

# Creating Sustainable Relationships



A MESSAGE FROM THOMAS J. FALK, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Welcome to Kimberly-Clark's first sustainability report, which communicates our economic and environmental stewardship and social responsibility performance for 2003.



At Kimberly-Clark, our mission is to enhance the health, hygiene and well-being of people every day, everywhere. For generations of families around the world, our global team of more than 60,000 employees is dedicated to developing innovative brands that help improve quality of life. To further this mission, we've been responsibly managing the economic, environmental and social aspects of our business for decades. We are committed to improving sustainability by incorporating a sustainability mindset into our business strategies to better position our company for future growth.

During the 2003 reporting period, we achieved a number of solid performance results and identified a number of areas for improvement. Some of the highlights include:

- Our worldwide operations achieved a 34 percent improvement in our lost work day safety incident rate compared with 2002, moving us closer toward our goal of an injury-free workplace.
- We delivered improved returns to shareholders in 2003. Kimberly-Clark's stock price increased 24 percent, and we raised our dividend more than 13 percent. In 2004, we increased the dividend an additional 18 percent – our 32nd consecutive annual increase.
- We revised our sustainable forestry policies and practices to improve our suppliers' performance and to promote sustainable forestry on a global level.
- We recycled or converted into energy approximately 65 percent of the solid waste generated by our manufacturing operations worldwide.
- Our company invested millions of dollars in training employees, more than \$4.7 million in Europe alone, and received recognition from various rating organizations worldwide as among the best employers to work for.

We are committed to Kimberly-Clark's founding principles of quality, service and fair dealing, and to strengthening our reputation worldwide as a responsible global corporation. Likewise, we're confident this strategy of "creating sustainable relationships" will raise our company to the next level of performance.

Thank you for your interest in Kimberly-Clark.

A handwritten signature in black ink that reads "Thomas J. Falk". The signature is fluid and cursive.

Thomas J. Falk

August 27, 2004

## KIMBERLY-CLARK'S STRATEGY FOR CREATING SUSTAINABLE RELATIONSHIPS

A Message From Cheryl A. Perkins, Senior Vice President and Chief Technical Officer

We've made a number of changes recently to deliver on our Global Business Plan. A major step involved realigning the company's business sectors into global units. By doing this, we created a faster, more responsive organization, capable of adapting to new opportunities quickly and using capital wisely.

These and other changes have opened the door to assessing our business on a number of fronts. As Tom mentioned, we are committed to incorporating the economic, environmental and social dimensions of sustainability into our business and to pursuing strategies in these areas that align with our business objectives. For example we will:

- Continue generating economic value for stakeholders through responsible financial management, as well as innovative R&D that leverages consumer insights and harnesses the global market's potential for eco-conscious products.
- Leverage our considerable buying power to broaden opportunities for supplier diversity, and encourage our suppliers to improve their environmental stewardship performance.
- Work to minimize natural resource use in our processes and products and actively generate bottom-line savings for Kimberly-Clark and value for all stakeholders through environmental considerations, such as using more renewable resources.
- Continually reflect the diversity of our communities, customers and consumers to meet their needs, promote innovation, and market our products.
- Create a work environment where employees are safe and highly motivated to come to work every day as productive members of our global team.
- 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.

These are just a few of the things we'll continue doing to create sustainable relationships. As a global company, we are committed to developing meaningful and differentiated solutions that help people care for themselves and their families for generations to come.



Cheryl A. Perkins

August 27, 2004



## **REPORT SCOPE**

This report provides information on Kimberly-Clark's (K-C) 2003 calendar-year performance in the areas of economic and environmental stewardship and social responsibility for our worldwide consolidated (wholly- and majority-owned) operations. For particular performance indicators in each section, the scope is clearly indicated. We have also included some historical information to provide context for progress related to our 2003 performance.

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

## **A NOTE ON CUSTOMERS AND CONSUMERS**

Throughout our report, you'll notice that we frequently use the terms "customer" and "consumer." At Kimberly-Clark, the term "customer" is used to describe our wholesalers, distributors, retailers and others to whom we sell our products. The term "consumer" is used to describe the shoppers and end-users who buy our products from our customers.

