





# act

*on what our stakeholders tell us*

## **About this report**

Welcome to this summary of our 2006 sustainability report. It describes our key accomplishments in 2006 in managing the affects of our business on customers, shoppers and users of our products, the environment, our employees and suppliers, and the communities in which we live and work.

On pages 8-13, we explain our commitment and performance in the five aspects of sustainability most important to our business and stakeholders in 2006. These are:

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

We designed this summary to complement our more detailed and complete 2006 sustainability performance report, which is on our Web site ([www.kimberly-clark.com/aboutus/sustainability.aspx](http://www.kimberly-clark.com/aboutus/sustainability.aspx)).

This report is for the calendar year 2006 and covers our worldwide consolidated (wholly- and majority-owned) operations,<sup>1</sup> with some highlighted exceptions. All monetary values are in U.S. dollars unless otherwise stated.

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

Kimberly-Clark Corporation  
Dept. KCSR  
P.O. Box 2020  
Neenah  
Wisconsin  
United States  
54957-2020

800-331-3422 (within the United States and Canada)  
920-721-8355 (outside of the United States and Canada)

**Email: [sustainability@kcc.com](mailto:sustainability@kcc.com)**

<sup>1</sup> In our previous reports, we have included information on our equity affiliates (minority-owned operations); however, in 2006 we have chosen only to report on those facilities over which we have management control. We have adjusted comparative figures from previous years to reflect this where necessary.

Front Cover Image: K-C works in Huancavelica, Peru, with the United Nations World Food Program to feed the children of this region, 53 percent of whom are malnourished.

## An introduction from Tom Falk

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

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

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

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

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

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

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



Tom Falk, Chairman and CEO  
April 16, 2007

*"The environmental and social challenges society will face in the coming decades – from climate change and tighter regulations to growth in developing markets – are real issues that will require changes in behavior, new ways of operating and broader cooperation among individuals, companies and governments."*





*improve people's health, hygiene  
and well-being around the world*

## **Our business and brands**

### **A sustainability leader in personal care**

For the second consecutive year, we ranked No. 1 among Personal Products companies in the Dow Jones Sustainability World Indexes. Only 10 percent of the 2,500 largest companies worldwide qualify for the indexes, which identify the leading sustainability-driven companies in their sectors. See our online report for a full list of recent awards presented to our company.



### **Who we are and what we do**

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

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

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

We invented five of our eight major consumer product categories: facial tissue, paper towels, toilet paper on a roll, feminine pads and disposable training pants.

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

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

## A historical snapshot



<b>1872</b>	Kimberly, Clark and Company is established in Neenah, Wis.
<b>1879</b>	Scott Paper Company founded in Philadelphia by Irvin and Clarence Scott.
<b>1890</b>	Scott Paper Company is first to put toilet paper on a roll.
<b>1907</b>	Scott Paper introduces the first paper towel in America.
<b>1913</b>	Scott Paper begins to manufacture ScotTissue Bathroom Tissue.
<b>1920</b>	K-C introduces Kotex Sanitary Napkins as the first readily available disposable product for menstrual care.
<b>1924</b>	K-C introduces its disposable "cold cream towel," Kleenex Facial Tissue.
<b>1925</b>	K-C begins marketing consumer products outside the U.S. – in Canada.
<b>1955</b>	K-C begins a decade of major international expansion.
<b>1978</b>	K-C introduces Huggies Diapers.
<b>1980</b>	Depend Incontinence Products are introduced.
<b>1989</b>	K-C invents Pull-Ups Training Pants.
<b>1993</b>	K-C introduces GoodNites Underpants to help kids who wet their beds.
<b>1995</b>	Scott Paper and K-C merge.
<b>1997</b>	K-C launches a new segment with infant/child care with Huggies Little Swimmers Swimpants.
<b>2004</b>	<u>Good Housekeeping</u> Names Huggies Little Swimmers Swimpants - one of the top four "GOOD BUYS" of the past decade.
<b>2005</b>	Huggies Supreme Diapers are named America's Favorite Diapers by <u>American Baby</u> magazine.  K-C selected as the sustainability leader in the Personal Products sector of the Dow Jones Sustainability World Indexes.
<b>2006</b>	The Dow Jones Sustainability World Indexes ranked K-C No. 1 among Personal Products Companies for the second consecutive year.

