines and recommendations for implementing the safety and hygiene process, along with information on codes and laws governing occupational safety and hygiene, are available through the Corporate Occupational Safety and Hygiene Team.

Human Rights In Employment

Policy Statement

It is the policy of Kimberly-Clark to promote and support human rights, including equal employment opportunities.

Environmental Operating Policy Adopted on October 25, 1991.

Interpretation by the senior human resources officer.

Policy Comment

It is the intent of this policy to:

- Prohibit discrimination and/or harassment based on race, color, sex, sexual orientation, gender identity, age, religion, national origin, disability and other categories protected by applicable law.
- Recognize human rights on a global basis and encourage the abolition of discriminatory laws and practices.
- Maintain affirmative action plans, training programs and other activities, procedures and controls necessary to ensure compliance with government requirements and corporate standards.

(Policy comment revised on June 3, 2008.)

Human Rights in Employment Policy Instructions

Each unit leader is responsible for ensuring the implementation of Kimberly-Clark's Human Rights in Employment Policy.

This policy extends to all aspects of employment and employment practices, including but not limited to the following: recruitment; hiring; promotion; demotion; transfers; layoffs; recalls; discharge; compensation benefits; training; education; education assistance; social and recreational programs; and other employee actions.

Each unit leader shall ensure that the unit operates in full compliance with all applicable federal, state and local employment laws and regulations. In order to accomplish this, all levels of management within each unit must be knowledgeable about such laws and regulations and conduct employment/employee transactions accordingly.

Each unit leader shall ensure an appropriate procedure exists for reporting claims of sexual harassment.

Upon a complaint by an employee of an alleged violation of any of the applicable employment laws or regulations, the unit leader shall ensure that a prompt and thorough investigation is conducted, with notification to company legal counsel as appropriate.

Each appropriate corporate unit shall develop and have available for inspection by authorized governmental authority affirmative action programs consistent with the policy of the corporation and the requirements of applicable law.

Kimberly-Clark does not employ child, prison, indentured, or bonded labor, nor use corporal punishment or other forms of mental or physical coercion as a form of discipline in any of its global operations. Further, Kimberly-Clark will not knowingly conduct business with vendors that engage in any of these practices. (In the absence of any national or local law, Kimberly-Clark will define "child" as less than 15 years of age. If local minimum age law is set below 15 years of age, but is in accordance with developing country exceptions under the International Labor Organization (ILO) Convention 138, the lower age will apply.)

Fiber Procurement

Policy Statement

It is the policy of Kimberly-Clark to conduct its businesses with a sincere and proper regard for the need to sustain natural resources used in the manufacture of the Corporation's products.

Policy Comment

It is the intent of this policy to promote:

- Sustainable forest management practices by the Corporation's wood fiber suppliers that are economically viable, environmentally responsible and socially beneficial by considering supplier performance in the selection process.
- Use by the Corporation of environmentally responsible wood fiber in its products consistent with product performance and competitive market conditions.
- Availability of information to interested stakeholders concerning implementation of the Corporation's Fiber Procurement Policy.

(Policy and Policy Comment adopted effective March 15, 2007.)

Fiber Procurement Policy Instructions

Issued on March 15, 2007 by the Senior Environmental Officer

These Instructions define key terms and describe the practices that the Corporation is adopting to implement the Corporate Policy on Fiber Procurement Comments.

Environmentally Responsible Fiber

- The Corporation will strive to maximize use of Environmentally Responsible Fiber in its products consistent with product performance and competitive market conditions.

For purposes of this policy, “Environmentally Responsible Fiber” means:

- Wood pulp purchased from suppliers that have had their forestry operations or wood fiber procurement activities certified to one of the Forest Certification Systems (as defined below);
 - Wood pulp manufactured by the Corporation from logs or chips purchased from suppliers that have had their forestry operations or wood fiber procurement activities certified to one of the Forest Certification Systems; and
 - Recycled fiber recovered from pre-consumer or post-consumer waste paper.
- The Corporation will strive to continuously improve its tissue manufacturing processes and product designs to minimize fiber use, consistent with product performance and competitive market conditions.

