



**Sustaining Our World:  
Health, Hygiene and Kimberly-Clark**



**Kimberly-Clark's 2004  
Sustainability Report**



# Sustainability at Kimberly-Clark: Our Journey Continues

Welcome to Kimberly-Clark's 2004 Sustainability Report. In developing our report, we relied on the Global Reporting Initiative's Sustainability Reporting Guidelines, as well as internal and external stakeholder insights. Our report is structured to assist our company in communicating, both internally and externally, our annual sustainability progress, as well as performance challenges. It is also designed to support our newly established Environment, Energy, Safety, Quality and Consumer Services organization, which integrates many of Kimberly-Clark's sustainability functions, and plays a key role in assisting our company with developing and executing our sustainability strategies.

For more than 130 years, Kimberly-Clark has helped improve the quality of life for millions of people by developing some of the world's most trusted and recognized health and hygiene brands. We are proud of our long-standing commitment to our founding principles of quality, service and fair dealing.

Traditionally, corporate responsibility has encompassed our commitment to good governance, providing quality products at a fair price, and treating our global employee team – and all people we meet in the course of our business – with fairness and respect. It has guided a sincere and proper regard for the environment, and played an instrumental role in directing the company's philanthropic focus and social investment policies toward strengthening families around the globe.

Today, we continue to build on this tradition as we further integrate the concept of sustainability into our business practices. We believe, as a global company, that the steps we take along this journey will help us address issues important to Kimberly-Clark and our stakeholders, and enable us to carry out our mission of enhancing the health, hygiene and well-being of people every day, everywhere.

## *Scope of Kimberly-Clark's 2004 Sustainability Report and Other Notes*

This report provides an account of our 2004 economic, environmental stewardship, safety and social responsibility performance for our worldwide consolidated (wholly and majority-owned) operations. Our environmental information also includes facilities associated with our equity companies for which we own less than a majority-ownership stake.

All monetary amounts discussed in this report are in U.S. dollars.

Kimberly-Clark uses the term "customer" to describe our wholesalers, distributors, retailers and others to whom we supply products. The term "consumer" describes the shoppers and end-users who buy our products from our customers.

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## A Message From Thomas J. Falk

*Chairman of the Board and Chief Executive Officer*

As one of the world's leading health and hygiene companies, Kimberly-Clark and its well-known brands touch a vast number of families every day. Our consumers number more than a billion mothers, fathers and children from all walks of life. Although diverse in culture and origin, these people are bound by a common thread: they rely on Kimberly-Clark brands to enhance their health, hygiene and well-being.

At our company, we view this as a tremendous responsibility, one that we don't take lightly. It's this sense of obligation – not only to those who use our products, but also to our employees, shareholders, customers and the community at large – that drives our commitment to advancing a sustainability mindset in all that we do.

During the course of 2004, our global team achieved a number of positive steps toward this goal, namely:

- We contributed more than \$24 million in corporate and employee donations to charitable organizations that strengthen families worldwide and millions of dollars worth of product, primarily for disaster relief.
- We improved overall water use in our facilities worldwide, reducing water use by 6 percent or 16 million cubic meters versus 2003.
- We recycled or converted into energy approximately 61 percent of our manufacturing waste and generated a net savings of more than \$10 million.
- We required that 100 percent of our fiber suppliers be certified by the end of 2005 by one of five internationally recognized forest certification systems. By the end of 2004, 69 percent of our virgin pulp suppliers had achieved certification of their forestlands.
- We established a new organization to accelerate growth in Developing and Emerging markets that will allow our global business segments to reach these regions more effectively.
- We delivered solid financial results to our shareholders, with a 16 percent total return, outpacing the S&P 500.
- We returned \$2.4 billion to shareholders in the form of dividends and share repurchases.

As you can see, we've made a number of changes that focus us on understanding and meeting the needs of an ever-widening circle of stakeholders. Moreover, we've begun to integrate these insights into our business strategy and decision-making processes. In short, our goal is to conduct ourselves in a manner that responds effectively to both our and society's challenges.

I invite you to read about our commitment to continually improving our economic, environmental stewardship, safety and social responsibility performance. At the same time, I welcome your feedback as we continue along the path toward a more sustainable future.

Thomas J. Falk  
*Chairman and CEO*  
April 20, 2005



Headquartered in Dallas, Texas, United States, Kimberly-Clark is a leading global health and hygiene company employing more than 60,000 people worldwide. Our operations are located in 37 countries and our brands – which include Kleenex, Scott, Huggies, Pull-Ups, Kotex, Poise and Depend – are sold in more than 150. Kimberly-Clark brands are used by nearly a quarter of the world’s population every day, and hold the No. 1 or No. 2 position globally in most of the consumer products categories in which we compete. In 2004, Kimberly-Clark posted sales of \$15.1 billion. In the fourth quarter of 2004, we strengthened our commitment to Kimberly-Clark’s health and hygiene mission by completing the spin-off of our North American paper and Canadian pulp businesses. With this spin-off, we no longer own or manage forestlands anywhere in the world.

### Global Business Segments, and Health and Hygiene Brands

Kimberly-Clark’s global businesses are divided into three segments: Personal Care, Consumer Tissue and Business-to-Business (B2B). Each business segment is led by an executive officer who reports to the corporation’s CEO, and is responsible for the development and execution of Kimberly-Clark’s global business strategies.

The **Personal Care** (Infant Care, Child Care, Infant and Child Wipes, Feminine Care and Adult Care) segment manufactures and markets disposable diapers, wet wipes, training and youth pants, and swimpants; feminine and incontinence care products; and other similar products. Products in this segment are primarily for household use and are sold under a variety of brand names, including Huggies, Pull-Ups, Little Swimmers, GoodNites, Kotex, Lightdays, Depend and Poise.

The **Consumer Tissue** (Family Care) segment manufactures and markets facial and bathroom tissue, paper towels and napkins, and other similar products for household use. Products in this segment are sold under the Kleenex, Scott, Cottonelle, Viva, Andrex, Scottex, Hakle, Page and other brand names.

The **Business-to-Business** (Kimberly-Clark Professional, Health Care and Nonwovens) segment manufactures and markets disposable, single-use, health and hygiene products to the away-from-home marketplace. These products include facial and bathroom tissue, paper towels, napkins, wipers, surgical gowns, drapes, infection control products, sterilization wrap, disposable face masks, exam gloves, respiratory products and other disposable medical products. Kimberly-Clark, Kleenex,

Scott, Kimwipes, WypAll, Surpass, Safeskin, Tecnol and Ballard are some of our business-to-business brands.

### Management Organization

To execute strategies for Kimberly-Clark’s three global business segments and leverage the power of our brands around the world, the company is organized into three business management teams:

- **North Atlantic Consumer Products:** In April 2005, Kimberly-Clark combined the North Atlantic Personal Care and Family Care businesses into a single organization, continuing the company’s evolution into a more unified global company. The new organization includes North American and European Personal Care, and Consumer Tissue businesses. Personal Care businesses include Infant Care, Child Care, Infant and Child Wipes, Feminine Care and Adult Care. Consumer Tissue businesses include facial tissue, bath tissue and paper towels.
- **Business-to-Business:** Kimberly-Clark’s global B2B businesses are managed under a single umbrella and include Health Care, Kimberly-Clark Professional in North America and Europe, and Nonwovens.
- **Developing and Emerging Markets:** To maximize growth opportunities in Asia, Latin America, Middle East, Africa and Eastern Europe, and ensure resources are dedicated to growth businesses in these markets, the company established one management team for these regions in 2004.

### Facility Locations Around the World

Kimberly-Clark’s principal facilities, including our equity companies, and the products or groups of products manufactured at these facilities can be found on our corporate Web site, in the Properties section of the company’s Form 10-K.

### Product Distribution Channels

Our products for household use are sold directly, and through wholesalers, to supermarkets, mass merchandisers, drugstores, warehouse clubs, variety and department stores, and other retail outlets.

Products for away-from-home use, including those from Kimberly-Clark Professional and the company’s Health Care and Nonwovens businesses, are sold through distributors and directly to manufacturing, lodging, office building, food service and high-volume public facilities, and health care establishments.



## Integrating Sustainability

**“Sustainability at Kimberly-Clark is no longer just an ambition, it’s a business imperative. We have put in place a disciplined framework for integrating sustainability considerations at the front end of our Innovation Management process, extending them through the product life cycle, to ensure that we deliver sustainable solutions to our customers, shoppers and users. By doing this, we’ve established sustainability touch points throughout our business, making it central to our decision-making process. This approach not only helps us improve the performance of our brands, but also to reduce environmental impacts and costs, and maximize the benefits of our social investments.”**

*– Cheryl A. Perkins, Senior Vice President and Chief Technical Officer*



This past year brought several changes to our business, including a significant shift in how we go about promoting a sustainability mindset within our company. To better integrate sustainability functions, we combined our Safety, Quality and Consumer Services departments with our Environment and Energy group to create one organization. Among many important goals, we have designed our annual Sustainability Report to help our company better understand internally how this new department will assist in helping us execute our sustainability performance strategies.

Vice President Kenneth Strassner leads our newly formed organization and reports to Cheryl Perkins, senior vice president and chief technical officer. Ms. Perkins reports directly to Chairman and CEO Thomas Falk. As these separate groups have achieved in the past, the new department will continue to safeguard our company, employees and consumers, and help us invest in innovation that we can leverage to markets around the world.

The new organization establishes a framework that places sustainability considerations at the forefront of all program, material, and product decision-making and planning. Our Corporate Sustainability Steering Committee reviews and endorses corporate environmental and sustainability-related strategy, and authorizes major initiatives within these disciplines. Committee members include our Chairman and CEO, group presidents from each of the global business units, and other senior leaders.

Our Innovation Management process, which includes quality, environmental and safety management systems, is a critical part of this sustainability framework, and enables us to measure progress and challenges globally, as well as promote a disciplined approach to product development.

In addition to restructuring our organization, we continued to focus on the following strategies to move us toward improved economic, environmental, safety and social responsibility performance.

- Utilize stakeholder insights and the sustainability mindset to drive innovation, improved efficiencies, and environmental and social performance.
- Pursue business growth in Developing and Emerging markets and promote prosperity within developing economies.
- Enhance the eco-efficiency of our processes and use of natural resources to generate bottom-line value.
- Leverage our buying power to positively influence supplier and contract manufacturer responsibility and performance.
- Support and advance social causes important to our company and brands, with emphasis on strengthening families in the communities where we do business and around the world.

# Integrating Sustainability

## Progress in 2004

Throughout this report, there are numerous illustrations of how the pursuit of these strategies benefited the company in 2004. For example, the implementation of sustainability requirements at the front end of the Innovation Management process resulted in a number of new and improved products, including the new Scottfold towel from Kimberly-Clark's Professional business. With improved absorbency and a unique folding design, Scottfold towels dispense one at a time, reducing waste and driving down costs. Two other socially beneficial innovations launched last year include the Kimberly-Clark child's face mask, the first-ever for children; and the Kleenex Anti-Viral tissue, which kills 99.9 percent of five common cold and flu viruses in the tissue within 15 minutes of contact. We also developed a number of environmentally improved materials, which included compostable, flushable and biodegradable products and technologies. Of the 318 U.S. patents we received, 10 were design patents, and 308 were utility patents, of which 13 were related to environmentally beneficial materials.

As part of our ongoing commitment to sustainability, we continued our support of life-cycle assessment (LCA) initiatives in the United Kingdom (U.K.) and Europe that promote environmental quality and ecosystem integrity. In May 2005, the U.K. government released an LCA on diaper products, both disposable and reusable. Kimberly-Clark provided data for and comments on the LCA as part of a collaborative effort with the UK diaper industry. We are a member of the Absorbent Hygiene Products Manufacturers Association (AHPMA), which represents the interests of U.K. manufacturers of disposable diapers, and feminine and adult care products. Kimberly-Clark provided data for and comments on the LCA as part of a collaborative effort with the U.K. diaper industry. Our company also sponsors the Association for the Sustainable Use and Recovery of Resources in Europe (ASSURE) through membership in the European Disposables and Nonwovens Association (EDANA), and contributes funding to these efforts.

We also continued to build on more than 15 years of developing new test models as alternatives to animal

testing, which Kimberly-Clark does not perform unless required by law. To effect positive change on a greater scale, we continued to voluntarily share these developments with the global scientific community and other companies.

Sustainability integration helped us identify several ways to strengthen our employee development programs, and employee and consumer safety programs, enabling us to implement a number of enhancements. In particular, the Corporate Occupational Safety and Hygiene team created a plan to build additional capability and diligence around our leadership systems for identifying and evaluating hazards, developing and implementing corrective actions, and monitoring results.

These are just a sampling of how fostering an environment of sustainability is helping to improve many areas of our business. As we continue to grow globally, so will the role of sustainability in raising our performance to the next level.

## Reporting Sustainability Performance

For years, we have communicated economic, environmental stewardship, safety and social responsibility performance through a variety of ways, including the company's annual report, environmental reports, corporate Web site, news releases, brochures and other communication materials. With the publication of our first corporate Sustainability Report for 2003, we took our commitment to stakeholder communication – within and outside of our company – a step further.

As our business grows, we are committed to finding meaningful ways to communicate with a broader spectrum of stakeholders. Our Sustainability Report is an important part of this process. One of the key communication challenges has been the increasing globalization of our company – and the collection of data company wide. In the past, we have tended toward a more North American business focus for gathering information. The sustainability mindset is helping us develop a more global picture of our performance by identifying key stakeholders in the countries where we operate, as well as methods for gathering, analyzing and presenting meaningful information.

# Governance

**“Kimberly-Clark has always operated under sound corporate governance and strong internal controls. By continuing to integrate sustainability considerations into our corporate policies and governing structure, we strengthen our ability to meet the needs of our stakeholders and maintain our commitment to conduct ourselves as a responsible global corporate citizen.”**

*– Ronald D. Mc Cray, Senior Vice President – Law and Government Affairs and Chief Compliance Officer*



Kimberly-Clark requires company-wide compliance with all laws and corporate policies. We practice accountable and ethical decision-making regarding our economic, environmental and social responsibilities. As a global company, governance and overarching policies have extended beyond our own performance to that of our suppliers – and increasingly the performance of third-party manufacturers. Ensuring high standards from our suppliers remains an important business goal.

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## **Corporate Governance: Board of Directors and Code of Conduct**

Kimberly-Clark's board of directors is ultimately accountable for ensuring ethical corporate governance, strong internal controls and compliance with applicable laws. Eight of our 10 board members are independent\* of management, including the lead director. Many of Kimberly-Clark's corporate governance practices long predated the recent U.S. Securities and Exchange Commission and New York Stock Exchange rule changes.

The board, senior management and all employees are charged with adhering to Kimberly-Clark's Code of Conduct, which embodies the company's commitment to high ethical standards and to our founding values of quality, service and fair dealing. The Code sets forth the company's expectations for compliance with all applicable laws, rules, regulations, corporate standards and policies, and ethical behavior while on and off the job. The board of directors is the steward of the Code, and responsible for its conformance with best practices and periodic evaluation. The general counsel of Kimberly-Clark is the senior corporate officer responsible for administering and enforcing the Code. All employees are responsible for reporting violations to the Code, anonymously if they choose, to the company's general counsel or the executive director of global security.

To monitor Code compliance, our corporate organization makes annual requests to roughly 175 officers and business unit leaders, 600 finance and purchasing managers, and approximately 20 percent of remaining employees to certify compliance with the Code of

Conduct and to report any potential exceptions. In 2004, 20,908 employees in 54 countries participated. An internal memorandum was also issued to all employees requesting them to report behaviors inconsistent with our Code. In 2004, no significant exceptions were reported through the Code of Conduct survey; all minor reported exceptions were promptly addressed.

Kimberly-Clark's external auditor Deloitte & Touche evaluates the effectiveness of our internal controls over financial reporting, as well as the adequacy of management's internal assessment of the effectiveness of internal controls over financial reporting, as required by section 404 of the Sarbanes-Oxley Act of 2002. The Code of Conduct is included within the scope of this review. Deloitte & Touche expressed an unqualified opinion in February 2005 on both the effectiveness of the Corporation's internal control over financial reporting and on management's assessment.

We invite you to read in full our Corporate Governance Policies, Board Communications Procedures and Corporate Code of Conduct in the Governance section on [www.kimberly-clark.com](http://www.kimberly-clark.com).

## **Policy for Prevention of Bribery and Corruption**

Kimberly-Clark's Code of Conduct expressly forbids our employees, subsidiaries and equity affiliates and any of their officers or employees to authorize, offer or make any illegal gift or payment, directly or indirectly to any government official, or any employee of a government, governmental agency or government controlled enterprise.

\* At Kimberly-Clark, "independence" is determined using a standard established by the board of directors and consistent with the provisions of the U.S. Securities Exchange Act of 1934, and the rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange. A director is independent if she or he has no material relationship with Kimberly-Clark, which includes commercial, industrial, banking, consulting, legal, accounting, charitable or familial relationships.

# Governance

## **Policies Related to Political Lobbying and Contributions**

Any political contributions or payments to political parties or candidates that our company makes will adhere to all applicable laws and regulations.

Kimberly-Clark employees are free to participate in the political process as individuals and on their own time, and make political contributions on an individual basis. They are also permitted to participate in political action committees on a voluntary basis.

## **The Corporate Environmental Remediation Oversight Committee, United States**

In 2003, Kimberly-Clark established the Corporate Environmental Remediation Oversight Committee to help ensure that our company was in compliance with the environmental liability disclosure requirements set forth by the United States' Securities and Exchange Commission and the 2002 Sarbanes-Oxley Act. This also included the company's compliance with the requirements and site remediation obligations under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) for the cleanup of contaminated sites in the United States. The committee

provides oversight to ensure that adequate costs are reserved for remediation purposes. Please visit our Form 10-K to learn more about Kimberly-Clark's CERCLA obligations.

## **Supplier Compliance**

Kimberly-Clark is focused on increasing speed to market, accelerating growth and expanding our health and hygiene portfolio. Part of this effort involves forging strategic partnerships where appropriate. We launched many such partnerships in 2004, ranging from supply and licensing agreements, to manufacturing of products, to joint development opportunities.

We believe in building strong relationships with suppliers for meeting our business performance goals. Our purchase order terms and conditions require suppliers to warrant that all services have been performed and that all goods shipped to our company have been produced in compliance with all applicable laws, standards or codes, including where appropriate, the U.S. Fair Labor Standards Act. In addition to these requirements, contractors or suppliers performing work onsite at Kimberly-Clark's facilities must also comply with rules and procedures established by individual facilities.