## Managing sustainability

Our Corporate Sustainability Steering Committee includes the presidents from each of our global business units and other senior leaders who oversee our sustainability commitment and performance. The Committee approves sustainability strategy and major initiatives and updates the board of directors on key topics and activities.

We are also establishing an external Sustainability Advisory Board to provide an independent perspective on our sustainability programs and to advise us on areas of potential risk and opportunity for our businesses.

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

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

Employees at our Ingleburn, Australia facility demonstrate appropriate safety measures.



## Our stakeholders

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

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

We communicate regularly with these groups. In 2006, we redesigned our corporate Web site to communicate more clearly with visitors about our business, mission, innovations and brands.

## More on the Web:

Our 2006 sustainability report: [www.kimberly-clark.com/aboutus/sustainability.aspx](http://www.kimberly-clark.com/aboutus/sustainability.aspx)

About us: [www.kimberly-clark.com/aboutus](http://www.kimberly-clark.com/aboutus)

Our brands: [www.kimberly-clark.com/ourbrands](http://www.kimberly-clark.com/ourbrands)

Board of directors: [www.kimberly-clark.com/aboutus/leadership.aspx](http://www.kimberly-clark.com/aboutus/leadership.aspx)

Governance: [www.kimberly-clark.com/investors/governance.aspx](http://www.kimberly-clark.com/investors/governance.aspx)

Investor relations: [www.kimberly-clark.com/investors](http://www.kimberly-clark.com/investors)

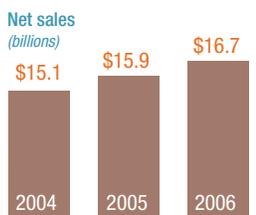


our products to nearly a quarter  
of the world's population

## A winning global health and hygiene company

### A summary of our activities in 2006

This section provides an overview of K-C's performance in 2006. We discuss briefly our financial results, our efforts to meet the needs of our customers, shoppers and users, environmental stewardship, people management, sourcing and supply and community investment. More details and examples of our performance in these areas are in our online sustainability report.



### Financial performance

In 2006, we achieved revenues of \$16.7 billion, a 5.3 percent increase on 2005. This was the result of increased sales volume, higher net selling prices and an improved product mix. Adjusted earnings per share increased in 2006, and we returned \$1.6 billion to stockholders through dividends and share repurchases.

### Customers, shoppers and users

Our customers are retailers, wholesalers, distributors, businesses such as manufacturers and hotels and healthcare establishments globally. Shoppers and users are the people who buy or use our products at home, at work, in public facilities or when receiving healthcare.

Our goal is to become an indispensable partner to our customers and to use their insights, and those from our shoppers and users, to offer higher value, more sustainable products. We made good progress in 2006 by working in partnership with key customers to develop more sustainable products, by reducing packaging, increasing absorbency and improving efficiency.

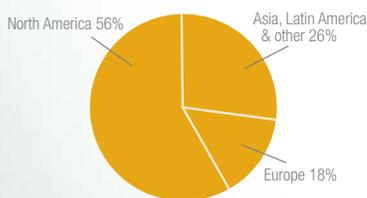
### Environmental stewardship

Making and distributing our products has an environmental impact. We continue to seek new ways to reduce our environmental footprint. In 2006, we launched Vision 2010, the third phase of our environmental improvement program. Read more about this on page 9.