## **TRADEMARKS**

The brand names and slogans mentioned in this report - Andrex, Ballard, Convertibles, Cottonelle, Depend, GoodNites, Hakle, Huggies, Huggies Natural Care, Kimberly-Clark, Kimwipes, Kleenex, Kotex, Lightdays, Little Swimmers, Page, Poise, Pull-Ups, Safeskin, Scott, Scottex, Surpass, Tecnol, Viva, Where People Who Think Differently Think Together and WypAll - are all trademarks of Kimberly-Clark, Inc., or its affiliates.

## **CONTACT US**

We welcome your comments about our 2003 sustainability report. Please contact:

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P.O. Box 2020  
Neenah, Wis. 54957-2020  
800-331-3422 (U.S. and Canada)  
920-721-8355 (International)  
[www.kimberly-clark.com](http://www.kimberly-clark.com)

## ABOUT KIMBERLY-CLARK

A leading global health and hygiene company, Kimberly-Clark is headquartered in Dallas, Texas, United States. We employ more than 60,000 people worldwide and have operations in 38 countries.

Kimberly-Clark and its well-known global brands are an important part of life for people in more than 150 countries. Every day, 1.3 billion people, nearly a quarter of the world's population, trust our brands to enhance their health, hygiene and well-being. With brands such as Kleenex, Scott, Huggies, Pull-Ups, Kotex and Depend, we hold the No. 1 or No. 2 brand position in more than 80 countries. In 2003, Kimberly-Clark posted sales of \$14.3 billion.



- Global Business Segments, Products and Innovative Brands for Everyday Life
- Management Organization
- Facility Locations Around the World

## GLOBAL BUSINESS SEGMENTS, PRODUCTS AND INNOVATIVE BRANDS FOR EVERYDAY LIFE

Kimberly-Clark's global operations are divided into three business segments: Personal Care, Consumer Tissue, and Business-to-Business.

The **Personal Care** segment manufactures and markets products primarily for household use and includes disposable diapers; training, youth and swim pants; baby wipes; feminine and incontinence care products; and other related products. Huggies, Pull-Ups, Little Swimmers, GoodNites, Kotex, Lightdays, Depend and Poise are some of our personal care product brands.



The **Consumer Tissue** segment manufactures and markets facial and bathroom tissue, paper towels and napkins for household use, and other related products. Kleenex, Scott, Cottonelle, Viva, Andrex, Scottex, Hakle, and Page are some of our consumer tissue product brands.



The **Business-to-Business** segment manufactures and markets facial and bathroom tissue, paper towels, wipers and napkins and other products for away-from-home use; health care products, such as surgical gowns, drapes, infection control products, sterilization wraps, 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 the company's three global businesses and enable consistent brand positioning and deployment of best practices, the company is organized into four business management areas: North Atlantic Personal Care, North Atlantic Consumer Tissue, Developing and Emerging Markets and Business-to-Business.

**North Atlantic Personal Care** – The North American and European Personal Care businesses are managed under a single North Atlantic management team. Personal Care businesses include Infant Care, Child Care, Infant and Child Wipes, Feminine Care and Adult Care.

**North Atlantic Consumer Tissue** – The North American and European Consumer Tissue businesses are managed as one North Atlantic Consumer Tissue Organization. Consumer Tissue businesses include facial tissue, bath tissue and paper towels.

**Developing and Emerging Markets** – To maximize growth opportunities in Asia, Latin America and Eastern Europe, the company formed one management team to ensure resources are dedicated to growth businesses in these regions.

**Business-to-Business (B2B)** – K-C's global B2B businesses are managed under a single umbrella and include Health Care, K-C Professional in North America and Europe, Nonwovens and the company's pulp and paper operations\*.

\*The board of directors has approved a plan to spin off the company's paper and Canadian pulp operations. The spin-off is expected to be completed late in the third quarter or early in the fourth quarter, subject to market, regulatory and other conditions.