Kimberly-Clark's sourcing decisions will vary depending on business needs, potential competitive advantages and underlying business risks. The factors we consider in selecting suppliers include the ability of a supplier to:

- Provide technology that can be the basis for innovations in our products and processes, or that offers unique protective features.
- Provide adequate capacity and flexibility to satisfy the range of defined needs without interruption or dependency on Kimberly-Clark for long-term contracts or capital commitments.
- Continuously minimize conformance variability.
- Provide the best value.
- Be a trusted partner in helping us produce products that are market leaders in quality and value.
- Provide diversity to our supplier base, so that it more closely matches our consumer base.

As we move forward, we will be enhancing our supplier and third-party manufacturer selection standards by further integrating economic, environmental and social considerations.

### *Suppliers of Virgin Pulp*

By the end of 2005, our company requires that all of our suppliers of round wood, woodchips and other forms of fiber, as well as all virgin pulp have their forestry operations certified to one of five internationally recognized forest certification systems. (This includes the certification of their industrial fiber suppliers operations.) As of December 2004, 69 percent of our virgin pulp suppliers had achieved certification of their own forestlands.

To implement and monitor our Sustainable Use of Natural Resources policy, Kimberly-Clark manages a global inventory of third-party fiber suppliers, and collects fiber-specific information regarding countries of origin, wood type and information regarding the performance-based forest certification standards that our suppliers have or are in the process of implementing. We began auditing our fiber suppliers in 1996. Our goal is to have all of our top suppliers, those

who account for 90 percent of our global fiber purchases, audited by year-end 2005. Following, we plan to conduct these audits on an ongoing basis.

### *Third-Party Manufacturers*

Kimberly-Clark is striving to ensure that those with whom we contract for particular types of manufacturing have sound environmental management systems in place. In 2004, we developed environmental screening criteria and a process for prequalifying manufacturers. Through an electronic questionnaire to prospective manufacturers, we now evaluate a company's environmental risks. We gather information about manufacturers' main environmental aspects, risk management practices, compliance performance and litigation, and manufacturers' abilities to meet their environmental obligations. In 2005, we will be working to expand our approach by developing supplier and third-party manufacturing sourcing standards, which include, environmental, labor, quality and safety standards.

### **Child Labor and Worker Exploitation Policy (Adopted 2004)**

Our company 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 our 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 someone 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.)

Monitoring this commitment within third-party contract manufacturers in developing countries remains a key challenge. In 2005, we will formalize our approach by developing supplier and third-party manufacturing sourcing standards to address this issue.

# Economic Performance

**“The concept of sustainability enhances our understanding of how the value we create provides economic benefits to our shareholders and improved quality of life to the broader global community. At the same time, it underscores our long-held commitment to corporate responsibility and ethical conduct, which remain the foundation of our long-term growth strategy.”**

– Mark A. Buthman, Senior Vice President and Chief Financial Officer



During 2004, Kimberly-Clark delivered solid results in line with our commitments to shareholders. Revenues rose 8 percent, paced by a 5 percent increase in sales volumes. On the bottom line, earnings per share advanced 8 percent. Importantly, we achieved a 50 basis point increase in return on invested capital (ROIC), which is a key focus of our long-term strategic plan. Finally, total shareholder return was 16 percent, exceeding the performance of the S&P 500.

For the third year in a row, Kimberly-Clark was named to the U.S.-based Calvert Social Index®, and continued to be represented on other socially responsible investment indices, including the FTSE4Good™ and the U.S.-based KLD Large Cap Social Index, KLD Broad Market Social Index and Domini 400 Social Index.

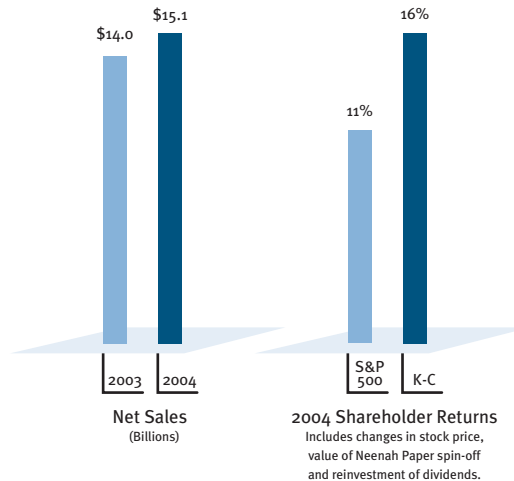
®Calvert Social Index is a trademark of Calvert Group, Ltd.

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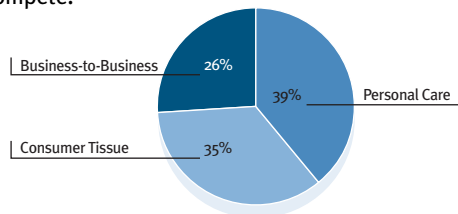
*Unless otherwise specified, this section provides an account of our 2004 economic performance for our worldwide consolidated (wholly and majority-owned) operations.*



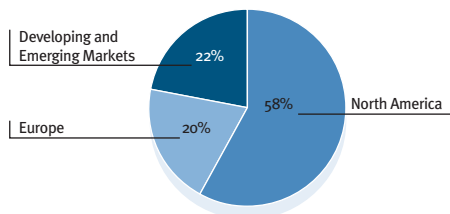
# Economic Performance

## Financial Performance and Market Share

During 2004, Kimberly-Clark delivered solid financial results and maintained strong positions in our various markets, holding the No. 1 or No. 2 position globally in most of the consumer products categories in which we compete.



Revenues by Business Segment 2004



Revenues by Geography 2004

## Developing and Emerging Markets

Our global business segments continued to benefit from growth in Developing and Emerging markets, which currently account for less than 25 percent of our sales. During the reporting period, we put in place a new organization to enable our global business segments to reach markets in Asia, Latin America, Middle East, Africa and Eastern Europe more effectively. We are prioritizing our resources toward six key countries – Brazil, Russia, India, China, Indonesia and Turkey (BRICIT) – where per capita income is rising and our product categories are expected to grow at a double-digit rate. These countries represent approximately 3 billion people, nearly half of the global population. Each is experiencing rapid urbanization and an emerging middle class.

In many of these countries, our global brands are building on an established foundation. For example, Huggies is already the No. 1 diaper brand in Russia, with a 40 percent market share. In major Indian cities, such as Bombay and Delhi, the Huggies brand holds a more than 70 percent market share. And, in China, the brand has already captured a 21 percent market share, helping to further strengthen Kimberly-Clark's leadership position in the global diaper market.

The multi-tier product strategy that we have adopted will not only help build brand loyalty in what we believe are high-potential markets, it also has the potential to stimulate job growth, and generate revenues for governments and growing communities.

## 2004 Market Share

	North America	Europe	Latin America	Asia Pacific	Middle East, Africa, Eastern Europe
<b>Personal Care</b>					
Diapers	20-49%	Less than 20%	20-49%	20-49%	Less than 20%
Child Care	50% or more	50% or more	20-49%	50% or more	50% or more
Infant/Child Wipes	20-49%	Less than 20%	20-49%	20-49%	20-49%
Feminine Care	20-49%	Less than 20%	20-49%	Less than 20%	Less than 20%
Incontinence Care	50% or more	Less than 20%	20-49%	20-49%	20-49%
<b>Tissue</b>					
Facial Tissue	50% or more	20-49%	20-49%	20-49%	20-49%
Bathroom Tissue	20-49%	20-49%	20-49%	Less than 20%	20-49%
Paper Towels	20-49%	Less than 20%	Less than 20%	20-49%	20-49%
<b>B2B</b>					
KCP* Washroom	20-49%	20-49%	Less than 20%	20-49%	20-49%
KCP Workplace	Less than 20%	Less than 20%	Less than 20%	20-49%	Less than 20%

\* Kimberly-Clark Professional

# Economic Performance

## *Models for Growth in Developing and Emerging Markets in Australia and South Korea*

Kimberly-Clark's businesses in South Korea and Australia continue to deliver impressive results. Over the past five years, sales growth in these countries has averaged nearly 10 percent annually and profits are up at a strong double-digit rate. Our Korean business holds No. 1 positions in all categories in which it competes, and Kimberly-Clark Australia has the No. 1 or No. 2 position in seven of the eight major consumer product categories in which it competes.

Both of these businesses began as joint ventures. In 2002, Kimberly-Clark Australia became a wholly owned subsidiary; and, in 1970, Kimberly-Clark became a 70-percent equity owner of Yuhan-Kimberly, Ltd. in Korea. Entering the market through a joint venture provided the local-market expertise, flexibility and lower entry costs to build leadership positions.

We attribute the success of our efforts in these two countries to strong local execution of global strategies, strong research into consumer needs and solutions that are customized to meet these needs. The business approach taken in these markets will be used as a model to drive growth in other Developing and Emerging markets.

## **Investor Communication**

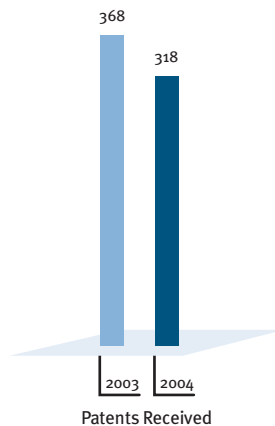
To build awareness and understanding about the company's top- and bottom-line growth opportunities, strategies and successes, and capability to deliver improved shareholder returns, Kimberly-Clark exercised a transparent outreach program to targeted investors in 2004. Throughout the year, senior executives from

Kimberly-Clark met with institutional investors to discuss the company's strategies. In 2004, the CEO and CFO participated in more than 100 of these meetings. Other activities included the continued publication of Investor Relations Quarterly, an online newsletter developed in 2003 to inform investors of Kimberly-Clark's progress against the Global Business Plan; and Kimberly-Clark's involvement at key consumer products investor conferences. Topping out the year was Kimberly-Clark's Investor Day held in New York City, New York, United States, in December. The event featured presentations from senior leaders, a question and answer session, and product displays.

## **Innovation Management, and Research and Development (R&D) Expenditures**

Innovation Management is Kimberly-Clark's disciplined approach to streamlining innovation by developing total solutions through customer, shopper and user insights. As part of Innovation Management, sustainability considerations are integrated throughout the product development process. In addition, we actively engage external resources, such as suppliers, research firms, universities and various companies to work together to develop new technologies and materials.

In 2004, our consolidated R&D expenses totaled \$279.7 million. These funds were directed toward new or improved personal care, tissue and health care products, and nonwoven materials. We were granted 318 U.S. patents; 10 were design patents, and 308 were utility patents, of which 13 were related to environmentally beneficial materials, including compostable, flushable and biodegradable products and technologies.



# Economic Performance

## *2004 Environmentally and Socially Beneficial Innovations*

In 2004, a number of new and improved products resulted from our focus on customer, shopper and user insights, including:

**Scottfold Towels** – Introduced by our Kimberly-Clark Professional business, Scottfold towels dispense one at a time and feature improved absorbency, enabling people to use fewer towels and generate less waste. This innovative new product contributed to Kimberly-Clark Professional's 6 percent volume gain in North America in 2004.

**Kleenex Brand Anti-Viral Tissue** – This tissue features a specially formulated middle layer that traps and kills 99.9 percent of five of the most common cold and flu viruses within 15 minutes of contact with the tissue. Research studies showed that 90 percent of consumers surveyed said they would be interested in buying this product, as well as recommending it to others. Just three months after the launch of Kleenex Anti-Viral tissue, the product captured 5 percentage points of market share in the United States.

**Kimberly-Clark Child's Face Mask** – This first-ever child's face mask was designed to provide a comfortable protective face mask for children three years and older, filling a previously unmet need. In the past, parents have had to protect children with ill-fitting adult-sized masks. The child's face mask has a variety of uses, including protecting hospitalized children with weakened immune systems, as well as those who may be living or traveling in areas subject to airborne viruses. Early success of the Kimberly-Clark child's face mask helped Kimberly-Clark's Health Care business grow sales volumes by 8 percent in 2004.

## **Customer Management and Consumer Services**

As a customer-driven business, customer satisfaction remains an important focus for our company. As part of this effort, we recently combined our customer development functions into a single North Atlantic organization. This newly unified team will help us identify and act more quickly on customer and shopper insights to drive sales and profitability for both our company and our retail customers in Europe and North America. To continuously improve the efficiency of our supply chain, Kimberly-Clark invests in leading-edge

technology. For example, we were among the first manufacturers to launch radio frequency identification technology (RFID) pilot projects with five large global retailers.

We continued to work closely with our customers to build coordinated business plans, develop customer-specific marketing programs and provide supply chain expertise. These efforts had positive results. Sales to our largest global customers in 2004 again outpaced our overall sales growth. Our efforts contributed to Kimberly-Clark's No. 2 retailer satisfaction ranking among 18 nonfood consumer packages goods companies in an Advantage Group North America survey. In a similar survey of the top 20 grocery suppliers in Europe, we held the No. 4 spot.

Our customer management performance garnered recognition from a number of organizations:

- For the fifth consecutive year, Greenhams Limited, Kimberly-Clark's largest industrial and safety distributor in the United Kingdom, presented our company with a Gold Award for excellence in customer satisfaction.
- Würth, a worldwide sales group of assembly materials, named Hakle-Kimberly of Germany a Preferred Supplier for customer satisfaction and reliability.
- U.S.-based Giant of Pennsylvania and Top's Markets, both retail companies of Ahold USA, recognized Kimberly-Clark's Consumer Tissue business as Vendor of the Year based on 2003 performance.
- Wal-Mart Canada recognized Kimberly-Clark's Personal Care business as Department 26 (Baby Care) Vendor of the Year.

Kimberly-Clark also greatly values our consumers and encourages interaction through our corporate and brand Web sites, and by providing a toll-free telephone number, Web site and mailing address on most product packaging. Our Consumer Services representatives are trained to respond knowledgeably to consumer inquiries, suggestions and complaints regarding our products and company. They also assist business segments in gauging consumer reactions to new products and whether we have effectively met a need. The organization documents this feedback in a standardized manner and shares it regularly with the appropriate areas within Kimberly-Clark. Our attention to

# Economic Performance

consumer insights enables us to quickly identify new issues, as well as emerging trends, allowing us to innovate or modify products and processes accordingly.

The Consumer Services organization, part of the newly integrated Environment, Energy, Safety, Quality and Consumer Services organization, serves a number of countries and regions, including Australia, Canada, Europe, Mexico, South Africa and the United States, and offers services in several languages. The European Consumer Services team currently covers Spain, France, the United Kingdom, Ireland, Portugal, Denmark, Norway, Belgium, Germany, Austria, the Czech Republic and the Netherlands. Other European countries are supported with country-specific Consumer Services teams.

## Social Investment

Kimberly-Clark is committed to making contributions to qualified charitable, educational and other similar organizations aligned with our focus on strengthening families. In 2004, we contributed more than \$24 million in corporate and employee donations to charitable organizations, and donated millions of dollars worth of product, primarily for disaster relief to tsunami victims in South Asia and hurricane victims in Florida and Alabama, United States.

Kimberly-Clark's U.S. Charitable Donations Policy was adopted in 1968. Historically, we have tracked only contributions from our U.S. operations. In 2004, as part of our global approach to business, we implemented a new accounting procedure to capture charitable contributions of both cash and product made by Kimberly-Clark operations outside of the United States.

## Partnerships Promoting Profitability and Social Benefit, United States and India

Kimberly-Clark's businesses seek out partnerships and sponsorship opportunities with various organizations that have missions reflective of our own. Through these partnerships, our company provides financial support, expertise and product samples. In turn, we have been able to reach consumers who can benefit from our products and help them make informed health and hygiene management decisions. In 2004, we cultivated mutually beneficial relationships with the Spirit of Women network and the organizers of International Infection Control Week in the United States, and pediatricians in India.

### *Partnering With the Spirit of Women Network to Help Women Manage Incontinence, United States*

The U.S.-based Spirit of Women Network is a nation-wide movement in women's wellness led by local hospitals and supported by corporate partners and national media. The organization's mission is to motivate women to make positive changes in their lives through balanced information and solutions. The compatibility of the Spirit of Women's mission and of our pursuit of health, hygiene and well-being for people every day, everywhere, made the organization an excellent marketing partner for Kimberly-Clark.

During the reporting period, Kimberly-Clark's Adult and Feminine Care marketing team joined with other members of the Spirit of Women network to help identify, communicate with and empower women who suffer from loss of bladder control. Through seminars and health-related educational events at local hospitals, the Spirit of Women Network provided participants with



# Economic Performance

information and sample products to enable them to take control of their condition. This partnership helped position Kimberly-Clark's Adult Care brands, Poise and Depend, as effective incontinence management solutions.

The Spirit of Women's cause-marketing approach has worked well for our Adult and Feminine Care business, enabling us to reach target audiences and achieve positive marketing results.

### *Sponsoring International Infection Control Week, United States*

To raise awareness of Kimberly-Clark brands' effectiveness for enhancing overall health and well-being, Kimberly-Clark's Health Care, Family Care and Professional businesses sponsored International Infection Control Week in October 2004. Every year, the Association of Professionals in Infection Control (APIC) manages this annual event, which educates health care workers, patients and the general public about the importance of infection prevention and control.

In 2004, the theme of International Infection Control Week was preventing hospital-acquired respiratory diseases using new respiratory etiquette recommendations from the U.S. Centers for Disease Control and Prevention (CDC). Among the recommendations, the CDC suggested that hospitals and other health care facilities establish respiratory etiquette stations in their waiting rooms, where patients can access all the supplies required to prevent the spread of respiratory disease, including instant hand sanitizers, face masks and facial tissues.

During the event, Kimberly-Clark's businesses combined efforts to raise awareness, which included promotional campaigns for our new Kleenex Anti-Viral tissue. In addition, hospitals across the country received posters, featuring a range of Kimberly-Clark products – KimCare hand sanitizers, Kleenex Anti-Viral facial tissue and Kimberly-Clark face masks for adults and children.

### *Educating Pediatricians About the Benefits of Disposable Diapers, India*

Kimberly-Clark Lever Limited in Pune, India, is a 50-50 joint venture formed a decade ago by Kimberly-Clark and Unilever, India, to manufacture and sell disposable diapers and feminine care products. Huggies diapers are manufactured at the Pune facility, which is approximately 100 miles east of Bombay. The company launched Huggies diapers in India soon after the joint venture was formed, and today Huggies reports a 70 percent share in the infant care category. The India infant care market, however, still remains an emerging category, characterized by low diaper penetration and usage.

In 2002, the Huggies marketing brand team embarked on a pilot Pediatrician Program to raise physician's awareness – and indirectly, parental awareness – about the benefits of disposable diapers in promoting healthy baby skin. Prior to the launch of this program, diapering as a topic in pediatric journals, panel discussions, seminars and conferences had been almost nonexistent.