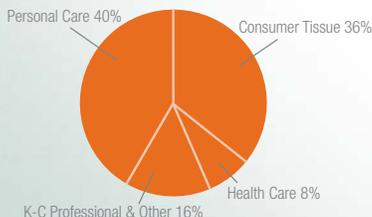
We audited the environmental management systems at 67 of our manufacturing facilities during 2006 and rated each using a traffic light system. A green rating means no problems were identified; yellow shows that some improvements are still needed; and red means the system did not meet expected standards. A green or yellow rating was given to 97 percent of our manufacturing facilities. We made progress in some key areas compared with 2005:

- Energy efficiency improved by approximately 3 percent
- We achieved a decrease of more than 2 percent in carbon dioxide equivalent emissions per ton of production
- Although we reduced the overall amount of waste we generated by 4 percent, the proportion sent to landfill increased from 15 percent to 17 percent
- 83 percent of applicable Consumer Tissue and K-C Professional facilities met their wastewater quality targets

### 2006 Revenues by region



### 2006 Revenues by business segment



## Employees

Our business reorganization continued to affect some employees, and we discuss this in more detail on page 11. During 2006, we fully implemented our redesigned Performance Management and Compensation systems.

We continue to encourage diversity and inclusion, as we want our workforce to reflect and understand our customers, consumers and communities globally. In 2006, we held a diversity conference for team leaders, launched a diversity toolkit on our intranet and introduced an Executive Women's Forum.

We maintained a strong focus on safety. Our lost time recordable incident rate decreased from 0.4 per 200,000 hours worked in 2005 to 0.3 in 2006. Despite this progress, tragically, one employee died as the result of a workplace accident – an incident we have fully investigated and corrected to help prevent a recurrence.

Our businesses in Latin America received much recognition in 2006. We topped the Great Place to Work rankings in Peru and Ecuador, and placed second and 19th in Colombia and Chile, respectively. K-C Honduras and K-C El Salvador ranked among the top 10 midsize employers in Hewitt Associates' list of the 200 Best Employers in Latin America. Our operations in Guatemala and Nicaragua ranked in the top 10 small businesses.

## Suppliers and ethical sourcing

We aim to ensure that the materials and services used to make our products are responsibly sourced. We aim to treat our suppliers with fairness, honesty and respect and expect them to comply with applicable labor and environmental standards.

In 2006, we developed guidelines on our sustainability requirements and expectations for suppliers. We will implement the guidelines in 2007. We also increased our spending with both minority- and women-owned suppliers as part of our effort to increase diversity in our supply chain.

Many of our products contain natural fibers derived from wood pulp. In early 2007, we updated our fiber procurement policy to increase our leadership in environmentally responsible fiber sourcing. We discuss this in more detail on page 10.

## Community

Our culture of caring for others extends beyond our famous brands. We frequently donate products, money and time to improve lives and support causes that strengthen families and communities. In 2006, K-C and our employees donated \$24.3 million in cash and product to support our partner charities – Boys & Girls Clubs of America, United Way of America, YMCA of the USA and UNICEF – and causes local to our operations around the world. Examples of the latter include:

- **In Peru, we are part of the United Nations' World Food Program pilot project in Huancavelica. In this region, 74 percent of people live in extreme poverty and 53 percent of those under five years old are chronically malnourished**
- **In the U.K., we partnered with In Kind Direct to provide surplus goods to charities and community groups. K-C is one of their largest suppliers and donated more than 130 pallets of our product in 2006, worth approximately \$180,000**
- **In China, we have donated around \$40,000 for the upkeep of two pandas at the Chengdu Giant Panda Breeding Research Center over the past seven years. In 2006, we held a panda drawing competition in Chongqing to help raise conservation awareness among young people.**

As a major user of forest resources and water, we also support organizations that help manage these resources in a responsible and sustainable way. In 2006, we donated more than \$100,000 to environmental organizations.