Sustainable Forest Management

- Kimberly-Clark will encourage its wood fiber suppliers (and their suppliers, if applicable) to practice sustainable forest management.

For purposes of this policy, “wood fiber” includes:

- Wood pulp;
 - Logs;
 - Whole log chips; and
 - Sawmill residuals including woodchips and sawdust.
- Kimberly-Clark will not knowingly use illegally harvested wood fiber, which for the purposes of this policy is wood fiber obtained in violation of applicable government forest management requirements or other applicable laws and regulations.
 - Kimberly-Clark will not knowingly use wood fiber sourced from Forest Areas Requiring Protection.

For the purpose of this policy, “Forest Areas Requiring Protection” means:

- Naturally rare forests identified as “G1” (globally ranked critically imperiled) or “G2” (globally ranked imperiled) communities by NatureServe/Natural Heritage Network;
- “High Conservation Value Forests” identified and mapped as no harvest areas under the Forest Stewardship Council certification scheme;
- “Forests of Exceptional Conservation Value” identified and mapped as no harvest areas under the Sustainable Forestry Initiative scheme;
- “Primary Tropical Rainforest” defined as natural forests that have developed under natural processes, have never been logged on a commercial scale and which are located in an area with annual mean temperatures of at least 24°C and annual rainfall exceeding 2.0 meters evenly distributed throughout the year;

- Areas mapped in applicable forest management plans as protected areas due to their unique features, including endangered species habitat; and
- Areas mapped by the government as a park or conservation reserve where commercial logging is prohibited.

Forest Certification

- Kimberly-Clark will strive to maximize its use of wood fiber from suppliers that have had their forestry operations or wood fiber procurement activities certified to one of the Forest Certification Systems with the goal of purchasing 100% of its wood fiber from certified suppliers.
- The Corporation will track and report annually the amount of wood fiber it purchases from suppliers certified under each of the Forest Certification Systems.
- Kimberly-Clark will encourage its wood fiber suppliers (and their suppliers, if applicable) to seek independent certification of their forest lands.

For purposes of this policy, “Forest Certification Systems” will mean the following five schemes and any additional forest certification scheme meeting the performance based criteria set forth below:

- Forest Stewardship Council (FSC);
 - Sustainable Forest Initiative (SFI);
 - Canadian Standards Association’s National Sustainable Forest Management Standards (CSA);
 - Sistema Brasileiro de Certificacao Florestal (CERFLOR) in Brazil; and
 - Program for the Endorsement of Forest Certification Schemes (PEFC).
- Examples of performance-based criteria for an acceptable forest certification scheme include:
 - Conformity with international legislation, agreements and accords;
 - Compliance with national and local legislation;
 - Scientific support for forestry practices;
 - Commitment to forest regeneration and reforestation;
 - Protection of soil quality, riparian zones and water quality;
 - Protection of ecologically and culturally unique forest areas;
 - Maintenance and conservation of biological diversity;
 - Participation by interested and affected stakeholders;
 - Continuous improvement in forestry practices; and
 - Third-party verification of forestry practices.
 - The Corporation will give preference to wood fiber certified under FSC standards where it is available and meets product performance requirements and competitive market conditions.

Wood Fiber from Tree Plantations

- Kimberly-Clark may use wood fiber harvested from industrial forest lands that are converted after the date hereof to Tree Plantations only if the supplier can demonstrate that the pre-existing forest lands were not Forest Areas Requiring Protection.

For purposes of this policy, “Tree Plantations” mean forest stands established by planting seedlings or by direct seeding of either native or introduced species, which are fast growing and intensively managed for wood production including by mechanical site preparation, exclusion of other species and periodic pruning, spacing and thinning.