Last year, the team continued to build on this program through the PEDACAD (Pediatrician Academics) and PEDIA (Parent Education and Information and Awareness) programs. PEDACAD is geared toward leveraging advertorials and articles placed in pediatric journals. Additionally, Huggies team leaders sponsor and participate in medical conferences and seminars using established hospital programs for continuing medical education.

The PEDIA program is a joint effort run by both the Huggies team and Fisher-Price®. The program is aimed at building positive and strong brand imagery for our products, and directs its awareness raising efforts at more than 350 pediatric clinics across India. Thus far, PEDIA has helped to promote disposable diapering discussions between pediatricians and parents through the construction of Huggies and Fisher-Price play areas in clinic waiting rooms, which also make available diapering information leaflets and baby care booklets.

# Economic Performance

## Supplier Diversity, United States

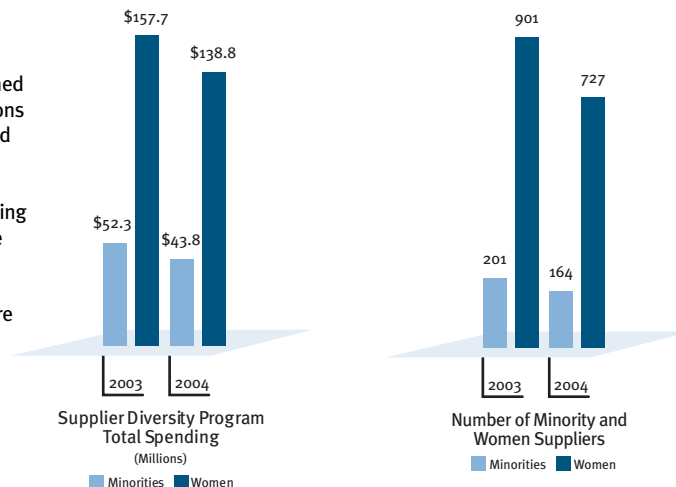
Building a diverse and qualified supplier base reflective of our consumers is a chief goal at Kimberly-Clark. In 2004, we directed 1.1 percent and 3.4 percent of our total U.S. goods and services spending to minority- and women-owned businesses, respectively, a slight decrease over 2003. (Please note: these categories overlap and the figures are not additive.) We attribute the decrease in spending to supplier consolidation, and the resource-intensive implementation of SAP enterprise software within our North American operations. The latter somewhat limited our ability to pursue our supplier diversity objectives of 5 percent of purchases to women-owned businesses and an additional 5 percent to minority-owned businesses.

Within the United States, the legal definition of a minority-owned business is a business owner who certifies she or he is a U.S. citizen and member of one of the following named groups: African American, Hispanic American, Native American, Asian Pacific American and Asian Indian American. A certifying minority business owner must own 51 percent of the business, and be active in the day-to-day operations of the business. The legal definition of a women-owned business is a

business, regardless of size that is located in the United States or its territories, which is owned, operated and controlled by women who are U.S. citizens. Ownership means the business is at least 51 percent owned by women, or in the case of a publicly owned business, at least 51 percent of the stock is owned by one or more women. Additionally, women or women owners must control the management and daily business operations.

Kimberly-Clark's formal Supplier Diversity program is designed to meet corporate goals for enhancing supplier diversity within our operations, as well as our obligation to report the company's diversity spending to the U.S. government. This program helps us focus our buying power to achieve the dual objective of furthering the success of our company and that of qualified small, minority- and women-owned businesses. We actively solicit these businesses and provide them with opportunities to furnish goods and services to our company. We work with the National Minority Supplier Development Council to locate qualified diverse suppliers. We have also challenged our buyers to look at current diverse suppliers and try to find ways to increase our business with them.

With regard to meeting our internal corporate certification goals, minority-owned businesses may be certified by organizations based on standards that are not recognized by the U.S. government as proof its certification requirements have been met. With regard to our U.S. government reporting obligations, however, we only report those minority suppliers that are certified to government standards. Our metrics below include minority-owned businesses that are certified at the level acceptable for governmental reporting, as well as those certified by other organizations.



# Economic Performance

## *Diversifying Kimberly-Clark's U.S. Pension Fund Managers*

In January 2000, our company established the Emerging Managers Program to research emerging women- or minority-owned financial and fund management companies. The program identified small firms with the potential to grow to meet our fund manager selection criteria, and we invested approximately 8 percent of our \$3 billion dollar pension fund for U.S. employees with these firms. By December 31, 2004, 13 percent or \$386 million of Kimberly-Clark's approximately \$3 billion pension fund for U.S. employees was managed by firms predominately owned by women and minorities.

## **Responsible Marketing**

In marketing some of the world's most trusted and recognized health and hygiene brands, Kimberly-Clark follows strict guidelines to promote a positive interaction between consumers and our products. More than ever, we are using customer, shopper and user insights to

develop innovative total solutions that meet the needs of our consumers. We highly value the insights we gather, and follow the U.S.-based Council for Marketing and Opinion Research's Respondent Bill of Rights to help ensure participants' privacy is respected and confidentiality maintained. In Europe, we comply with legislation adopted in European Union member states under the European Data Protection Directive. Before we ask consumers to test new products, we complete all safety testing of the product prototypes, and fully instruct the consumer tester on the product's use.

Our focus on insights is leading to improved product performance and helping us transform packaging and aesthetics as well. We design our packages to meet all legal requirements for conveying critical consumer information. And, when promoting our products, we pay close attention to delivering honest, value-based compelling reasons to purchase our brands. Our company also places advertising during programming consistent with our values.

# Environmental Stewardship and Safety Performance

**“2004 was a year in which we accelerated our efforts to put our sustainability framework into action, advancing sustainability considerations at the forefront of all decision-making and planning. From the environment to employee and consumer safety programs, we’ve identified a number of insights throughout our Innovation Management process, enabling us to implement a series of new requirements, processes and metrics. While this has challenged us to ask the hard questions, it also has brought us closer to finding the answers that will improve our performance.”**

– Kenneth A. Strassner, Vice President – Environment, Energy, Safety, Quality and Consumer Services



During the reporting period, we made significant progress in our pursuit to integrate sustainability at Kimberly-Clark by combining our Safety, Quality and Consumer Services functions with our Environment and Energy group. Already we have begun to see the advantages of this new organization and how it will help us achieve our sustainability goals in areas of the environment, employee and consumer safety, and in the overall quality and performance of our products and brands.

Kimberly-Clark’s environmental efforts are guided by company-wide Vision 2005 objectives for improving operational performance in the areas of environmental management systems, energy efficiency, water use, and packaging and waste reduction. This year, our company will begin the process of establishing the third phase of our global performance initiative, Vision 2010, which we will communicate in early 2006.

Our safety programs are designed to help Kimberly-Clark strive for an injury- and illness-free workplace, and continue delivering innovative health and hygiene solutions that improve the quality of our consumers’ lives.

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*Unless otherwise specified, all metrics for our environmental information include measures from our worldwide consolidated (wholly and majority-owned) operations, as well as from facilities associated with our equity companies for which we hold less than a majority-ownership stake. To enhance consistency, in some of our charts, we separate out our former pulp and paper facilities, as well as the equity company, Kimberly-Clark de Mexico\*. Metrics for both pulp and paper, and Kimberly-Clark de Mexico are, however, included in all aggregate totals.*

\* Kimberly-Clark de Mexico is a Kimberly-Clark equity company.

# Environmental Stewardship and Safety Performance

## Environmental Policy and Organization

In 1990, Kimberly-Clark established the overarching Fundamental Policy on Environmental Protection and Concern to instill a positive environmental ethic and structured approach to environmental compliance and performance management. This policy applies to all of our wholly owned operations and equity facilities, including joint ventures.

Kimberly-Clark's Corporate Environment and Energy group develops and oversees corporate environmental policy and programs for operations worldwide. Regional environmental staffs in Europe, Asia, Australia, South and Central America and Mexico coordinate our environmental efforts globally. Each of our facilities is equipped with an environmental coordinator who provides the facility team with environmental expertise.

On a technical level, Kimberly-Clark's Environmentally Sustainable Technologies group is charged with delivering environmental intelligence, and designing

biodegradable and sustainable products, technologies and materials. The team is the driving force behind many of the environmental patents we received in 2004, which included compostable, flushable and biodegradable products and technologies.

Kimberly-Clark has also assembled teams to continuously manage issues of key environmental importance, such as forestry and carbon emissions management. For example, our Environment Action Team, which consists of senior corporate and business leaders, continuously reviews and strengthens our sustainable forestry policies and practices. The European Union Emissions Trading Scheme (E.U. ETS) Management Committee follows developments in the E.U. ETS. The Committee helps ensure compliance by tracking facility carbon emissions, advising facilities on carbon emissions issues, compiling a European carbon balance, supporting future emissions trading, identifying other necessary actions and making recommendations to senior leaders.

# Environmental Stewardship and Safety Performance

## Compliance

Our Environmental Control Team oversees the Corporate Environmental Inspection (CEI) program. As part of this internal audit program, an annual or biannual onsite review is performed of applicable local environmental compliance requirements; the program also enables Kimberly-Clark to keep pace with generally accepted good environmental practices.

Since 1991, Kimberly-Clark has adhered to a formal Compliance Policy. This policy clearly establishes our goal to maintain environmental assessment measures and control procedures in product and process design, and in ongoing operations. All facilities must comply with all corporate environmental policies, as well as the laws, regulations and permit requirements for the countries in which they are located. In many countries, Kimberly-Clark's corporate environmental standards are more stringent than the applicable regulatory requirements.

Our company monitors compliance through periodic audits: Kimberly-Clark tissue facilities are inspected annually and our personal and health care products manufacturing facilities, biannually. In 2004, the Environmental Control Team conducted environmental inspections at 105 facilities in 38 countries. Similar to our performance in 2003, the majority of the facilities inspected in 2004 received the most favorable rating of "well controlled." In 2004, we implemented more stringent requirements for the attainment of "well controlled" status. Beyond compliance, the facilities had to meet their Vision 2005 targets, or have a detailed plan to meet these targets by the end of 2005.

## Compliance Performance

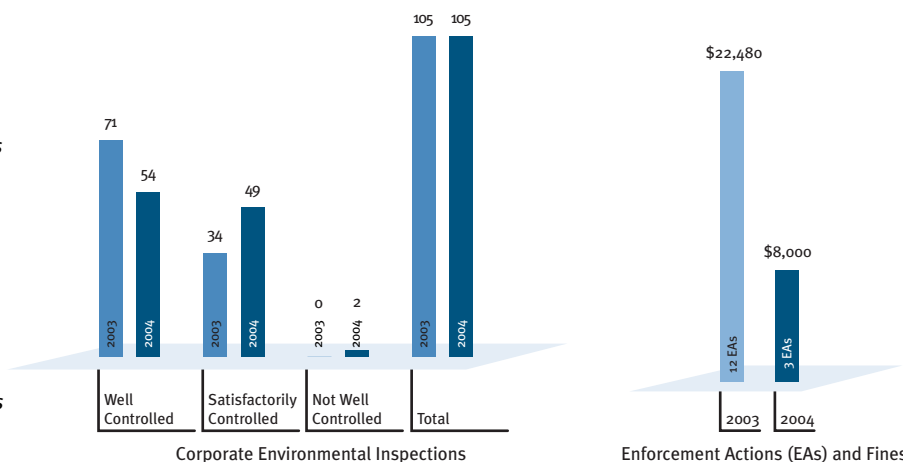
In 2004, Kimberly-Clark received a total of three enforcement actions (EAs) for three facilities located in two countries with fines totaling \$8,000. In each instance, measures were promptly taken to remedy the noncompliance. An enforcement action is a noncompliance incident for which a governmental agency issued a notice of noncompliance and, in some cases, a fine.

**2004 Global Environmental Enforcement Actions**  
Enforcement actions were recorded at the following sites. This list does not include all communications between governmental agencies and facilities during 2004.

**Northfleet Facility, Kent, United Kingdom:** In 2004, the United Kingdom's Environment Agency notified the Northfleet facility regarding fugitive dust emissions. The emissions were caused by paper dust, which had been emptied into a vacuum system designed to collect plastic packaging. To prevent recurrence, the facility adopted a new Standard Operating Procedure and the vacuum lines were clearly labeled. The EA issued a formal warning to the facility that recognized the facility had implemented remedial actions to prevent future occurrences.

**Chester Facility, Pennsylvania, United States:** In April 2004, the Chester facility received a Notice of Opportunity to Accept Settlement or Show Cause from the U.S. Environmental Protection Agency regarding the facility's 2000/2001 Toxics Release Inventory (TRI) submittals. Although the facility had submitted its TRI reports in a timely manner, the facility had not properly

*"Well Controlled" refers to facilities that were in compliance with all substantive legal requirements, Vision 2005 objectives and all corporate standards, and had no other outstanding issues from previous inspections. "Satisfactorily Controlled" refers to facilities that generally follow sound environmental practices and have plans in place to meet all Vision 2005 requirements. Facilities rated "Not Well Controlled" are those that were, in some manner, not in compliance with all applicable legal or corporate requirements and have not developed a plan to achieve compliance.*



# Environmental Stewardship and Safety Performance

estimated total emissions of two reportable trace chemicals contained in its #2 fuel oil. The facility made a \$5,000 settlement payment.

**Loudon Facility, Tennessee, United States:** In December 2004, the Loudon facility received a Notice of Violation from the Tennessee Department of Environment and Conservation (TDEC) for excess volatile organic compound (VOC) emissions from its wastewater treatment plant in July 2004. While the facility was well within its overall site-wide VOC limits, a calculated limit for VOC from the wastewater treatment plan was exceeded. In June 2005, TDEC issued a Proposed Order and Assessment of Civil Penalty in the amount of \$3,000, which Kimberly-Clark expects to pay.

## Vision 2005 Objectives for Environmental Performance Improvement

Vision 2005 establishes operational performance targets for year-end 2005, with a baseline measurement goal from the year 2000.

- Implement an Environmental Management System (EMS) consistent with ISO 14001 at each manufacturing facility.
- Energy-Efficiency Objective: Achieve world-class process energy-efficiency benchmarks for each manufacturing process.
- Fresh Water-Use Reduction Objective: Reduce the amount of process water we use in our tissue operations to levels of 30 cubic meters per metric ton of product produced.
- Packaging and Waste Reduction Objective: Achieve a 10 percent reduction in total transport and final product packaging for each business while working toward recycling 100 percent of Kimberly-Clark's nonhazardous solid waste from manufacturing operations.

### Performance Management Tool:

#### *The Fuel and Energy Cost and Consumption Report*

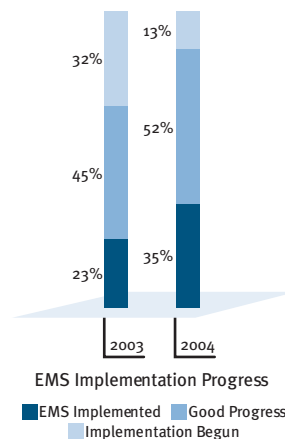
Our corporate organization collects and analyzes data for worldwide performance using the Fuel and Energy Cost and Consumption Report (FECCR). In 2004, we made this form Web-based, which streamlined and

simplified the data-collection process, saving time and costs, and enhancing accuracy. All Kimberly-Clark facilities use this Web-based form to report on the consumption and cost of energy and water, solid waste management, and the amount of manufacturing and converting production. We also developed a system for tracking facility carbon dioxide emissions, which has been incorporated into the FECCR.

## Implementing Kimberly-Clark's Environmental Management System (EMS)

By year-end 2005, our company is committed to implementing an EMS consistent with the internationally recognized ISO 14001 EMS standard at all facilities worldwide. By the end of 2004, 35 percent of Kimberly-Clark's facilities had implemented the EMS and were ready for auditing while 52 percent had made good progress. The remaining 13 percent had begun the implementation process. While we do not require our facilities to become formally ISO 14001 certified, as of the end of 2004, 19 of our facilities in the following countries were certified: Afula, Hadera and Nahariya, Israel; Beijing, Guangzhou, Nanjing and Shanghai, China; Anyang, Kimcheon, and Taejon, Korea; Chungli, Hsin Ying and Tayuan, Taiwan; Albury, Australia; Duffel, Belgium; Klucze, Poland; and Balsthal, Niederbipp and Reichenburg, Switzerland.

In July 2004, we performed our first internal EMS audit at the Ramos Arizpe facility in the State of Coahuila, Mexico. We completed the first full audit cycle in the first quarter of 2005.



# Environmental Stewardship and Safety Performance

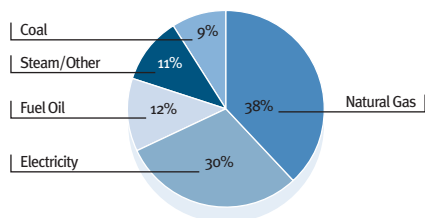
## Energy Efficiency

In 2004, climate change and rising fuel costs remained key issues for business and the global community. Kimberly-Clark's energy strategies are designed to significantly contribute to our company's environmental performance-improvement and cost-reduction efforts. Established in 1991, Kimberly-Clark's Energy Policy continues to guide these proactive efforts. In 2004, our energy spending totaled approximately \$738 million, compared with \$662 million in 2003. (This amount equated to approximately 6 to 7 percent of our manufacturing costs in 2004.)

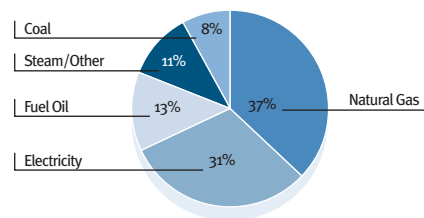
## Energy Use Reduction Strategies and Partnerships

Increasingly, Kimberly-Clark has focused on energy conservation projects to manage and reduce costs. A number of facilities within certain regions have conducted an Energy Gap Analysis, a process for prioritizing the most cost-effective projects for achieving energy efficiency. Developing and Emerging markets, Kimberly-Clark de Mexico\* and the North American Consumer Tissue businesses are seeing the greatest benefit from this process.