### Top-level recognition for our community support

*In 2006, K-C received two major awards for the support we give our partner charities.*

*We were presented with the United Way of America's Summit Award for Corporate Community Investment for our commitment to improving lives in local communities.*



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



*See our online report for a full list of recognition for our charitable works.*



### More on the Web:

Our 2006 sustainability report: [www.kimberly-clark.com/aboutus/sustainability.aspx](http://www.kimberly-clark.com/aboutus/sustainability.aspx)

Annual report: [www.kimberly-clark.com/investors/annual\\_reports.aspx](http://www.kimberly-clark.com/investors/annual_reports.aspx)

Environmental policies: [www.kimberly-clark.com/aboutus/sustainability.aspx](http://www.kimberly-clark.com/aboutus/sustainability.aspx)

Diversity: [www.kimberly-clark.com/aboutus/diversity.aspx](http://www.kimberly-clark.com/aboutus/diversity.aspx)

Communities: [www.kimberly-clark.com/aboutus/community\\_involvement.aspx](http://www.kimberly-clark.com/aboutus/community_involvement.aspx)

# W E P

# adapt

for a more sustainable world

## **Our commitment to health, hygiene and well-being**

### **Our key areas of focus**

Our mission is to enhance the health, hygiene and well-being of people every day, everywhere. This inspires us to seek new and better ways to grow our business and meet the needs of our stakeholders. It also requires us to contribute more to sustainable development – defined in the Brundtland report<sup>2</sup> as meeting the needs of the present without compromising the ability of future generations to meet their own needs – and to do so in a responsible and reliable way.

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

On the following pages, we highlight some of the main aspects of sustainability important to our business and to our stakeholders, and describe how we manage them. These are:

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



SCOTT® 100 percent recycled fiber products

<sup>2</sup> The Brundtland Commission was convened by the United Nations. The commission's 1987 report contains a widely accepted definition of sustainable development.

### **Vision 2010 – continual improvement in environmental management**

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

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

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

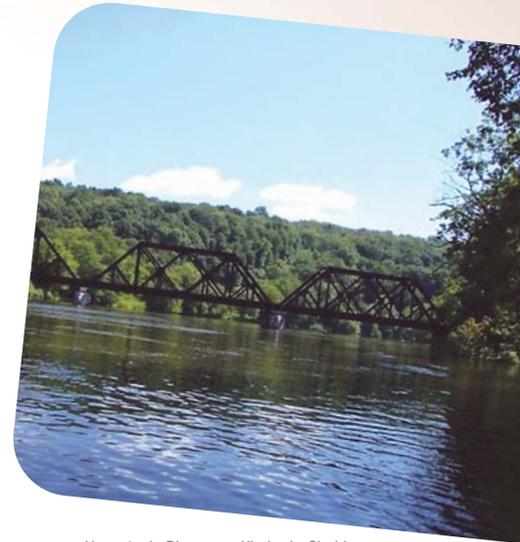
We developed our new objectives using input from our business leaders, manufacturing staff and technical experts. They reflect the most significant environmental concerns identified by the United Nations Environment Program and the World Business Council for Sustainable Development that affect our company: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

Vision 2010 includes some objectives covered by our Vision 2005 program, plus additional areas that are also important for continually improving environmental management. We have established ambitious goals for the next five years in each area. Our objectives apply to all K-C owned and operated facilities, and we

encourage our equity affiliates to participate as well. They are:

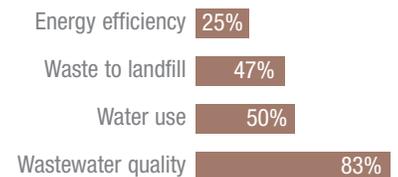
- **Energy use:** Reduce energy consumption by achieving process specific energy efficiency targets
- **Carbon emissions:** Reduce carbon dioxide equivalent emissions per unit of production as energy efficiency improves, and through a phased program of product transportation efficiency improvements
- **Manufacturing waste:** Eliminate all landfilling of manufacturing waste and reduce manufacturing waste per unit of output by 10 percent
- **Freshwater use:** Reduce total fresh water use at our Consumer Tissue and K-C Professional facilities by achieving facility specific water efficiency targets
- **Wastewater quality:** Maintain treated wastewater quality consistent with best demonstrated technology
- **Consistency between environmental and safety management systems:** Establish a single system to manage environmental and safety issues, based on International Standard Organization (ISO) standards, at each K-C operating facility
- **Design for the Environment:** Use environmentally sound design principles to develop sustainable products and packaging. Examples include increasing the use of renewable or recycled polymers and sourcing raw materials responsibly
- **Country Specific Environmental Programs:** Establish special programs in Brazil, Russia, India, China, Indonesia and Turkey (BRICIT countries) to demonstrate our commitment to environmental progress in these countries