- All relevant provisions of these Instructions for wood fiber used by the Corporation will also apply to wood fiber supplied from Tree Plantations.

Review of Wood Fiber Supplier Practices

- As it does with all of its significant suppliers, Kimberly-Clark will review the integrity of environmental and social responsibility practices followed by its wood fiber suppliers and consider those practices as part of the initial supplier selection process and when supply agreements are renewed.
- The techniques to be utilized and the extent of a particular environmental and social review will be commensurate with the size and nature of the proposed business relationship between the supplier and Kimberly-Clark.
- When Kimberly-Clark enters into long-term agreements with wood fiber suppliers, it will include language that enables the Corporation to enforce this policy.
- Kimberly-Clark will inspect its wood fiber suppliers periodically and request that its uncertified wood fiber suppliers prepare a written report annually on compliance with this policy.
- In the event that a supplier to the Corporation does not have certification of its forest lands or wood fiber procurement activities, that supplier will be given reasonable time to achieve certification. If a supplier is not in compliance with any applicable provisions of this policy, the Corporation will take appropriate action to address such non-compliance, which may include (i) an action plan for compliance or (ii) termination or non-renewal of the supply contract.

Verification of Wood Fiber Use

- Kimberly-Clark will implement a verification system for its wood fiber procurement activities that is global in scope and sufficient to provide reasonable assurance that the Corporation has systems and controls in place to meet the objective of using Environmentally Responsible Fiber in accordance with this policy.

Public Reporting

- Kimberly-Clark will report on its activities to implement this policy at least annually to interested stakeholders through the Corporation’s annual Sustainability Report or other appropriate documents.

Applicability

- This policy applies to Kimberly-Clark Corporation, its consolidated subsidiaries and affiliates, and is recommended for all of the Corporation’s equity companies subject to local laws and any applicable shareholder or joint venture agreements. To the extent an affiliate or equity company supplies wood fiber to Kimberly-Clark, it shall be subject to this policy.

Charitable Contributions

Policy Statement

It is the policy of Kimberly-Clark to make reasonable contributions to qualified charitable, educational and similar organizations.

Policy Comment

It is the intent of this policy to:

- Contribute cash or other assets to qualified organizations in each year, provided that the aggregate amount in any one year shall not exceed one and one quarter percent of the Corporation's average U.S. pre-tax income of the preceding three years, and further provided that such contributions of any products or real property of the Corporation shall be excluded from the foregoing limitation.
- Administer the contributions program pursuant to rules established by the Chief Executive Officer.
- Manage the disbursement of charitable funds at the local level in communities where the Corporation has facilities and through the Kimberly-Clark Foundation for gifts to national organizations.

Charitable Contributions Policy Instructions

- The Chief Executive Officer or the President and Chief Operating Officer will annually set a maximum level of charitable contributions for each deputy with responsibility for a business or service unit in the U.S. These deputies will submit to the CEO or the President and COO, as the case may be, an annual contributions plan detailing proposed contributions for their respective areas of responsibility.
- The deputies may approve changes to their plans, if such changes do not result in increased spending for contributions in the aggregate.
- Multi-year commitments to charitable organizations, whether conditional or unconditional, shall be reviewed with the Corporate Controller, or his or her designee, prior to making such a commitment.
- Periodic status reports, as specified in Corporate Financial Instruction 27-40 and Appendices A, B and C, are required from each unit. Information required for budget purposes will also be specified by the Corporate Controller.
- Kimberly-Clark's United Way contributions for each unit must be approved by an officer or manager of the Corporation with site or facility responsibility for the respective site or facility making the contribution. The contributions at each location will match employees' giving/pledges on a 1:1 basis.
- Delegation of authority (except as limited above) and overall control of the program are the responsibility of the respective unit and staff senior managers reporting to the CEO or President and COO.
- Requests for contributions beyond the scope of a unit's budget must be submitted through line management for the CEO's or President and COO's approval.