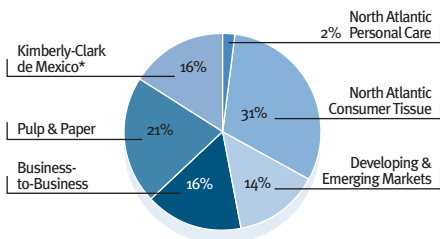
### Energy Sources for Kimberly-Clark Worldwide and Global Energy Use (Includes purchased and self-generated energy)



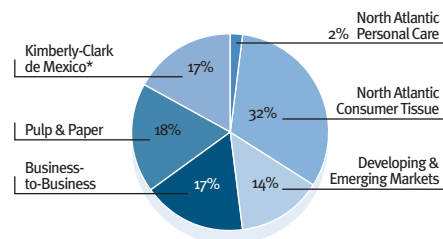
2003 Purchased Energy Use by Fuel  
(Total 91,701,463 Million British Thermal Units)



2004 Purchased Energy Use by Fuel  
(Total 90,918,341 Million British Thermal Units)



2003 Global Energy Use by Management Group  
(Total 117,405,198 Million British Thermal Units)



2004 Global Energy Use by Management Group  
(Total 113,710,081 Million British Thermal Units)

\* Kimberly-Clark de Mexico is a Kimberly-Clark equity company.



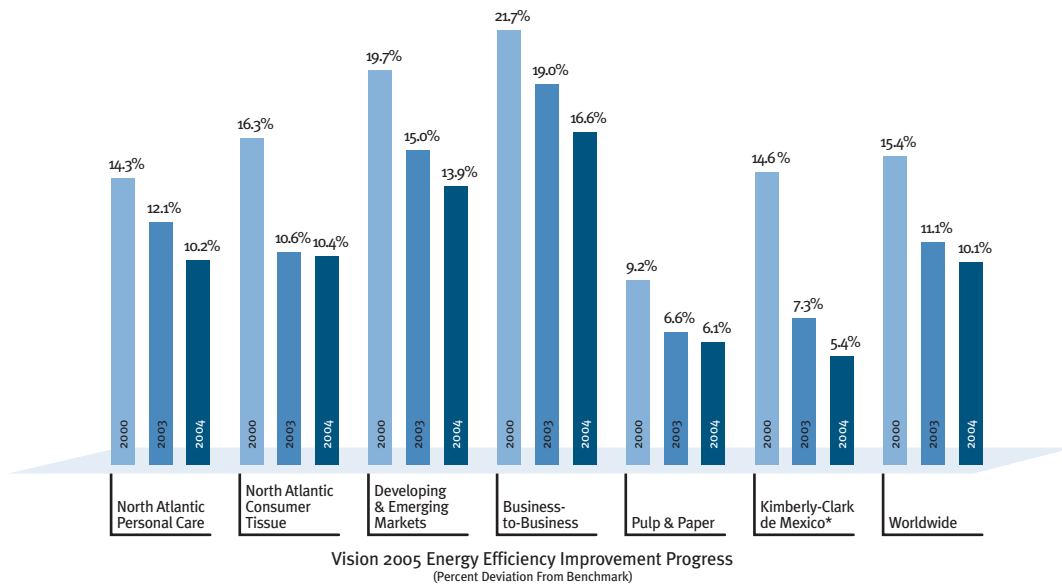
# Environmental Stewardship and Safety Performance

For the second year, Kimberly-Clark also continued partnering with the Alliance to Save Energy, a U.S.-based nonprofit coalition of business, government, environmental and consumer leaders dedicated to promoting energy efficiency worldwide to achieve a healthier economy, cleaner environment and improved energy security. Among its activities, the Alliance to Save Energy builds public-private partnerships in the United States and other countries.

Visit [www.ase.org/section/topic/industry/corporate/pathfinding](http://www.ase.org/section/topic/industry/corporate/pathfinding) to view the Alliance's case study of our corporate energy management practices.

## Progress Against Energy Targets

Kimberly-Clark's energy-efficiency objective aims to achieve world-class energy-efficiency benchmarks for each manufacturing process. Through 2004, 27 percent of Kimberly-Clark facilities had achieved their 2005 energy targets. Overall, Kimberly-Clark's energy performance improved 1.3 percent globally over the reporting period. Since 1990, we have reduced our carbon emissions per \$1 of sales by approximately 30 percent.



We measure progress against our energy-efficiency targets by how much a facility's energy use per ton of production deviated from its target energy use for a given time period. Since base-year 2000, Kimberly-Clark's deviation from energy targets has improved approximately 5 percentage points globally from 15.4 percent in 2000, to 10.1 percent at the end of 2004. Overall, 27 percent of our facilities have achieved their energy targets and 19 percent reduced their deviation by at least 50 percent, meeting the minimum requirements of this standard. All sectors demonstrated progress, with Kimberly-Clark de Mexico\* realizing the greatest efficiency improvement overall.

\* Kimberly-Clark de Mexico is a Kimberly-Clark equity company.

# Environmental Stewardship and Safety Performance

## Water Use

Kimberly-Clark's tissue manufacturing operations require water for a multitude of critical applications, including fiber preparation and consistency control, cleaning and conditioning of equipment, and cooling and lubrication of wear surfaces. These applications are essential for extending process equipment life, and assuring product quality. The increasing scarcity of fresh water resources has made highly efficient water use within our operations a critical sustainability priority.

Our Vision 2005 objective aims to reduce the amount of water used in our tissue operations to 30 cubic meters per metric ton of product produced. Although water-use reduction has presented technical challenges, our efforts have provided the additional benefits of reducing energy, wastewater discharge amounts and treatment costs, and allowing for more effective use of Kimberly-Clark's wastewater treatment assets. In 2004, Kimberly-Clark pulp, paper and tissue facilities worldwide used approximately 240 million cubic meters of fresh water, a reduction of 16 million cubic meters versus 2003. Since baseline year 2000, Kimberly-Clark's global water use has declined by approximately 51 million cubic meters.

For our pulp, paper and tissue facilities, Kimberly-Clark measures water use against facility water-use targets. We track the percent deviation away from the target; each facility's goal is to be at zero or below. Overall, approximately 50 percent of all Kimberly-Clark pulp, paper and tissue facilities achieved their Vision 2005 water-use targets by year-end 2004. Globally,

Kimberly-Clark has improved a total of 13 percentage points since the 2000 base year.

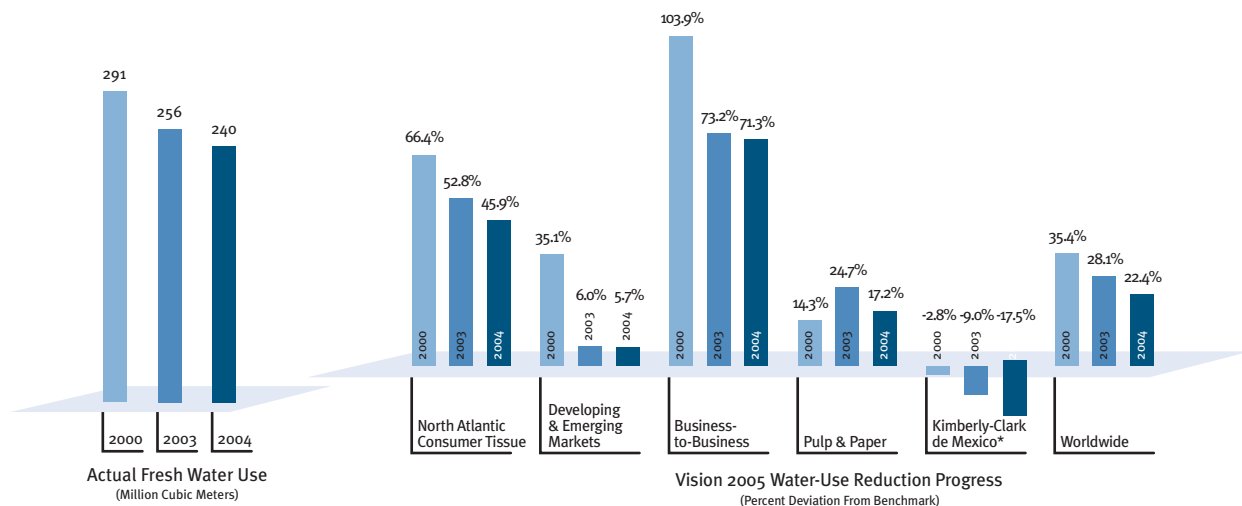
Kimberly-Clark facilities in Developing and Emerging markets, as well as those in our Business-to-Business segment, have made the most progress in reducing fresh water use to benchmark levels. In addition, facilities in North Asia, the Middle East and Mexico have achieved their 2005 target water-use levels.

### Wastewater Treatment and Reuse at the Romagnano, Italy, Tissue Facility

Kimberly-Clark's tissue facility in Romagnano, Italy, upgraded its state-of-the-art wastewater treatment plant to enable further improvements in wastewater quality. These upgrades included enhancements to the secondary, activated sludge process and the addition of tertiary, ozone treatment.

The use of ozone injection improves the facility's effluent quality by further oxidizing any organic material remaining following secondary treatment. This additional treatment not only ensures that the facility is able to comply with strict Italian discharge standards for surfactants, but also allows the recycling and reuse of much of the wastewater back into the tissue manufacturing process. Since the upgrades, the facility operates below Kimberly-Clark's water-use benchmarks.

To enhance process and operational effectiveness and efficiency, any ozone off-gas from the tertiary treatment process is captured, treated using thermal oxidation, and reinjected as oxygen gas into the facility's activated sludge process. The oxygen improves the effectiveness of the secondary treatment aeration system.



\* Kimberly-Clark de Mexico is a Kimberly-Clark equity company.

The data apply to Kimberly-Clark's pulp, paper and tissue mills.

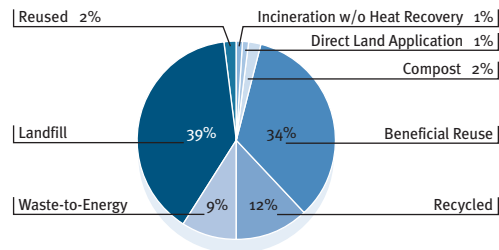
# Environmental Stewardship and Safety Performance

## Packaging and Waste Reduction

As one of the world's leading consumer products companies, we aim to reduce total product packaging by 10 percent, while continuing to work toward recycling 100 percent of nonhazardous solid waste from our operations. Given the nature of some of our manufacturing waste, waste management represents a major cost and opportunity for Kimberly-Clark. In 2004, we generated 2.2 million metric tons of nonhazardous solid waste and landfilled 871,000 metric tons. Our company spent approximately \$21 million on nonhazardous waste disposal globally and an additional \$11 million on associated transportation costs. We also successfully recycled or converted to energy approximately 61 percent of our worldwide manufacturing waste, and, in turn, generated approximately \$42 million from our recycling activities. Our total net disposal cost for waste was actually a cost savings of more than \$10 million through recycling and avoided landfilling.

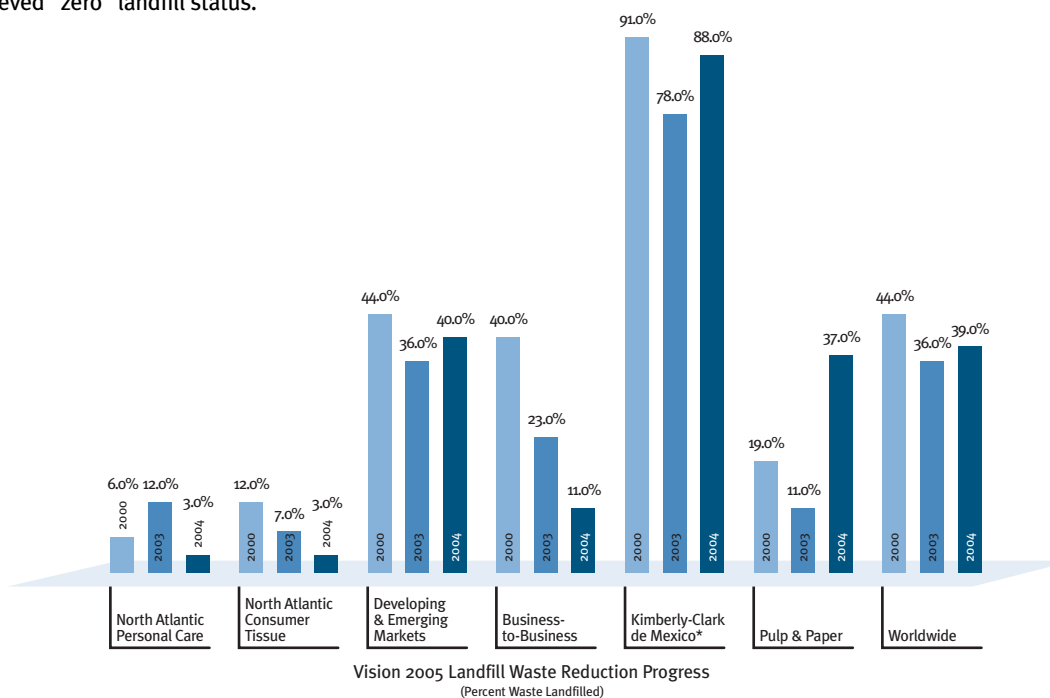
Since base-year 2000, factoring in growth over a four-year period, we have achieved a 5 percentage-point improvement globally on our goal to divert waste from landfills. Roughly 69 percent of our worldwide manufacturing facilities have met or exceeded a 75 percent landfill diversion rate, and 46 percent have achieved "zero" landfill status.

Our waste performance in 2004 reflects the continued adherence to our progressive Reduction and Disposal of Waste Policy established in 1991, which commits us to finding beneficial reuse options for nonhazardous manufacturing waste. It also reflects our focus on achieving our Vision 2005 waste reduction goals, as well as compliance with laws in countries mandating increased waste recycling.



Solid Waste Management Worldwide 2004

*Reuse means that the waste was reusable as is; beneficial reuse represents the percentage of waste that was able to be recycled to meet the requirements of other processes or products.*



\* Kimberly-Clark de Mexico is a Kimberly-Clark equity company.

# Environmental Stewardship and Safety Performance

## *Partnering With Fox Valley Materials Management, Fox Valley, Wisconsin, United States*

Prior to 2004, Kimberly-Clark facilities in Wisconsin's Fox Valley area participated in a loosely formed waste-to-energy cooperative. This partnership, which included all of our Wisconsin facilities and a facility in Michigan, aimed to identify more satisfactory alternatives for waste disposal and landfill avoidance.

In February 2003, we entered into a long-term contract with Madison General Fuels (MGF) and its waste-management division, Fox Valley Materials Management (FVMM), a world-class alternative fuel production facility in the Fox Valley area. MGF has been in the waste-to-fuels business for nearly 20 years. The company's technical expertise is widely considered leading-edge in the engineered fuels industry.

Under the contract, Kimberly-Clark provides a steady supply of feedstock. FVMM converts the mixed nonhalogenated polymers and cellulose waste materials into solid fuels. MGF then sells the engineered solid fuel to Madison Gas and Electric, a power utility company serving the Wisconsin state capitol.

Kimberly-Clark benefits significantly from the ability to divert waste from local landfills at no additional cost. Since the project achieved full-scale operation in 2004, our facilities have achieved a 50 percent improvement in landfill avoidance. This project also created six local jobs, and the general environmental benefit of enabling a local utility company to utilize a clean-burning, cost-effective fuel source.

## *Packaging Reduction Strategies*

Our Vision 2005 Packaging Objective requires that, by year-end 2005, each of our businesses reduce the use of transportation and final product packaging, measured by weight, by 10 percent. We anticipate that achieving this goal will reduce total packaging costs by at least \$67 million per year as measured against our 2000 base-year packaging costs. Our company does not manufacture packaging materials; however we do explore packaging reduction and alternative possibilities at the front-end of packaging design or redesign. The environmental benefits of these reductions include less resource use, less consumer waste generation and reduced transportation emissions.

Many of Kimberly-Clark's businesses around the world (Kimberly-Clark Professional Europe, Kimberly-Clark Professional North America (NA), Middle East and Africa, South Asia Consumer Tissue and NA Adult Care and Feminine Care, NA Infant Care and Child Care and NA Family Care) have already achieved a 10 percent or greater packaging reduction. For example, since 2000, NA Infant Care has reduced its total packaging weight per standard unit of production by 20.7 percent. In 2004, these reductions combined saved over \$37 million annually in packaging material and distribution costs.

Kimberly-Clark's remaining businesses have developed packaging reduction plans or, at a minimum, have identified specific packaging reduction opportunities.

Throughout our worldwide operations, many individual facilities had packaging reduction success stories to

# Environmental Stewardship and Safety Performance

share. Our diaper business in North America, for example, rolled out the diaper compression project, significantly reducing film and corrugate packaging, as well as product distribution costs. In 2004, this project realized a savings of \$3.1 and \$1.7 million in distribution and packaging materials costs, respectively.

### *Kimberly-Clark Professional Europe Aligning Efforts with European Packaging Waste Legislation*

Kimberly-Clark's European Professional business aligned its Vision 2005 goals to support compliance with European Packaging Waste Legislation. In 2004, this business reduced packaging weight per global sales unit by 80 percent for its hard-rolled products, such as compressed hand towel rolls, Jumbo Toilet rolls and Centrefeed wipers. To achieve this significant reduction, the business replaced corrugated cases with clear poly wrapping to package its hard-rolled products. In addition to reducing the amount of packaging materials required, the poly wrapping helped enhance marketing efforts in terms of product visibility for existing and new product channels.

### **Diaper Sustainability Review, United Kingdom and Europe**

Looking to improve brand performance, Kimberly-Clark continued to support life-cycle assessment (LCA) research in the United Kingdom (U.K.) and Europe related to disposable products, such as diapers and incontinence management products.

In 2001, the U.K. Environment Agency commissioned an LCA for diapers to determine the relative environmental impacts of cloth versus disposable diapers. The LCA was

conducted by an independent environmental consultancy in accordance with the International Organization for Standardization (ISO) standards for LCA (ISO 14040 through ISO 14043). The project board representatives were from the U.K. Environment Agency, Department for Environment, Food and Rural Affairs (DEFRA), Women's Environmental Network, Real Nappy Association, Swindon Unitary Authority and both the disposable diaper and cloth diaper industries. In all, this in-depth scientific report took four years to complete and reached completion in May 2005. Kimberly-Clark provided data for and comments on the LCA as part of a collaborative effort with the U.K. diaper industry. An external expert appointed by the Environment Agency critically reviewed the LCA findings.

The study found that disposable diapers have no greater impact on the environment than cloth diapers and that neither diaper system could claim overall environmental superiority. The study also found that the differences in the impacts between the two diapering methods were not significant enough to voice support for one over the other on the basis of environmental factors alone.

Kimberly-Clark actively supports LCA initiatives. We are a member of the Absorbent Hygiene Products Manufacturers Association (AHPMA), which represents the interests of U.K. manufacturers of disposable diapers, and feminine and adult care products. Our company also sponsors the Association for the Sustainable Use and Recovery of Resources in Europe (ASSURE) project through membership in the European Disposables and Nonwovens Association (EDANA), and contributes funding to these efforts.