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



*Housatonic River near Kimberly-Clark's New Milford, Connecticut, U.S. facility.*

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



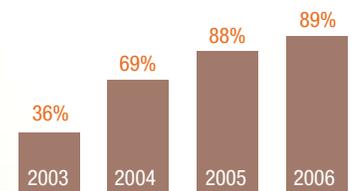
#### **More on the Web:**

Our 2006 sustainability report: [www.kimberly-clark.com/aboutus/sustainability.aspx](http://www.kimberly-clark.com/aboutus/sustainability.aspx)  
Environmental policies: [www.kimberly-clark.com/aboutus/sustainability.aspx](http://www.kimberly-clark.com/aboutus/sustainability.aspx)

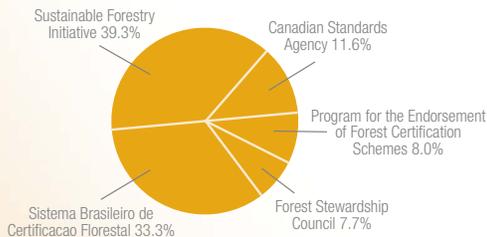


K-C employees in Thailand organized and took part in the replanting of 40 acres of the Kanchanaburi forest, one of the most critical woodlands in Thailand.

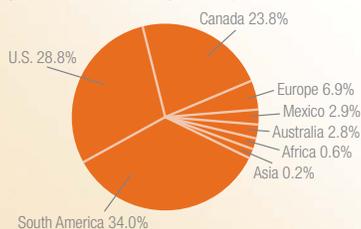
Percentage certified fiber purchased



Breakdown of purchased certified fiber by certification scheme in 2006



Geographic location of virgin fiber purchases in 2006



### Ethical sourcing of raw materials

It is widely accepted that natural forests and tree plantations should be managed to meet the social, economic, ecological and cultural needs of present and future generations.

Most of our products contain wood fiber and many people, including K-C, are interested in the source of that fiber. Consistent with these principles, K-C has long been a supporter of sustainable forest management.

### Our commitment to use responsibly sourced fiber

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

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

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

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

### Putting policy into practice

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

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

**Responsible business reorganization**

Our Global Business Plan describes how we will continue to meet our customers' expectations and succeed in an increasingly competitive business environment.

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

As part of our efforts to transform K-C into a leaner and more focused company, we will reduce our workforce by approximately 10 percent by the end of 2008 through a combination of selling and closing facilities, outsourcing portions of some functions, and organizational changes.

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

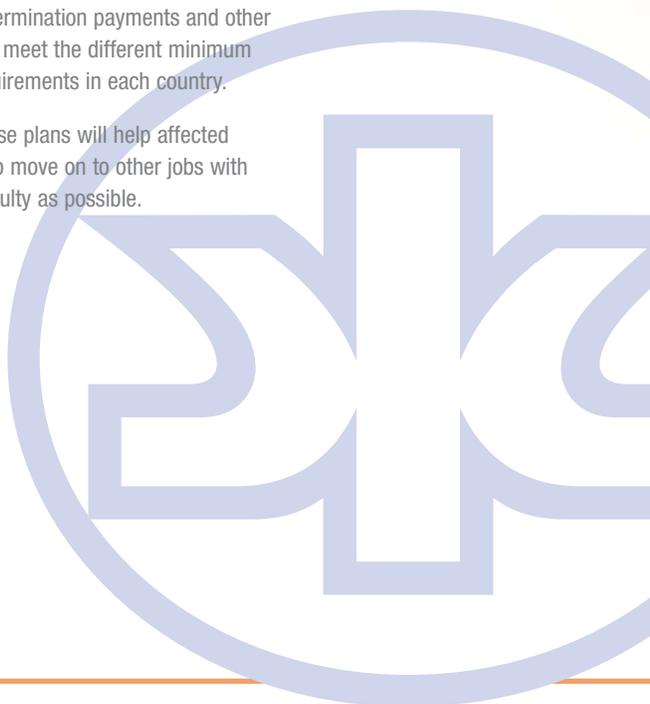
In September 2006, we announced plans to outsource portions of some support services. These include information technology, human resources, finance and accounting and sourcing and supply chain management. This will take place over a two-year period.