# Environmental Stewardship and Safety Performance

## Polymers and Pulp: The Primary Materials Used in Our Products

### Overview

Most Kimberly-Clark products are manufactured from natural or synthetic fibers using advanced technologies in fibers, nonwovens and absorbency.

Super-absorbent materials are important components in disposable diapers, training and youth pants, and incontinence care products. Polymers, like polypropylene, and other synthetic materials are the primary components for manufacturing nonwoven fabrics. These polymers are principally derived from petroleum, and most are purchased from third-party suppliers.

Cellulose fiber, in the form of virgin pulp, or recycled fiber from recovered pulp, is the primary raw material for our tissue products, and is also an important component in disposable diapers, training pants, feminine pads and incontinence care products. Any cellulose fiber contained in our consumer products is either harvested from sustainably managed forestlands or derived from pre- and post-consumer wastepaper.

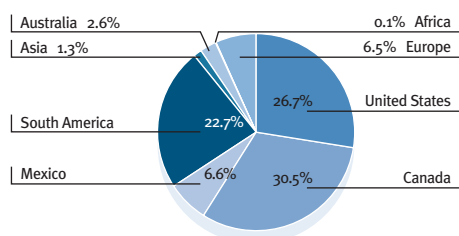
### Global Polymer Volumes Sourced by Region (Million Lbs)

#### 2003

United States	550
Mexico	44
Korea	38
Australia	27
United Kingdom	1.5

#### 2004

United States	580
Mexico	69
Korea	38
Australia	28
United Kingdom	8



2003 Total 3,223,600 Metric Tons

### Polymer Purchasing and Reclamation Strategy

Kimberly-Clark sources polymers from suppliers based on pricing, technology, customer service and vendor environmental performance. To reduce the amount of polymers we purchase, our company embarked on a strategy to convert much of our nonwovens waste into polymer pellets for reuse in the manufacture of our products. As of 2004, we were converting 50 percent of our nonwovens waste for this purpose; the waste that was not reused continues to be sold to other external customers for use in product manufacture. This strategy has proven beneficial from both an environmental and economic perspective, given the rising costs of petroleum-based materials.

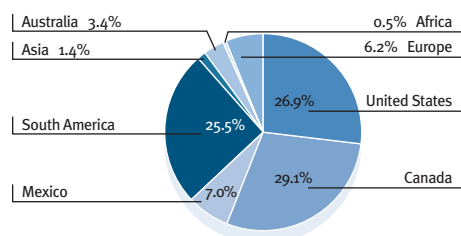
Our goal is to continue to increase the amount of reclaimed material in our products and use the reclaimed polymers to their highest and best use. Currently, the limitations for using more reclaimed polymers in our products include technical capability and limited reclaim assets. Additionally, the Environmentally Sustainable Technologies group is collaborating with our global Nonwovens business to research the viability of using biodegradable, natural and recycled polymers in our products.

### Global Fiber Purchased, Policies and Programs

With the spin-off of our North American paper and Canadian pulp operations in the fourth quarter 2004, Kimberly-Clark no longer owns or manages forestlands

### 2004 Global Fiber Totals (Metric Tons)

Fiber Source	Metric Tons
Total Virgin Wood Pulp Used	3,067,306
Total Nonwood (waste sugarcane bagasse)	
Virgin Pulp Used	118,506
Total Recycled Fiber Used	1,291,618
<b>Total</b>	<b>4,477,430</b>



2004 Total 3,249,257 Metric Tons

Geographic Breakdown of Global Fiber Purchases

# Environmental Stewardship and Safety Performance

anywhere in the world, and approximately 90 percent of our pulp is sourced from third-party suppliers. We produce the remainder internally. Recycled fiber accounts for 29 percent of our overall fiber purchases.

## Pulp Bleaching Practices

Based on consumer preferences, all of Kimberly-Clark's white tissue products are bleached to add whiteness, softness and strength. The wood pulp used in manufacturing our products is bleached and purified using a number of different chemicals. Kimberly-Clark wholly owns two pulp facilities in Tantanoola, Australia, and Everett, Washington, United States. The Australian facility uses totally chlorine free (TCF) bleaching technology, and the U.S. facility uses elemental chlorine free (ECF) bleaching technology.

## A Proven Commitment to Sustainable Forestry Practices

Kimberly-Clark has a proud history of sustainable forestry practices and adheres to one of the most progressive forestry policies in the tissue industry. In 1991, we established our Corporate Policy on Sustainable Use of Natural Resources. Since that time, we have been continuously improving our efforts to influence the practice of sustainable forestry on a global level through our suppliers.

Our corporate policy prohibits the use of wood fiber from virgin rainforests or from designated ecologically significant old growth areas, including mixed hardwood forestlands in Indonesia; temperate rainforests in coastal British Columbia, Canada; and designated areas in Canada's Boreal Forest.

As part of this commitment, Kimberly-Clark has been actively involved in the Ontario Living Legacy Land Use Strategy since 1999. This program's intent is to establish 378 new protected areas in the Canadian province.

Less than 15 percent of the fiber we use globally is sourced from the Canadian Boreal Forest. This small percentage of Boreal fiber is harvested responsibly and

promptly reforested, and is not sourced from old growth areas within the forest designated as "ecologically significant." Based on Canadian Forest Service data and the Canadian Boreal Initiative estimates, our global use of Boreal fiber represented only 3.5 percent of the pulp and 1.3 percent of all forest products (lumber, pulp and newsprint) produced from the Boreal region. The vast majority of the fiber we purchase from the Canadian Boreal Forest (a total of 541,000 metric tons) comes from residual waste, sawdust and chips from the lumber-production process.

To continuously review and strengthen our sustainable forestry policies and practices, Kimberly-Clark established the Environment Action Team, a team that consists of senior corporate and business group members.

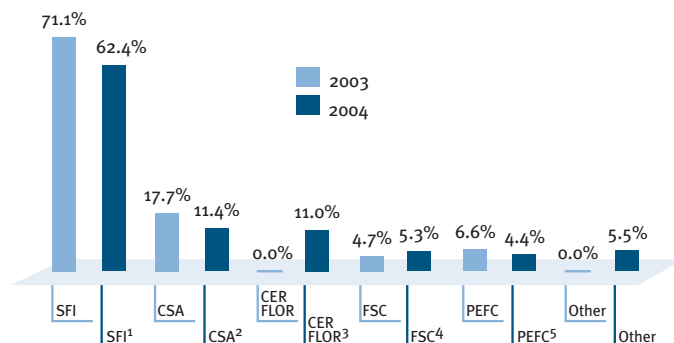
## A Condition for Doing Business: Forest Certification Systems for Our Suppliers

With approximately 90 percent of our pulp now sourced through third-party suppliers, influencing their behavior through Kimberly-Clark's purchasing policies and decisions is an important way that we promote sustainable forestry worldwide.

By the end of 2005, all of our suppliers of round wood, woodchips and other forms of fiber, as well as all virgin pulp are required to be certified to one of the following internationally recognized forest certification systems: American Forest & Paper Association's Sustainable Forest Initiative (SFI); Canadian Standards Association's (CSA) National Sustainable Forest Management Standards (NSFMS); Sistema Brasileiro de Certificacao Florestal (CERFLOR) in Brazil; the Forest Stewardship Council Standards (FSC); and the Program for the Endorsement of Forest Certification Schemes (PEFC) in Europe. (This includes the certification of the operations of their industrial fiber suppliers.) In 2004, 69 percent of our virgin pulp suppliers had achieved certification of their own forestlands.

## Percentage of Certified Fiber Purchased

- American Forest & Paper Association's Sustainable Forest Initiative (SFI)
- Canadian Standards Association's National Sustainable Forest Management Standards (CSA)
- Sistema Brasileiro de Certificacao Florestal (CERFLOR) in Brazil
- Forest Stewardship Council Standards (FSC)
- Program for the Endorsement of Forest Certification Schemes (PEFC) in Europe
- "Other" certification schemes include the Australian Forestry Scheme and the CertforChile Forest Certification Scheme



# Environmental Stewardship and Safety Performance

Each of these management systems upholds the following generally accepted criteria for sustainable forestry management:

- A 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.
- Stakeholder consultation and public reporting.
- Continuous improvement in forestry practices.

To implement and monitor our policy, Kimberly-Clark manages a global inventory of third-party fiber suppliers, and collects fiber-specific information regarding countries of origin and wood type, as well as information regarding the performance-based forest certification standards that our suppliers have or are in the process of implementing. We also began auditing our fiber suppliers in 1996. Our goal is to have all of our top suppliers, those who account for 90 percent of our global fiber purchases, audited by year-end 2005. We plan to conduct these audits on a continuing basis.

#### *Certified Fiber Purchased by Kimberly-Clark*

Kimberly-Clark and our equity companies used 3.1 million metric tons of virgin wood pulp in 2004, of which approximately 72 percent was from certified forestlands.

#### *Funds for Forestry Research*

In 2004, Kimberly-Clark donated \$10,000 to NatureServe, a nonprofit organization that develops computer models for mapping high conservation value forest areas.

#### *Keeping Korea Green, One Tree at a Time*

In 1984, Yuhan-Kimberly (Y-K) pioneered an innovative forest cultivation campaign called Keep Korea Green. It was the first corporate environmental program in Korea. Since then, Y-K has continued to fund and administer this broad-based effort to replenish forestlands throughout the country through partnerships with consumers, environmental experts, academics, students, teachers, nongovernmental organizations and government agencies. Y-K also ranks among the Korean companies with excellent environmental and socially responsible corporate reputations.

In 2004, Y-K continued administering a number of Keep Korea Green initiatives:

- Through Keep Korea Green's Making Forests in Schoolyards program, students from nearly 1,200 schools planted trees in their schoolyards and received environmental education, compared with 301 in 2003.
- Through the Newlyweds Tree Planting program, 605 newlywed participants planted 3,000 trees on public lands, up from 585 newlyweds in 2003. Since 1985, 13,605 newlyweds have planted 112,100 trees.
- The Environmental Field Studies for Youth program provided 155 schoolgirls from around the country with four days of environmental field studies training in a national park. Since 1988, 2,479 students have completed the program.

During the reporting period, the campaign also continued to fund a number of environmental projects and publications.

### Recycled Wood Fiber and Nonwood Alternatives Used in Kimberly-Clark Products

Identifying ways to reduce our company's need for virgin fiber remains an important business goal. In 2004, recycled content used overall in Kimberly-Clark products averaged 29 percent, which was roughly the same amount as was used in 2003. (The actual average recycled content for our various business lines is provided below.) We purchased nearly 2 million metric tons of wastepaper, and used approximately 1.3 million metric tons of recycled fiber in our products. (The disparity in the amount of wastepaper purchased and the amount used in our products is due to the estimated 35 percent loss rate, which occurs in the process of converting recovered wastepaper fiber into useable fiber.) Worldwide, our tissue products averaged 35 percent recycled wastepaper fiber content.

#### Average Recycled Fiber Content in Kimberly-Clark Tissue Products\* 2004

North America Tissue	19%
Europe Tissue	38%
Kimberly-Clark Professional North America	55%
Overall Kimberly-Clark Products	29%

\* This percentage reflects the amount of recycled content, pre- and post-consumer waste, averaged over all of our pulp-containing products in the categories listed.



# Environmental Stewardship and Safety Performance

We used a total of 118,506 metric tons of nonwood sources of fiber in the form of waste sugarcane bagasse, bringing the total nonwood pulp used for all Kimberly-Clark products to 2.7 percent. Sugarcane bagasse is an agricultural waste product and is productively reused in the making of paper products.

The amount of recycled fiber in a Kimberly-Clark product depends on the product's format and performance requirements. Our commitment to reducing our company's need for virgin fiber is reflected in the production of recycled-content products. Some Kimberly-Clark tissue products, such as Scott Coreless bath tissue, are made from 45 percent post-consumer recycled fiber, and some paper towel brands, such as Scott Tradition brown towels, contain a minimum 60 percent post-consumer recycled fiber. In North America, Kimberly-Clark manufactures a full line of tissue products that meet the post-consumer waste and total recovered fiber content requirements of the U.S. Environmental Protection Agency's Paper Products Recovered Materials Advisory Notice and Canada's Environmental Choice Program.

Our commitment is also reflected in our proprietary manufacturing technologies. Our proprietary uncreped through-air dried (UCTAD) tissue-making technology, for example, reduces the amount of fiber in our products by up to 15 percent, while improving overall strength, softness and absorbency.

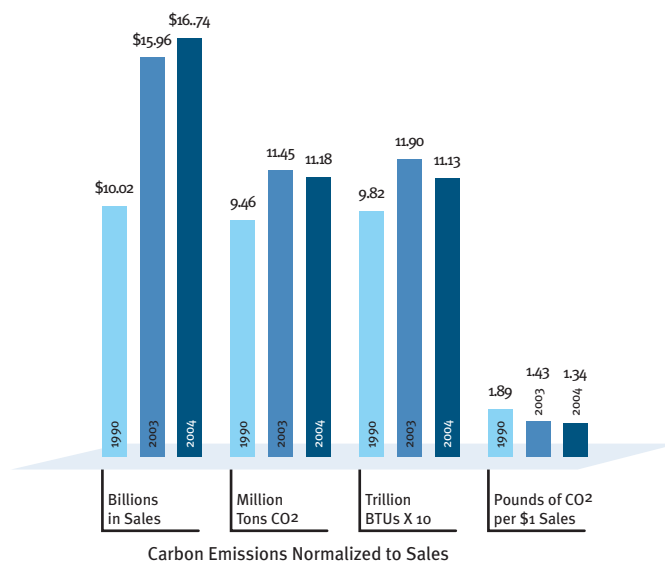
## Reducing Carbon Dioxide Emissions: Carbon Reduction Strategy and Goals

Kimberly-Clark is committed to taking action to reduce carbon dioxide (CO<sub>2</sub>) emissions by improving energy-efficiency in the manufacture and distribution of our products. In consideration of the Kyoto Protocol goals, we have established our own corporate Vision 2005 Energy-Efficiency Objective. Although we currently have no specific CO<sub>2</sub> goals, some form of a carbon emission reduction is planned for our Vision 2010 program, which will be released in early 2006.

Since 1990, we have reduced our company's worldwide carbon emissions per \$1 sales by approximately 30 percent, from 1.89 pounds per \$1 sales in 1990, to 1.34 pounds per \$1 sales in 2004.

We have developed a system for tracking facility CO<sub>2</sub> emissions, which has been incorporated into Kimberly-Clark's Fuel and Energy Cost and Consumption Report. The Environment and Energy group manages the system.

Kimberly-Clark's U.K. facilities will continue participating in the United Kingdom's Climate Change Agreement and work toward achieving the carbon emission reduction goals for the paper-manufacturing sector. Kimberly-Clark is also positioned for compliance with the European Union Emission Trading Scheme and continues to work cooperatively with E.U. countries in setting allocations and emissions reduction objectives.



# Environmental Stewardship and Safety Performance

## Compliance With the European Union Emissions Trading Scheme

The goal of the European Union's mandatory Emissions Trading Scheme (E.U. ETS) is to obtain carbon dioxide (CO<sub>2</sub>) and other greenhouse gas (GHG) reductions pursuant to the European Union's obligations under the Kyoto Protocol. The E.U. ETS targets GHG reductions from nine industry sectors, including the pulp and paper industry. Our tissue manufacturing facilities in E.U. member states must comply with the E.U. ETS.

The E.U. ETS is divided into two phases. The first phase runs from 2005 to 2007, and will address CO<sub>2</sub> reductions only. The second phase will run from 2008 to 2012 to coincide with the Kyoto Protocol's initial Commitment Period and may include additional GHGs. The scheme will work on an emissions cap-and-trade basis for which facilities are given an emissions allocation (cap) and if they emit more than their cap they must purchase allocations from other facilities who are under their cap (trade). E.U. member states have, or will set, CO<sub>2</sub> emissions caps for the first phase for all installations covered by the scheme, which is designed to promote country-level GHG reductions. Operators will have the flexibility to choose whether to make emissions reductions or to purchase surplus allowances from others.

Because they are currently participating in the ongoing U.K. emissions reduction program, known as the Climate Change Agreement, our facilities in the United Kingdom have chosen to opt-out from participating in Phase 1 of the E.U. ETS. Beginning in 2008, the U.K. facilities will participate in the second phase.

To help ensure compliance with the E.U. ETS, Kimberly-Clark established the E.U. ETS Management

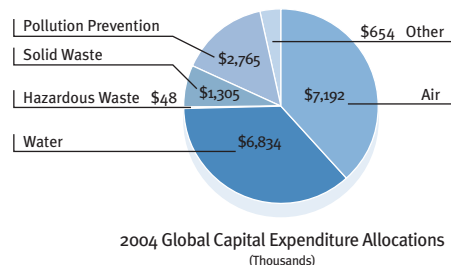
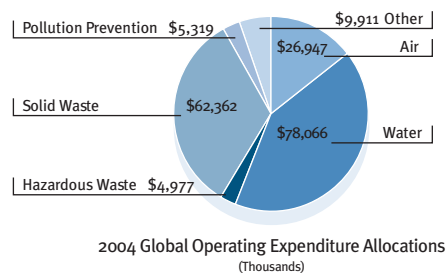
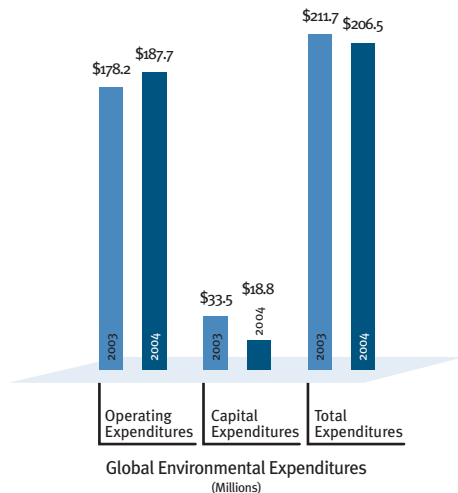
Committee, a senior-level workgroup and coordination team, to follow developments in the E.U. ETS. The Committee is responsible for tracking facility carbon emissions, advising facilities on carbon emissions issues, compiling a European carbon balance, supporting future emissions trading, identifying other necessary actions, and making recommendations to senior leaders.

The E.U. ETS Management Committee is also continuing to develop a system for the trading of allowances among our E.U. facilities to maximize synergies among these facilities, manage their allowance shortfalls or excesses, and minimize financial risks related to emissions credit price changes.

## Global Environmental Expenditures

In 2004, environmental capital expenditures were primarily spent on air pollution prevention projects and wastewater system upgrades and expansion. These included the deep-water outfall project at our facility in Everett, Washington, United States, and the recovery boiler air system improvements at our equity facility in Morelia, Mexico. We saw a decrease in capital expenditures during the reporting period because by 2004, we had completed most of our wastewater expansion projects, which historically have represented our largest capital expenditures.