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

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

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

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



**More on the Web:**

Our 2006 sustainability report, environmental policies, and forestry fact sheet:  
[www.kimberly-clark.com/aboutus/sustainability.aspx](http://www.kimberly-clark.com/aboutus/sustainability.aspx)

*In 2006, K-C ranked in the top 1 percent of 3,800 global companies in a corporate governance survey conducted by GovernanceMetrics International.*

### **Helping children survive and thrive**

*We have donated almost \$4 million to the U.S. Fund for UNICEF to help care for children orphaned by HIV/AIDS. We are the largest single U.S. corporate donor to the initiative.*

*In 2006, our support provided children affected by HIV/AIDS in 24 countries with educational subsidies for books, uniforms, and school supplies. It also provided schools with information about the disease.*

*Each year, we issue a fundraising challenge match, which UNICEF promotes. In 2006, challenge match mailings and emails reached more than 850,000 donors and raised more than \$1.1 million.*

*We also won an award from ASO (AIDS Response Standard Organization) in Thailand for our work to educate people about HIV/AIDS and prevent discrimination toward those affected.*



### **Building trust through good governance**

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

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

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

### **Our Code of Conduct**

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

Our employees in 56 countries can report violations of the Code anonymously using our 24-hour hotline or our intranet. In 2006, reports received through the hotline were promptly addressed by the appropriate K-C department. The board of directors periodically reviews the Code to ensure it continues to reflect best practice, and our chief compliance officer administers and enforces it.

### **Operating responsibly in developing countries**

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

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

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

### **Increasing access to our products**

We adapt our products and services to make premium brands affordable for families in developing countries and to suit the small, traditional trade stores in which many families shop. For example, stores in Latin America and Asia stock Huggies and Kotex brands



*Employees from our Kimberly-Clark China operations.*

packaged individually. In these regions, we have also used the same Hydroknit nonwoven material used in some K-C Professional products to develop a quality, semi-durable consumer paper towel.

### **Working to high standards**

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

### **A great place to work in Peru**

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

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

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



### **More on the Web:**

Corporate governance policies, committee charters and code of conduct:  
[www.kimberly-clark.com/investors/governance.aspx](http://www.kimberly-clark.com/investors/governance.aspx)  
Global locations: [www.kimberly-clark.com/aboutus/global\\_locations.aspx](http://www.kimberly-clark.com/aboutus/global_locations.aspx)

### Data Summary

This table shows our performance in 2006 against key sustainability performance indicators. More details of our performance in these areas are available in our full sustainability report at [www.kimberly-clark.com/aboutus/sustainability.aspx](http://www.kimberly-clark.com/aboutus/sustainability.aspx). All data are for our worldwide consolidated (wholly- and majority-owned) operations unless otherwise stated.<sup>3</sup>

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



The New Day Foster Home thanks Kimberly-Clark China for its donation of diapers and tissue products as well as employee time volunteering with the children.

<sup>3</sup>In previous years, we included data from our minority-owned operations (equity affiliates). In 2006, we have chosen only to report on those facilities over which we have management control. We have adjusted comparative figures from previous years to reflect this where necessary.