More than half of our environmental operating costs were spent on solid waste recycling and processing, and wastewater treatment plant operations. The increases in these costs are due to inflation.



# Environmental Stewardship and Safety Performance

## Funding for Environmental Organizations, United States

In 2004, Kimberly-Clark provided funding to the following U.S. environmental organizations to assist them in their mission of improving environmental quality, access to environmental information and training.

*Alliance to Save Energy:* For the second consecutive year, we provided funding to the Alliance to Save Energy, a U.S.-based nonprofit coalition of business, government, environmental and consumer leaders dedicated to promoting energy efficiency worldwide to achieve a healthier economy, cleaner environment and improved energy security. To carry out its mission, the Alliance to Save Energy conducts research, educational programs and policy advocacy; designs and implements energy-efficiency projects; promotes technology development and deployment; and builds public-private partnerships in the United States and other countries.

*Keystone Leadership Institute:* In 2004, Kimberly-Clark provided funding to the Keystone Center, a U.S. nonprofit organization whose mission is to equip citizens with deliberative frameworks, democratic processes, analytical information and critical-thinking skills to navigate tough environmental problems and develop solutions. The Keystone Center works to improve decisions regarding long-term environmental issues by helping students learn, teachers teach, and thought-leaders and decision-makers to effectively address technically complex, politically uncertain situations.

*National Environmental Education and Training Foundation (NEETF):* For the fourth consecutive year, our company provided financial support to the NEETF, a private nonprofit organization dedicated to advancing environmental education in its many forms, including supporting businesses of all sizes in their efforts to improve environmental performance through the Green Business Network. Since the U.S. Congress chartered the

NEETF in 1990, the organization has become a leader in the development of new policies, grant-making approaches and direct programming to advance environmental literacy in America, with a focus on the needs of under-resourced people.)

## External Recognition for Environmental Performance

### China

The Guangzhou Economic Zone awarded Kimberly-Clark Guangzhou second place in the ISO 14000 Certification Contest.

### Costa Rica

The North American Chamber of Commerce of Costa Rica presented our facility in Belen with the Premio Environmental 2004 Award for its efforts to use recycled fiber in its products, and its efforts to promote social and economic development.

### Taiwan

The Environmental Protection Administration presented our Hsin-Ying facility with the National Award for Water Conservation, Excellent Workplace of Smoke Hazard Prevention Award and Waste Management and Resource Minimization Recycle and Reuse Award.

### United Kingdom

At the Severnside Annual Recycling Awards, our facility in Barton, North Lincolnshire, received the Best Overall Waste Management Solutions Award.

### United States

The Association of Washington Business recognized our facility in Everett, Washington, as the Environmental Innovator of the Year for partnering with two municipalities to reduce and eliminate regional municipal discharges to the Snohomish River and the facility's discharge to Everett's Inner Harbor.

# Environmental Stewardship and Safety Performance

## Safety and Health Policies, Organization, Management and Performance

Adopted in 1991, Kimberly-Clark's Corporate Safety and Hygiene Policy guides our goal of an illness- and injury-free workplace. The company's attention to safety has also helped us effectively manage our workers' compensation claims and improve productivity.

### Corporate Safety and Hygiene Organization and Accountability

Employee safety is considered a value at Kimberly-Clark. Our Corporate Occupational Safety and Hygiene (OS&H) Team provides resources and expertise to Kimberly-Clark business units worldwide. To continuously improve safety performance, a Corporate Safety Capability Team, made up of OS&H leaders from our operations around the world, works closely with the OS&H Team to promote leadership in safety systems, processes, practices and tools.

Kimberly-Clark facilities are required to ensure that employee exposures to hazardous chemicals and physical agents are controlled within safe limits. All facilities have implemented an exposure hierarchy system that prioritizes the elimination of hazardous materials through nonhazardous or less hazardous alternatives or the use of engineering controls.

All facilities are expected to implement a health and

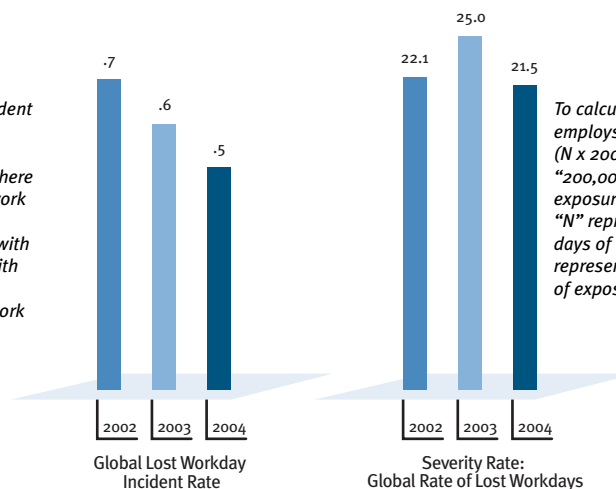
safety committee that, at a minimum, meets the intent of the Kimberly-Clark Best Practice for Implementing a Facility Safety Structure, which includes the following elements:

- A safety steering committee that sets direction for the facility and establishes implementation and problem-solving task teams. This committee would comprise facility leaders and employees representing all departments of the facility.
- Department or area safety meetings led by the department or area manager, and attended by employee or crew representatives.
- Weekly/monthly safety meetings that include all employees.

All facilities are required to ensure their safety organization and practices meet regulatory requirements specific to their country.

Our U.S. Professional and Nonwovens businesses within our Business-to-Business segment also encourage and reward exceptional safety performance through an internal awards program. In particular, the 2004 Crystal Eagle Awards, which are presented to facilities that go a full year without any reportable injuries to workers, were awarded to the Corinth and Hattiesburg facilities in Mississippi, and the LaGrange facility in Georgia, United States.

To calculate the Lost Workday Incident Rate, Kimberly-Clark employs the following formula:  
 $(N \times 200,000) \text{ divided by Hours, where "200,000" represents the yearly work exposure factor for 100 full-time employees; "N" represents cases with days away from work and cases with restricted workdays; and "Hours" represents the actual number of work hours of exposure.}$



To calculate the severity rate, Kimberly-Clark employs the following formula:  
 $(N \times 200,000) \text{ divided by Hours, where "200,000" represents the yearly work exposure factor for 100 full-time employees; "N" represents the days away from work and days of restricted work activity; and "Hours" represents the actual number of work hours of exposure.}$

# Environmental Stewardship and Safety Performance

**“There is no production goal, no cost- or time-saving measure, no competitive advantage or earnings target that is ever worth risking a human life or, for that matter, injury of any kind.”**

– Chairman and CEO Thomas J. Falk

## *Safety Management Systems*

We manage our safety activities through Kimberly-Clark’s Safety and Loss Control Management System. Our leaders are fully trained on these management practices through a comprehensive Safety Leadership Training system. To continually improve our performance, we use the Safety Management Assessment Rating Tool (SMART), a quantitative audit tool that helps facilities identify where they can best focus their efforts for reducing safety risks in the workplace. Each of our facilities must complete an annual SMART self-assessment and develop an improvement plan. Every three years, that self-assessment is verified using certified assessors from outside the facilities. These assessors work together to ensure consistent application of the system guidelines.

In China, our Beijing, Nanjing, Shanghai and Guangzhou facilities went the extra step in 2004 to become certified to the Occupational Health and Safety Assessment Series (OHSAS) 18001 standard.

## *Safety Performance*

We are pleased to report that our focus on achieving an injury- and illness-free workplace through the identification of hazards and reduction of risks has resulted in a steady decline of our global lost workday incident rate over the past five years, reaching 0.5 in 2004. During this reporting period, our lost workday incident rate decreased 17 percent and severity was

reduced by 14 percent. Many of our facilities celebrated successful safety records for the year. For example, our facilities in Albury, Australia; Aranguren, Spain; Bahrain, Saudi Arabia; Hsin-Ying, Taiwan; Lexington, North Carolina, and Owensboro, Kentucky, United States; and Vietnam had no lost-time injuries for the third consecutive year. Our facility in Anyang, Korea, achieved 870 days without a reportable injury or illness.

Despite this progress, tragically, four Kimberly-Clark employees and one contractor died in the last four months of 2004 as a result of workplace accidents. The employee fatalities occurred at our facilities in Everett, Washington, United States; Kimcheon, South Korea; Ecatepec, Mexico; and in Songthla, Thailand. The contractor fatality occurred at our facility located in Morelia, Mexico. Declaring these losses unacceptable, Chairman and CEO Thomas Falk issued a Call to Action in early January 2005, highlighting his expectations for personal accountability and heightened safety management.

Answering this charge, the Corporate OS&H Team developed and implemented a plan to meet the CEO’s call. Through the risk-management framework known as “Identify, Evaluate, Develop, Implement and Monitor” (IEDIM), the OS&H Team is working with Kimberly-Clark facilities worldwide to build capability and ensure plans are in place and implemented to identify, prioritize and address hazards. Leading indicator safety metrics are being developed to help us monitor implementation activities and ensure risk reduction continues. The IEDIM process is based on the Modern Safety Management teachings from Det Norske Veritas (DNV), a Norwegian-based, leading international provider of risk management services.

We are confident that our renewed global effort to build capability and refocus efforts on safety management fundamentals will promote continued improvement in our accident rates and help prevent workplace fatalities.

# Environmental Stewardship and Safety Performance

## *Kimberly-Clark's Safety Reporting Process and the International Labor Organization's Code of Practice for Recording and Notification of Occupational Accidents and Diseases*

Kimberly-Clark's reporting process is largely consistent with the practices outlined in the International Labor Organization's Code of Practice for Recording and Notification of Occupational Accidents and Diseases. The differences between the two are as follows:

- Kimberly-Clark does not have separate categories for lost-time incidents with up to three days and incidents with more than three days. Any case with one or more calendar days away from work is included as a lost workday case. Cases with more than five days of restricted work activity are also included as a lost workday case.
- We do not maintain statistics for commuting incidents, which are defined as an accident occurring on the direct way between the place of work and the worker's place of residence, or the place where the worker usually takes his or her meals, or the place where the worker receives his or her remuneration.
- Kimberly-Clark does receive reports on dangerous occurrences, which are defined by our company as "high potential near miss" incidents. We do share such reports across the organization but do not have specific statistics related to the number reported or similar rates.

## *Compliance, United States*

In the United States, the U.S. Occupational Safety and Health Administration (OSHA) performed eight on-site inspections at Kimberly-Clark facilities. OSHA identified 12 violations for which Kimberly-Clark's facilities were fined a total of \$15,000.

## **Recognition for Safety Performance**

### *Latin America*

The University of Salvador Foundation for Workplace Safety and Health Promotion and the Inter-American Development Bank recognized our River Plate facilities (Argentina, Paraguay, Uruguay, Chile) with a **Safety and Health in the Workplace Award** in the category of Labor Risk Prevention programs and Labor Quality of Life for Kimberly-Clark Argentina's Stress Reduction Program.

### *United States*

The Governor of Kentucky recognized the Owensboro facility with the **Governor's Safety and Health Award** for recording 3 million hours of work without a reportable injury or illness.

The Lexington facility in North Carolina maintained **STAR** status in the state's equivalent to OSHA's Voluntary Protection Program for the second year. The state's Department of Labor also recognized Lexington with a **One Million Man-Hour Safety Award** and, for the seventh consecutive year, the **Gold Award**.

The Georgia Department of Labor presented the LaGrange facility with the **Georgia Labor Award of Excellence**.

The North Carolina League of Municipalities awarded the Berkeley facility in North Carolina with its 10-year **North Carolina Gold Award** for an incident rate that has consistently been less than half that of peer organizations in the state.

### *Taiwan*

Taiwan's Council of Labor Affairs awarded the Hsin-Ying, Ta-Yuan and Chung-Li facilities **Safety and Health Honorary Voluntary Protection** awards.

# Environmental Stewardship and Safety Performance

## Consumer Safety

Kimberly-Clark's Product Safety Review Process requires that all products undergo extensive safety evaluations and thorough risk assessments. Our company does not perform animal testing, except when required by law. Over the past 15 years, through the development of new testing methods, Kimberly-Clark has worked hard to eliminate all animal testing for our consumer products. To further this cause, we voluntarily share these developments with the global scientific community and other companies. In addition, our efforts to develop and identify alternative testing methods have earned praise from notable institutions, such as the Center for Alternatives to Animal Testing at Johns Hopkins University in Baltimore, Maryland, United States.

### *Product Safety Review*

Kimberly-Clark's product safety policy and management systems are designed to help ensure products are safe for consumer use. Senior scientists provide support for all business areas, as well as overall departmental support in specialized areas, such as the implementation of nonanimal alternative testing, dermatological testing and the department's custom computer systems. All products undergo extensive safety evaluations and comprehensive risk assessments, including a review of available scientific and medical data on product components, and special considerations associated with their intended use.

Additionally, interdisciplinary Product Review Committees review proposed new raw materials, products and production processes as part of our company's Innovation Management Framework. The committees' comprehensive Product Review Process takes into consideration worker safety, consumer response, legal and regulatory concerns, and environmental impacts of the materials used. A third-party panel of experts in toxicology, dermatology, and in vitro toxicology benchmarks our testing program against the programs of other companies to help ensure our testing is yielding accurate results.

To facilitate the quick accessibility to safety and testing data, Kimberly-Clark's Product Safety department employs a computer system to track all products, raw materials, associated safety data and testing results. We also subscribe to commercial databases containing toxicological information to supplement our data.

## Supporting Alternatives to Animal Testing: Research and Funding

Through alternative testing methods, Kimberly-Clark has eliminated all animal testing, except when required by law. In 1996, for example, we developed an alternative testing technique that uses cell cultures to predict the irritant response of human skin. This application eliminated a series of animal tests for our baby and personal wipes. We continue to seek out ways to use this method for testing other products.

Our product safety scientists also developed the Polymer Fingerprinting Program alternative. Analogous to DNA fingerprinting, this program allows researchers to review the effects of the chemical makeup of nonwoven materials without the use of laboratory animals.

As one of the major producers of feminine hygiene products, we have a significant stake in the development of nonanimal-based models for the pre-clinical safety testing of these products. Kimberly-Clark Product Safety continues to work with the developer of a tissue culture mimicking human tissue that would serve as a nonanimal model of vaginal mucosal epithelium. This work will be published in peer-reviewed scientific publications and presented at scientific meetings, such as the Society of Toxicology Annual Meeting.

Our company financially supports organizations and forums focused on finding alternatives. We were a major sponsor of the 5th World Congress on Alternatives and Animal Use in the Life Sciences, and continued to provide funding to the U.S.-based Johns Hopkins University Center for Alternatives to Animal Testing. We were also a founding member and continue to support the Institute for In Vitro Sciences, an organization that promotes the development, validation and adoption of nonanimal testing methods.

# Social Responsibility

**“We depend on many people for the success of our business, but first and foremost, we look to the more than 60,000 Kimberly-Clark employees around the world to shape who we are. Our goal is to provide a motivating work environment that allows our diverse global team to thrive professionally – and attracts new members who want the same. As a global citizen, Kimberly-Clark is also committed to making social investments that improve the quality of life for families everywhere.”**

*– Lizanne C. Gottung, Senior Vice President – Global Human Resources*



At Kimberly-Clark, we view social responsibility as our duty and a business imperative. We are committed to fostering employee well-being and professional growth and treating everyone we meet in the course of our business fairly and respectfully. Delivering on our commitments in an increasingly globalized company presents a number of challenges, which we better positioned ourselves to tackle in 2004 through a number of company-wide leadership, cultural and human resource-related initiatives.

Our commitment to developing innovative solutions that enhance the health, hygiene and quality of life for people worldwide extends to the communities in which our employees live and work, and serves as a guide for our charitable giving. In 2004, thousands of Kimberly-Clark employees voluntarily devoted their time and money to support community events, local and international causes, and disaster relief efforts.

We also maintained our strong tradition of philanthropy through sponsorships and contributions to long-held alliances that strengthen families, including our partnerships with the United Nations International Children’s Emergency Fund (UNICEF), YMCA of the USA, Boys and Girls Clubs of America and Medshare International. Last year alone, our company and employees contributed more than \$24 million for causes globally and donated millions of dollars worth of product primarily for disaster relief to tsunami victims in South Asia and victims of hurricanes in Florida and Alabama, United States.

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*This section provides an account of our 2004 social responsibility performance for our worldwide consolidated (wholly and majority-owned) operations.*



## Fostering Employee and Leadership Development

We are continually motivated to deliver superior products and exceed the expectations of our shareholders, our customers and ourselves. We invest this same enthusiasm in developing our employees through our Talent Management strategy, which is designed to equip them with the skills necessary to carry out the company's mission. This new initiative is in line with the expectations set forth in our Global Business Plan and helps position our corporate culture for global growth. The process requires team leaders to coach, develop and motivate team members – and focus on cultivating behaviors that drive performance supportive of the company's business objectives. Complementing the process is technology that fosters improved communications between employees and their team leaders in setting individual performance goals, and allows management to track progress throughout the year.

During 2004, in the initial phase of our Talent Management strategy, we began rolling out a new Performance Management process, designed to inspire our employees to deliver their best performance and grow professionally while pursuing business goals.

We also implemented a set of global leadership qualities for use in the assessment, selection and development of leaders at Kimberly-Clark. All senior global leaders participated in an executive assessment process conducted by an external management development consulting firm using these qualities and other measures of performance. Based upon this assessment, all leaders prepared an individual development plan designed to improve their leadership capability.

## Yuhan-Kimberly, South Korea: Commitment to Work/Life Balance, Lifelong Learning Enhances Productivity and Competitive Advantage

Yuhan-Kimberly (Y-K) implemented a new human resources strategy to maintain its edge in a highly competitive manufacturing environment. Despite South Korea's characteristic inflexible labor market, unions and long working hours, Y-K instituted an unconventional four-days-on, four-days-off schedule in which employees work up to 12 hours a day but fewer hours overall. Additionally, on their days off, Y-K employees can choose to learn about new technology and skills for extra pay.

According to Moon Kook-Hyun, Y-K's president, the flexible work schedule is making for a happier, more productive workforce.

"We have increased the number of crews operating from three to four," Kook-Hyun said. "That lets our workers rest more, be healthier, and study more about new technology and new trends. We have seen big improvements in safety, productivity and quality."

Kook-Hyun added that providing employees with flexible work options and incentives for learning new skills is helping Y-K retain and recruit valuable employees in the highly competitive job market it shares with China.

From 1997 to 2004, the company expanded its workforce from 1,400 to 1,700. Employees work a maximum of 42 hours (instead of the 50 hours per week required previously) and spend an average of 300 hours a year in classes covering everything from work-related technology to Chinese language and Internet training. Labor costs account for about 15 percent of Y-K's expenses, and about a quarter of that amount is spent on lifelong-learning programs.

# Social Responsibility

Because of these and other work/life programs, capacity has increased at the company's facilities, which are now operating 365 days a year, compared with a maximum of 270 days before. Net income has risen significantly in the past 10 years. Employee satisfaction and safety have greatly improved, and Y-K is making significant productivity gains that will help maintain its competitive edge.

## **Employee Mentoring and Training**

Offering ongoing learning opportunities and promoting a mentoring culture are important aspects of our commitment to fostering an environment where employees can grow professionally.

### *Mentoring Programs, Europe, Canada and Australia*

Kimberly-Clark supports formal mentoring programs, which help employees – both new and long-term – make the most of their career choices and learn from others. Kimberly-Clark Europe, Canada and Australia offer formalized mentoring programs, and several programs exist in North America to serve the diverse needs of employees in various functions, locations, and employee network groups. Additionally, as part of the Kimberly-Clark culture, team leaders and coworkers make it a practice to provide informal mentoring.

### *Employee Networks, United States*

In the United States, Kimberly-Clark continues to cultivate a number of Employee Network groups to help in recruiting and integrating new employees, fostering career development, as well as better understanding employees' needs. These networks help employees get to know one another, share interests, best practices and ideas for professional and business growth. Senior managers also actively participate in the networking experience. In 2004, employees participated in 14 formal networks, as well as numerous satellite organizations at manufacturing facilities. Overall, a total of 2,400 employees participated in the employee network program.

### *Global Learning Solutions*

Kimberly-Clark's Global Learning Solutions group implemented the Kimberly-Clark Online Learning internal Web site to promote "any time, anywhere" online

learning opportunities for employees worldwide. The site features Web-based training primarily in business processes and applications used within our company; some of the modules are offered in multiple languages. Courses range from Microsoft Office XP® applications to network design, to stress management. In 2004, employees accessed the site more than 13,000 times, and completed nearly 800 courses.

### *Employee Training, Europe*

In Europe, Kimberly-Clark invested \$5 million in corporate leadership and facility employee training and development. Leadership training included a number of corporate program-specific and management topics, such as strategic leadership, presentation and coaching skills, and project and time management. With an average of 16 hours of training per team member, facility-specific employee development included emphasis on technical and functional areas, such as accounting, marketing, safety and supply-chain specific skills.

### *Higher Education Opportunities and Scholarship Programs, United States*

Employee development at Kimberly-Clark also includes opportunities for higher education. The company's Educational Opportunities Program (EOP) provides financial assistance to employees and family members to advance their career development and educational needs. There are two ways employees can take advantage of this benefit. KimEd, which is open to full- and part-time, and qualifying hourly employees, is an annual tuition reimbursement program. FamEd, which holds the same requirements for employee participation, helps employees save for their own or their family's future tuition expenses through matching funds.

In addition, Kimberly-Clark's Bright Futures Scholarship Program, which is funded by the Kimberly-Clark Foundation, awards college scholarships to the sons and daughters of our U.S. and Canadian employees. Since 1993, the Bright Futures Program has given 810 scholarships worth more than \$16 million to the children of Kimberly-Clark employees.

## **Where People Who Think Differently, Think Together: Our Commitment to a Diverse and Inclusive Workforce**

As a global company, Kimberly-Clark's commitment to maintaining and recruiting a motivated and skilled workforce reflective of our customers, consumers and communities remains strong. We view diversity not only as issues of gender, age and race, but also in terms of the unique ways that people think and feel. Our Human Resources Development and Diversity Policy defines diversity and inclusion as critical components for long-term success.

### ***Managing Our Corporate Diversity Commitment***

The Corporate Diversity Steering Committee governs diversity initiatives at Kimberly-Clark and provides high-level direction and oversight for our company-wide commitment. The Committee's 10 executive members – 40 percent of which are women – are selected from our operations worldwide. In 2004, we continued to strengthen our commitment to diversity on a global level. The company named a new vice president of Corporate Diversity and Inclusion to further cultivate an environment in which all employees worldwide feel valued and can grow professionally. On a more operational level, the Corporate Diversity Initiatives Team continued to coordinate diversity activities throughout our company and support leaders in their efforts to implement policies and new practices.

### ***Kimberly-Clark's Diversity Council in Europe***

Formed in 2004, the Diversity Council in Europe focuses on creating an inclusive culture that values diversity and the benefits it generates for our business. The council is

building awareness and driving change by getting employees involved in its Gender Opportunities (GO!) and Work/Life Balance teams, and by celebrating the existing diversity throughout Kimberly-Clark Europe. The council is building awareness by encouraging as many employees as possible to get involved in the teams.

The teams themselves reflect the value of diversity. For example, the GO! team has more than 40 employees from five countries, representing Kimberly-Clark Professional and Consumer businesses. The team includes male and female volunteers, and it is divided into seven groups, each of which is addressing a specific issue, such as recruitment, retention, career development, pregnancy and parenting, workplace culture, flexible and part-time work arrangements, policy information and communication. The goal of each group is to develop recommendations that address current or potential barriers to gender balance at all levels of the organization.

While there is still an opportunity to improve gender balance at senior levels in Europe, there are also great examples of diversity at work. For example, the facility manager for the Reisholz facility in Germany, Raffaella De Medici, not only is the first woman in Kimberly-Clark Europe to assume this operations role, she is also an Italian leading a facility team in Germany. Team leader for GO! and director of the Wal-Mart Europe Business Unit, Amanda Cooper, is another example. She is a senior member of the Customer Management organization who also works part time in order to better balance work and family responsibilities.

# Social Responsibility

In addition to senior role models, employees in Reigate, United Kingdom, and the Shared Service Center in Brighton, United Kingdom, are evidence of the value of diversity. Each is reflective of the culturally diverse customer, shopper and user base that Kimberly-Clark Europe serves. The employees at Brighton represent 18 nationalities.

## *Representation of Women and Minorities on Kimberly-Clark's Board of Directors and in Executive Management*

During 2004, women directors made up 30 percent of the directors serving on our board, and 25 percent of our executive officers. Our board also comprised 40 percent minority directors. Minorities made up 12 percent of our executive officers. (This metric is based on the U.S. legal definition for minorities, which is any member of one of the following groups: African American, Hispanic American, Native American, Asian-Pacific American and Asian-Indian American.)

Kimberly-Clark's Women's Interactive Network (WIN) supports our corporate mission by providing mentoring opportunities that help female employees advance professionally in order to achieve their full potential as leaders and team members. The mentoring program is highly successful. In fact, in many locations, there are more available mentors in the program than participants. In 2004, WIN focused on work/life balance, as this was the No. 1 interest for employees participating in WIN, based on a survey conducted in 2003.

## *Supporting Organizations That Promote Diversity*

During the reporting period, Kimberly-Clark retained membership in a number of nonprofit organizations dedicated to advancing diversity. For example, we joined the North American-based Catalyst, the leading research and advisory organization working with businesses and the professions to build inclusive environments and expand opportunities for women at work. In the United

States, we also supported Out and Equal, an organization that rates and recognizes companies with programs supportive of gay, lesbian, bisexual and transgender employees. In Europe, Kimberly-Clark continued our membership with Opportunity Now, an organization that works with businesses to promote a better gender and work/life balance at all levels in the workplace.

## **Upholding Human Rights in the Workplace**

Treating all employees with dignity and respect, and in accordance with all applicable laws is a foundational value of our company. These expectations are clearly articulated within our Code of Conduct. We are firmly committed to providing a work environment free from harassment and intimidation for all employees. Kimberly-Clark adheres to a formal Human Rights in Employment Policy and Discrimination and Sexual Harassment Policy, both of which apply 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. Decisions regarding the hiring of job applicants and subsequent employee actions must be made without discrimination on the basis of race, color, sex, sexual orientation, age, religion, national origin, disability or other category as provided by law.

Management from all of our businesses are responsible for overseeing the proper implementation of our policies throughout our global company; and for being knowledgeable about all laws and regulations related to employees' human rights. Any alleged violations are thoroughly investigated.

# Social Responsibility

## *Respecting Employees' Affiliations: Freedom of Association and Collective Bargaining Position Statement*

Our company culture is characterized by cooperative relationships and high employee involvement. All Kimberly-Clark manufacturing facilities uphold established principles and unifying practices that guide our operations and results. All facilities are held accountable for applying the same standards of safety, human resources, quality, ethics, cost, asset management and customer service.

In facilities where union representation exists, we work to build partnerships that meet our collective needs. All employees are free to join unions.

In the United States, the largest concentration of union membership is with the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy Allied Industrial and Service Workers International Union (USW). Some employees are represented by the Association of Western Pulp and Paper Workers (AWPPW), the International Brotherhood of Electrical Workers (IBEW), the International Association of Machinists and Aerospace Workers (IAM), and other various independent unions. In the United Kingdom, some employees are represented by the Graphical, Paper and Media Union (GPMU), the Transport and General Workers Union (T&GWU) and Amicus.

## **Cultivating and Recruiting New Talent Worldwide**

Kimberly-Clark actively cultivates formal partnerships with universities in the United States and Australia, and informal partnerships with universities in Europe and Canada to help us recruit top talent. We provide funding to university programs, and many of our employees are involved in assisting in classroom and extracurricular learning. Kimberly-Clark features internships and cooperative education opportunities, which give students real-world experience in our industry, as well as exposure to our company's culture, through engagement in meaningful projects that have real business results. For example, in the United States, 325 students gained valuable experience in internship and cooperative education assignments in 2004.

Kimberly-Clark also actively recruits new talent through our corporate Web site, online recruitment ads, employee referrals and recruitment agencies with expertise in specialized areas. Kimberly-Clark offers a variety of resources to employment candidates throughout the recruiting process and to new employees in their transition into the organization.

## **Diversity Recruiting Strategies, United States**

Our relationships with professional women's and minority organizations in the United States are an important part of our employee recruitment strategy. Kimberly-Clark partners with the National Society of Black Engineers on its Board of Corporate Affiliates and the Society of Hispanic Professional Engineers as a member of the Industry Partnership Council. Our company is also a charter member of the Corporate Partnership Council for the Society of Women Engineers. These relationships are cultivated through commitments of funding and volunteer time. While less formal than those above, relationships with the National Association of Black Accountants, National Black MBA Association and National Society of Hispanic MBAs are also providing access to entry-level talent beyond our traditional campus recruitment activities.

## **Employee Compensation, Benefits and Work/Life Balance Programs**

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

### **Competitive Pay**

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

# Social Responsibility

## ***Stock Ownership***

Kimberly-Clark enables employees to share in the success of the company through a stock ownership program. Our North American employees can invest in Kimberly-Clark stock through company-sponsored saving plans and retirement contribution plans. A company matching contribution in stock is provided in our U.S. retirement 401(k) plan; however, employees do not have to hold the company's stock contribution once the contribution has been made. Many of our employees outside of North America can also invest and receive a matching company contribution in Kimberly-Clark's stock through our European Shareplus Plan, which was established in 2002.

Through our Equity Participation Plan, Kimberly-Clark makes grants of stock options and restricted shares to employees. All salaried employees are eligible for grant consideration. Grants to employees are based on past contribution, as well as future ability to contribute to the organization.

## ***Performance Recognition***

In addition to performance-based pay in many parts of our organization, we have specific plans to provide for additional recognition – financial and nonfinancial awards – for exemplary contribution, performance and desired behavior. These vary by region and country. For example, in our North American organization, those employees who are ineligible for bonuses and nonunion hourly employees are eligible for the Distinguished Performance Awards program. This program rewards productivity improvements, such as project completion; ideas for cost savings, and new or improved processes or programs; and individual or team initiatives. The award minimum is \$1,000. In 2004, we awarded approximately \$1.1 million through this program.

Many facilities also have local recognition programs that reward employees for the achievement of unique facility safety, quality or productivity objectives.

## ***Long-Service Awards***

Many Kimberly-Clark employees have worked for our company for many years. In 2004, for example, the average length of service among our U.S. employees was 14 years. Kimberly-Clark highly values the loyalty and long-term commitment of our employees and formally recognizes key anniversary milestones with certificates and gifts.

## ***Employee Turnover, United States***

We track employee turnover for our U.S. operations. Our total turnover percentage represents retirements, resignations, discharges, involuntary turnover and layoffs without recall. In 2004, our total U.S. turnover rate was 9.36 percent, down from 11.43 percent in 2003. Excluding retirements, involuntary separations, the pulp and paper spinoff and the Hattiesburg facility sale, our turnover rate was 3.38 percent.

## ***Vacation, Benefits, Flexible Work Arrangements***

Vacation and leave provisions for our employees vary across the many countries and regions in which Kimberly-Clark operates and are highly dependent on local legislation and customs. Kimberly-Clark offers a number of benefits, including health and medical insurance, life insurance, and support for long-term illness. Some of our operations also support Employee Assistance Programs (EAP), which provide counseling services to employees and their families in difficult times.

As part of our strategy to attract and retain talent, Kimberly-Clark offers, when feasible, flexible work arrangements, such as job sharing, flex-time and compressed-work weeks to help employees balance professional and personal obligations.

## Best Employer Awards

### *Germany*

Hakle-Kimberly was recognized as one of Germany's best employers and ranked 32 out of the more than 100 top companies participating in Germany's Great Place to Work Contest.

### *Korea*

The Korean Educational Development Institute presented Yuhan-Kimberly (Y-K) with its Lifelong Learning Award.

Korean Management Association Consulting ranked Y-K among Korea's Most Admired Companies.

The Korean Society of Business Ethics presented Y-K with a Best of Ethical Management Award.

### *Thailand*

Hewitt Associates in partnership with The Bangkok Post and the Sasin Graduate Institute of Business Administration of Chulalongkorn University ranked Kimberly-Clark Thailand among the Top 10 Best Employers in Thailand for the second consecutive year.

### *United Kingdom*

Kimberly-Clark's European Consumer Business maintained its Investors in People Accreditation. Investors in People recognizes organizations that demonstrate consistent adherence to the Investment in People principles, which are commitment, planning, action and evaluation.

### *United States*

The Hispanic Association of Corporate Responsibility gave Kimberly-Clark a "AAA" Rating for achieving the highest level of corporate governance and inclusion of Hispanics on the company's board of directors.

The Human Rights Campaign Foundation rated Kimberly-Clark in the top 60 percent of large U.S. companies, using its Corporate Equality Index, which measures how well companies treat gay, lesbian, bisexual and transgender employees, consumers and investors.

# Social Responsibility

## **Health Services: Employee Occupational and Preventive Health Care**

The value of Kimberly-Clark's Health Services extends around the world, particularly in developing countries where employees often depend on the Health Services department to provide primary care medical treatment, referral and follow up. For some employees and their families, Kimberly-Clark's Health Services is the first step to accessing medical care. The corporate Health Services organization establishes guidelines and recommendations globally for a full spectrum of health programs from basic emergency response to optimal health for peak performance. Each region also features a Health Services organization to meet its specific needs.

### ***HIV/AIDS***

Kimberly-Clark currently does not administer an HIV/AIDS-specific corporate policy. Rather, we manage HIV/AIDS in the same way as other infectious diseases that are similarly transmitted. We have specific confidentiality guidelines for personal health information that apply to HIV/AIDS and infectious diseases. Employee health information is kept confidential in accordance with the applicable laws and regulations of each country. In some locations, particularly in countries with high HIV/AIDS prevalence rates, Kimberly-Clark's Health Services includes HIV/AIDS preventive education as part of employee health promotion programs.

### ***Health Services Web Site***

The Health Services Web site on Kimberly-Clark's employee intranet site provides information for employees on health risk factors, weight management, nutrition, exercise, stress management and other

wellness topics. In addition, special communications are provided to keep employees informed and regularly updated when increased health risks are identified, such as the Severe Acute Respiratory Syndrome (SARS) outbreak.

### ***Cosponsoring International Conferences to Address Drug and Alcohol Abuse***

Kimberly-Clark cosponsors international conferences for governmental officials, nongovernmental organizations, mental health providers, human resource team members, and Employee Assistance Program professionals to better evaluate and address issues related to employee health and well-being. Topics include mental health and substance abuse problems, policy solutions for government and business, and employee assistance programs for developing countries. In 2003 and 2004, conferences were held in Singapore and Thailand, respectively.

### ***Special Programs***

Region-specific Health Services organizations design special programs to promote employee well-being and assist employees in managing their health to reduce health risks, illnesses, injuries and absenteeism.

In the United States, for example, Kimberly-Clark's Corporate Health Services group developed guidelines for the purchase of automatic external defibrillators (AEDs) along with an implementation policy, and education and training for employees in virtually all U.S. locations. We anticipate that similar AED programs will be gradually adopted throughout our operations globally.



## *Medical Sponsorship*

Health Services provides medical sponsorship for employees and family members who relocate for international assignments. We also provide international travel medical assistance through International SOS, a leading organization that provides emergency medical advice, referrals and help with emergency medical care if required.

## *Kimberly-Clark Health Services:*

### *A Focus on Latin America*

Around the world in 2004, Kimberly-Clark's Health Services organizations endeavored to make the workplace one where our employees can achieve optimal health and productivity. In 2004, Kimberly-Clark's Health Services teams in our Latin American operations strengthened and developed a number of beneficial programs, focusing on employee health and wellness training.

### **River Plate (Argentina, Paraguay, Uruguay, Chile):**

In 2004, the River Plate facilities' Health Services organization implemented a Drug and Alcohol Policy and an Alcohol and Drug Labor Preventive Program to educate its workers about the risks associated with drug and alcohol abuse. External experts conducted 25 training sessions for facility and administrative employees, and followed up with additional informational materials. In October 2004, the company shared the results of this successful program at the 24<sup>th</sup> National Occupational Health Congress in Buenos Aires. In 2004, the River Plate facilities also developed a Stress Management Program for administrative employees.

**Colombia:** Kimberly-Clark Colombia devoted 6,631 hours to employee health and wellness initiatives, including health check-ups for 1,000 employees in a clinic conducted at the Bogotá Headquarters. Through the intranet, employees received weekly updates on health- and wellness-related information.

**Brazil:** Kimberly-Clark Brazil launched Kimberly-Clark Saude (Kimberly-Clark Health), a program with strong senior-level support aimed at improving health and wellness for employees and their families. The program encompasses educational campaigns and seminars, such as the Preventive Campaign on Cholesterol and Triglycerides, First Aid, and Respiratory and Hearing Health.