### More on the web

For full details of our sustainability performance, please see our online 2006 sustainability report at [www.kimberly-clark.com/aboutus/sustainability.aspx](http://www.kimberly-clark.com/aboutus/sustainability.aspx). There you will find the following information:

#### About Kimberly-Clark:

- Business overview
- Our Global Business Plan
- Managing sustainability
- Communicating with our stakeholders
- Awards and recognition

#### A Commitment to health, hygiene and well-being:

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

#### Customers, shoppers and users:

- Engaging with customers
- Connecting with shoppers and users
- Sustainable business opportunities
- Product quality and safety

#### Environmental stewardship:

- Policy, organization and management
- Energy use and climate change
- Waste reduction
- Design for the environment
- Water use

#### Employees:

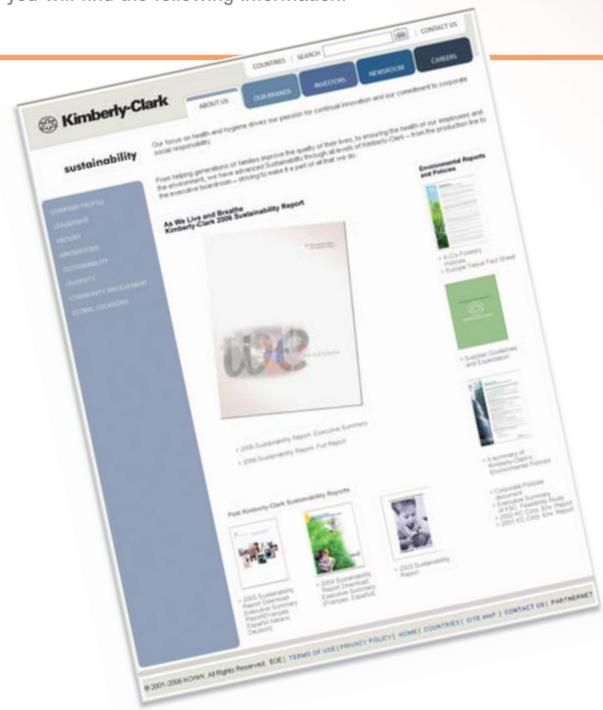
- Safety, health and hygiene
- Talent management
- Recruitment, mentoring and training
- Compensation and benefits
- Diversity and inclusion
- Human rights

#### Suppliers and ethical sourcing:

- Relationships with suppliers
- Ethical sourcing of raw materials

#### Community:

- Our partner charities
- Supporting local communities
- Cause-related marketing



Many of K-C's businesses around the world have their own Web sites. For more information about our global operations, please visit:

- Kimberly-Clark – CHINA: [www.kimberly-clark.com/CN](http://www.kimberly-clark.com/CN)
- Kimberly-Clark – TAIWAN: [www.kimberly-clark.com/TW](http://www.kimberly-clark.com/TW)
- Kimberly-Clark – THAILAND: [www.kimberly-clark.com/THAILAND](http://www.kimberly-clark.com/THAILAND)
- Kimberly-Clark – AUSTRALIA: [www.kca.com.au](http://www.kca.com.au)
- Yuhan-Kimberly – KOREA: [www.yuhan-kimberly.co.kr](http://www.yuhan-kimberly.co.kr)
- Kimberly-Clark – SOUTH AFRICA: [www.kimberly-clark.com/SOUTHAFRICA](http://www.kimberly-clark.com/SOUTHAFRICA)
- Kimberly-Clark – BRAZIL: [www.kimberly-clark.com.br](http://www.kimberly-clark.com.br)
- Kimberly-Clark – MEXICO: [www.kimberly-clark.com.mx](http://www.kimberly-clark.com.mx)
- Kimberly-Clark – GREECE: [www.kimberly-clark.gr/](http://www.kimberly-clark.gr/)



**Kimberly-Clark**

Kimberly-Clark Corporation  
World Headquarters  
P.O. Box 619100  
Dallas  
Texas  
75261-9100  
USA

**[www.kimberly-clark.com](http://www.kimberly-clark.com)**

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

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