**Bolivia:** Kimberly-Clark Bolivia developed a program focused on improving eye health for employees and their families. The program featured workshops and access to optometrists, as well as credit facilities to buy glasses. The facility also implemented a campaign to educate employees about the risks of sexually transmitted diseases.

**Venezuela:** Kimberly-Clark Venezuela offered all employees and their families free flu immunization.

**Ecuador:** Kimberly-Clark Ecuador focused on conducting health screenings, with emphasis on cardiovascular risks, for the facility's more than 300 employees. The Health Services group structured its services and information around the key findings from the health screenings.

**Peru:** Kimberly-Clark Peru Health Services provided employees with improved medical assistance and obtained special pharmacy discounts. Health Services also implemented medical offices for every manufacturing facility and administrative site within the country. A full-time clinical doctor heads up the program.

# Social Responsibility

## **Strengthening Families Through Financial Support, Product Donation and Volunteerism**

Families from all walks of life, cultures and countries around the world rely on Kimberly-Clark brands to enhance their health, hygiene and well-being. Our company's commitment to improving the quality of people's lives extends to our philanthropic focus on strengthening families in the communities in which our employees live and work. In 2004, thousands of Kimberly-Clark employees worldwide devoted their time and money in support of community events, local and international causes, and disaster relief efforts. Kimberly-Clark also maintained our strong tradition of philanthropy through corporate sponsorships and contributions to aid families around the globe.

Last year alone, our company and employees contributed more than \$24 million for causes globally and donated millions of dollars worth of product primarily for disaster relief to tsunami victims in South Asia and victims of hurricanes in Florida and Alabama, United States.

### ***Kimberly-Clark Foundation***

Established in 1952, the Kimberly-Clark Foundation is Kimberly-Clark's charitable arm and supports our employees and their families, and a range of organizations that help families in the communities where we operate and around the world. In 2004, the foundation contributed nearly \$6 million in matching support for employee charitable donations as part of the Community Partner grants\* program, college scholarships for children of Kimberly-Clark employees as part of the Bright Futures Scholarship Program, and funding for various community projects and schools.

In 2004, the Kimberly-Clark Foundation made a number of grants to many U.S. charitable organizations, as well as to international causes, including:

- The Vogel Alcove, a child care center in Dallas, Texas, United States, serves the unique needs of homeless families and their children.

- The Family Place's programs in Dallas, which are dedicated to addressing the needs of women and children facing and recovering from domestic violence.
- The Boys and Girls Clubs of America, which provide American youth with leadership and life skills.
- The Chulalongkorn Hospital Breast Cancer Center in Bangkok, Thailand.
- The Charities Aide Foundation for Beslan Lifeline Appeal in Beslan, Russia, a charitable effort to provide assistance to the families of the Beslan terrorist attacks and for community outreach.

We invite you to visit [www.kimberly-clark.com/about-us/kc\\_foundation.asp](http://www.kimberly-clark.com/about-us/kc_foundation.asp) and read the full listing of charitable organizations assisted by the Kimberly-Clark Foundation in 2004.

### ***Partnering With UNICEF to Help Children Affected by HIV/AIDS***

From 2001 through 2004, Kimberly-Clark partnered with the United Nations International Children's Emergency Fund (UNICEF) and contributed \$2.6 million to the important work of this international humanitarian organization. These funds were targeted at addressing the needs of children orphaned by HIV/AIDS and civil conflict. Our grant helped address the special needs of children bereft of one or both parents and who must serve as the head of their households. These programs take a holistic assistance approach to helping children in Ethiopia, Kenya, Malawi, Namibia and Rwanda. Program aspects include health, nutrition, child protection, education and psychosocial counseling.

In 2004, Kimberly-Clark renewed our ongoing partnership with UNICEF for 2005 through 2008, which will provide annual support of \$650,000. Retired Kimberly-Clark Executive Vice President Kathi Seifert will continue to serve on the U.S. Fund for UNICEF board of directors and serves on the UNICEF global HIV/AIDS task force.

\* The Community Partner grants program provides \$500 grants to nonprofit groups to which employees and their spouses donate more than 50 hours per year of volunteer work.

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## *Supporting the Mission of MedShare International*

Since 1999, Kimberly-Clark corporate funding, product donations and employee volunteers have helped support the mission of MedShare International, a U.S.-based nonprofit corporation which distributes surplus U.S. hospital supplies and equipment to help improve access to health care in developing countries. In 2004, our U.S. Health Care business donated 13,000 pounds of medical supplies valued at \$47,000 – including protective gowns, gloves, and drapes – that were part of 44 forty-foot containers shipped by MedShare to nations in need. Seventy medical mission teams benefiting 25 countries were able to put Kimberly-Clark's supplies to excellent use. Kimberly-Clark employees and retirees donated 151 volunteer hours packing supplies for shipment.

We also sponsored shipping costs for four container shipments and assisted with logistics for shipments to Central America (one to El Salvador and Guatemala, and two to Honduras) where we have facilities. In Central America, where Kimberly-Clark has operations in Honduras, Costa Rica, El Salvador and Guatemala, a newly named regional medical coordinator for Health Services will be helping to improve communications and coordination with local hospitals that benefit from these supplies and the mission of MedShare International.

In 2002, the Kimberly-Clark Foundation awarded MedShare a \$150,000 two-year grant to assist the organization in becoming a sustainable model organization. Our company's vice president of Medical Affairs serves on MedShare's volunteer board of directors to lend insight and expertise, as well as help our company better understand how we can assist in MedShare's important mission.

## *Supporting Water Partners International's Projects for Fresh Water and Sanitation, India*

U.S.-based Water Partners International is a nonprofit organization dedicated to helping communities in developing countries gain access to clean drinking water

and sanitation. Over the past two years, Kimberly-Clark has been helping fund a Water Partners International project in the rural community of Mettupatti, Tiruchirapalli District, Tamil Nadu, India, a small community of 397 people that lacked adequate safe water supplies and toilets.

Through intense community interaction, involvement and education, the Mettupatti project team succeeded in its goal of providing low-cost latrines within every home and safe drinking water through the installation of two hand pumps for the villages. The team also helped the community sustain the benefits by empowering village residents to take an ownership stake in the success of the project, and the community was fully trained on maintaining the toilets and basic sanitation principles. For example, children helped to maintain the toilets and water supplies in their school and to teach their peers to do the same. Women were empowered to make financial decisions and take leadership roles in the community, educating others about the dangers of contaminated water and unsanitary conditions.

## *Continuing to Partner With the YMCA of the USA*

In 2000, Kimberly-Clark forged an alliance with the YMCA, a national U.S. organization that provides, in partnership with other local organizations, many helpful services to people of all ages, incomes and abilities. Through this partnership, Kimberly-Clark continues to promote local YMCA programs in a variety of ways, and provides grants to YMCAs in the communities where we operate. In 2004, these grants totaled \$290,000.

As part of our alliance, we also continued to sponsor the biannual Nation's Report Card on Families, a research study conducted by the YMCA. The study collects research on the conditions and challenges of the American family, and provides critical information to policy-makers, which helps both the YMCA and our company identify priority issues on behalf of families.

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## Disaster Relief

### *Tsunami Relief in South Asia*

The tsunami that struck late in 2004 and devastated many parts of Asia and east Africa was a tragedy of unfathomable magnitude. In the wake of the devastation, government, nongovernmental organizations, companies and individuals came together to help. As a leading health and hygiene company, Kimberly-Clark was positioned to assist many families in getting back on their feet through monetary donations and much-needed health and hygiene products. In 2004 and 2005, our company donated \$1.2 million in cash and product to the massive relief effort and our employees contributed more than \$300,000.

Kimberly-Clark facilities worked hard to get product and aid to organizations assisting with the effort. In the United Kingdom, for example, operations provided Friends of the Maldives and In Kind Direct with thousands of cases of Poise adult care products, packs of Huggies wipes and diapers, and rolls of Andrex bath tissue. In Thailand, Kimberly-Clark employees responded immediately with blood drives, product donations and local relief assistance.

### *Response to Hurricanes Charley and Ivan, United States*

When Hurricane Charley ripped through Florida in August 2004, many Floridians were left homeless and without basic supplies. In support of the Salvation Army's massive relief effort, Kimberly-Clark donated more than \$125,000 worth of product. Employee volunteers delivered truckloads of Huggies diapers and baby wipes, Kotex feminine care products, Depend incontinence care products, Kleenex facial tissue, and other supplies to the Salvation Army's Relief Center. The Salvation Army was able to use everything in its effort to fill the immediate needs of hurricane victims throughout the Tampa area.

Kimberly-Clark also delivered more than \$150,000 in personal hygiene products to area residents in Mobile, Alabama, in response to Hurricane Ivan in September 2004. With nearly 800 employees in Mobile, our company is a leading employer in the community. Truckloads of Kimberly-Clark products including Huggies diapers and baby wipes and Kimberly-Clark Professional bath tissue and folded towels were donated to the local Salvation Army. The company made a financial contribution of \$40,000 to the local American Red Cross chapter.

### *Senior Management's Involvement in Communities, United States*

Leaders at Kimberly-Clark share their experience and expertise in the community to help empower others to reach their potential.

- Chairman and CEO Thomas Falk serves as a national trustee of the Boys and Girls Clubs of America.
- Senior Vice President and Chief Technical Officer Cheryl Perkins serves on the board of directors of the Fox Cities Performing Arts Center and the Fox Cities Children's Museum in Appleton, Wisconsin, United States.
- Senior Vice President – Law and Government Affairs and Chief Compliance Officer Ronald Mc Cray serves on the board of the Hockaday School in Dallas, Texas, United States.
- Senior Vice President – Global Human Resources Lizanne Gottung is a board member of the North Fulton Child Development Association in Atlanta, Georgia, United States.
- Group President Developing and Emerging Markets Robert Abernathy serves on the boards of the North Fulton United Way and the Metro Atlanta Recovery Residence in Atlanta.

Many other senior leaders at Kimberly-Clark lend their time and leadership to make meaningful contributions in their respective communities.

### **Employees Building Relationships With Neighboring Communities**

#### *Fundraising for Kids and Other Causes, United Kingdom*

During 2004, employees from our United Kingdom (U.K.) facilities got out to have fun and promote good causes in their neighboring communities. In 2004, employees hosted school children for facility tours to help them learn more about the health and hygiene business. Employees also arranged charity golf days and participated in a number of fundraisers, including Jeans for Genes, Breast Cancer Research, Red Nose Day activities, and the Make a Wish Foundation Ball.

Kimberly-Clark United Kingdom partnered with radio station Viking FM's charity committee to raise funds for the nonprofit organization For the Kids, which is dedicated to helping kids in crises. Activities included hosting a charity day on site at the Barton facility

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featuring the Viking FM Foxy and Tom Breakfast Show and raising approximately \$6,661. Another U.K. facility also raised approximately \$7,613 through its Annual Charity Golf Day, which featured prizes sponsored by our suppliers and company. The partnership has been very successful, and the U.K. facilities plan to continue working with Viking FM to plan future fund-raising events.

### *Kimberly-Clark Argentina Brings Educational Movies to Children*

As part of its innovative Plan Impulsar, a program dedicated to improving the health, education and quality of life for local children, Kimberly-Clark Argentina employees implemented the *Llevaremos El Cine A Las Escuelas* (Bring Movies to School Program). In 2004, this program brought the gift of entertainment and education in the form of movies to more than 10,000 children from low-income families. Many of these children had never before seen a movie.

A well respected Argentinean nonprofit organization, Foro Ecueménico Social (Social Ecumenical Forum) recognized Kimberly-Clark Argentina's commitment to the community with its 2004 Premio Emprendedor Solidario (Business Solidarity Award) in the Education and Culture category.

### *Getting to Know the Community, Kimberly-Clark, Brazil Environmental Week*

To foster good relations with its nearby communities in Suzano, Mogi das Cruzes, Cruziero, Santo Amaro, Correia Pinto and Eldorado do Sul, Kimberly-Clark Brazil hosted an open house and educational activities during Environmental Week in June 2004. Kimberly-Clark Brazil invited students and teachers from public elementary schools to tour the facilities; discuss the company's environmental commitment; and attend lectures given by prominent community members, other local companies, unions and Kimberly-Clark environmental representatives. At the end of the program, participants planted trees.

Facility employees also engaged in activities to commemorate the week. Employees received tree seeds for planting and presentations to further raise awareness about the facility's recycling program.

### **Urban Forest Project (Projecto Floresta Urbana)**

Kimberly-Clark Brazil provided financial sponsorship, meeting space and voluntary support to the Urban Forest Project, an educational initiative launched in February 2004 by the industrial waste management company, Kaper. The program focuses on helping teachers in low-income neighboring communities to integrate environmental education into their curriculums. The program was piloted in the community of Suzano, directly benefiting more than 1,800 students.

In December 2004, participating teachers attended a workshop where educational trainers assisted them in developing a plan of action for implementing the program into their 2005 curriculum. The program provides books and other educational materials to help teachers plan environmental activities and educational opportunities. Kimberly-Clark's Brazil facilities donated over 50 environmentally themed tapes and books, and hosted teachers and school staff at an open house in the facility during the month of October.

### *Sharing Global Learning Solutions With Wisconsin Communities, United States*

For many years, Kimberly-Clark's Corporate Global Learning Solutions organization has not only been developing innovative learning opportunities for employees worldwide, it has also provided volunteer support and training to area school systems for various software applications. For example, in 2004, the organization provided teachers and administrative assistants from the Appleton School District in Wisconsin with courses in a number of software programs and the Internet.

### *The Good Neighbor Plan, Kimberly-Clark, Mapasingue, Ecuador*

Employees from our Mapasingue facility created a Good Neighbor Plan to help its neighbors improve the neighborhood. As part of the plan, employees helped to paint local homes, the school and church, and beautify the area's streets and public parks.

# Appendix:

## Economic, Environmental, Safety and Social Responsibility-Related Policies

### Economic Policies

#### *Charitable Donations Policy (Adopted 1968)*

Kimberly-Clark will:

- 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 company's average U.S. pretax income of the preceding three years, and further provided that such contributions of any products or real property of the company shall be excluded from the foregoing limitation.
- Administer the contributions program pursuant to rules established by the CEO.
- 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.

### Environmental Policies

#### *Fundamental Policy on Environmental Protection and Concern (Adopted 1990)*

It is the policy of Kimberly-Clark to conduct its affairs with a sincere, balanced and proper regard for the environment. The company will at all times keep in effect appropriately updated specific policies on environmental matters such as, but not limited to:

- Environmental assessment measures and control procedures.
- Sustainable use of natural resources.
- Reduction and disposal of waste.
- Use of energy.
- Safety of the company's products and services.

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

#### *Compliance Policy (Adopted 1991)*

Kimberly-Clark is committed to protecting the biosphere by ensuring that environmental assessment measures and control procedures are maintained and followed in product and process design and in ongoing operations. This policy will be implemented through:

- Adherence to legal requirements protecting the biosphere.

- Development of and adherence to an environmental plan, which considers the total product development process from design to product use and disposal.

- Periodic audits at all manufacturing facilities.

#### *Energy Policy (Adopted 1991)*

We are committed to achieving world-class energy efficiency in all of our processes and to using renewable forms of energy wherever practical. Kimberly-Clark is committed to actively pursuing energy conservation through:

- Establishing programs to ensure the efficient use of energy and to encourage energy conservation.
- Using renewable forms of energy, such as wood wastes and waste-to-energy systems where feasible and cost effective.
- Conducting performance audits of all major steam plants, recovery boilers and other systems on a regular basis.
- Encouraging fuel suppliers and utilities to incorporate responsible operating practices.

#### *Reduction and Disposal of Waste Policy (Adopted 1991)*

Kimberly-Clark is committed to designing products and processes to reduce the volume and weight of materials and to minimize the disposal of product and manufacturing waste by supporting an integrated approach to waste management, including source reduction, recycling and waste-to-energy systems.

#### *Sustainable Use of Natural Resources (Adopted 1991)*

It is the policy of Kimberly-Clark to conduct its businesses with a sincere and proper regard for the need to sustain natural resources. For the purposes of this policy, natural resources shall include fiber and other materials used in the manufacture of corporate products and in providing corporate services.

It is the intent of this policy to:

- Use sustained yield forestry practices so that lands continue to provide a source of fiber for corporate products and an attractive natural habitat.
- Use virgin pulp produced in high yield processes as well as recycled fiber in products and packaging consistent with product performance and customer requirements.
- Encourage vendors to follow responsible environmental practices by considering such practices in the vendor selection process.

# Appendix:

## Economic, Environmental, Safety and Social Responsibility-Related Policies

### Safety Policies

#### *The Corporate Safety and Hygiene Policy (Adopted 1991)*

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.

### Social Responsibility-Related Policies

#### *Human Resources Development and Diversity (Adopted 1991)*

##### Policy Statement

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

##### 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 toward 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.

#### *Human Rights in Employment (Adopted 1991)*

##### Policy Statement

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

##### Policy Comment

It is the intent of this policy to:

- Prohibit discrimination and/or harassment based on race, color, sex, sexual preference/orientation, age, religion, national origin or disability as provided by 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.

#### *Discrimination and Sexual Harassment Policy*

It is against the policies of the company for any employee, while in the course of his/her employment, to discriminate against or behave inappropriately toward or intimidate another person based on race, color, sex, sexual orientation, age, religion, national origin, disability, or other categories as provided by law.

Examples of sexual harassment include:

- Making sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature, a condition of continued employment; or
- Making submission to or rejections of such conduct the basis for employment decisions affecting the employee; or
- Creating an intimidating, hostile or offensive working environment by conduct that is in any manner sexual in nature.

Any employee who believes he or she is the subject of inappropriate conduct, intimidation, or other unwelcome behavior, including harassment or other inappropriate behaviors, should report the alleged action immediately to designated members of management. An investigation of all complaints will be undertaken. Any employee who has been found by the company to have discriminated against, harassed, intimidated or conducted themselves inappropriately toward another employee will be subject to discipline up to and including termination, depending on the circumstances.

The company recognizes that all facts in a matter involving harassment and other inappropriate behavior require careful review and a determination of the circumstances of the entire matter. Employees who believe they have been harassed or otherwise treated inappropriately should not fear retaliation in raising such concerns. The company will take whatever steps are appropriate to prevent retaliation in these circumstances.



### Contact Us

We welcome your comments on our 2004 Sustainability Report. Please contact:

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### Forward-Looking Information

This publication may contain forward-looking information within the meaning of the U.S. federal securities laws. In light of the risks and uncertainties involved, we invite you to read the risk factors and forward-looking information sections of Kimberly-Clark's fiscal year 2004 Form 10-K at [www.kimberly-clark.com/investorinfo/AnnualReport2004/](http://www.kimberly-clark.com/investorinfo/AnnualReport2004/)

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