## **FACILITY LOCATIONS AROUND THE WORLD**

### **WORLD HEADQUARTERS**

Dallas, Texas, United States

### **BUSINESS AND GEOGRAPHIC HEADQUARTERS**

Roswell, Georgia, United States

Neenah, Wisconsin, United States

Milsons Point, Australia

Seoul, Korea

Reigate, United Kingdom



### **ADMINISTRATIVE CENTERS**

Knoxville, Tennessee, United States

Brighton, United Kingdom

## **LOCATIONS OF WORLDWIDE PRODUCTION AND SERVICE FACILITIES**

Argentina

Australia

Belgium

Bolivia

Brazil

Canada

China

Colombia

Costa Rica

Czech Republic

Dominican Republic

Ecuador

El Salvador

France

Germany

Honduras

Indonesia

Israel

Italy

Korea

Malaysia

Mexico

Peru

Philippines

Poland

Puerto Rico

Singapore

Slovak Republic

South Africa

Spain

Switzerland

Taiwan

Thailand

Turkey

United Kingdom

United States

Alabama

Arizona

Arkansas

California

Connecticut

Georgia

Idaho

Kentucky

Michigan

Mississippi

North Carolina

Oklahoma

Pennsylvania

South Carolina

Tennessee

Texas

Utah

Washington

Wisconsin

Venezuela

Vietnam



## EFFECTIVE GOVERNANCE

Kimberly-Clark Corporation supports accountable, proactive and informed decision-making for company-wide compliance and performance related to our economic, environmental and social responsibilities. All levels of our organization are charged with adhering to our corporate Code of Conduct. Product quality and safety are governed using a globally consistent approach, and those who provide our company with goods and services are highly encouraged to uphold a level of conduct consistent with our high standards.



- Corporate Governance
- Code of Conduct
- Global Quality Management System
- Supplier Compliance

## **CORPORATE GOVERNANCE**

Kimberly-Clark's board of directors is ultimately accountable for ensuring ethical corporate governance, strong internal controls and compliance with applicable laws. A large majority of our board members are independent of management, and the board has elected an independent lead director. In addition, the board's audit, compensation, and nominating and corporate governance committees are comprised of independent directors only. Many of Kimberly-Clark's corporate governance practices were already consistent with the recent U.S. Securities and Exchange Commission and New York Stock Exchange rule changes prior to the institution of these changes.

An important part of our governance process is promoting communication between the board of directors, stockholders and other interested stakeholders. We have established procedures to facilitate these communications.

Kimberly-Clark is structured for top-level accountability for economic and environmental stewardship and social responsibility performance decisions. Cheryl Perkins, senior vice president and chief technical officer, plays a central role in advancing the integration of sustainability elements into our products and business processes and practices. Accountability for economic responsibility resides with Mark Buthman, senior vice president and chief financial officer. Regarding our social responsibilities, accountability resides with Liz Gottung, senior vice president of Global Human Resources. All report directly to Chairman and CEO Tom Falk. Heading up responsibility for Kimberly-Clark's environmental performance is Ken Strassner, vice president of Environment and Energy, who reports to Robert Abernathy, group president, Developing and Emerging Markets, who reports directly to our chairman and CEO.

We invite you to read our Corporate Governance Policies and Board Communications Procedures in full.

## **SENIOR MANAGEMENT INVOLVEMENT IN COMMUNITIES**

Leaders at Kimberly-Clark, through their experience and expertise, help to empower others to reach their potential. For example, Chairman and CEO Tom Falk serves as 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 Fox Cities Children's Museum in Appleton, Wis., United States. She is also on the Activate America Executive Committee of the Young Men's Christian Association (YMCA) of the United States. Senior Vice President, Law and Government Affairs Ron McCray serves on the board of the Hockaday School in Dallas, Texas, United States. Senior Vice President of Global Human Resources Liz Gottung is a board member of the North Fulton Child Development Association in Atlanta, Ga., United States. Robert Abernathy, group president – Development and Emerging Markets, serves on the boards of the North Fulton United Way and the Metro Atlanta Residence Recovery in Atlanta, Ga. Many other senior leaders at Kimberly-Clark lend their time and leadership to make meaningful contributions in their respective communities.

## **CODE OF CONDUCT**

Kimberly-Clark Corporation's Code of Conduct embraces the company's commitment to high ethical standards and compliance, and our founding values of quality, service and fair dealing. All employees of our company are charged with upholding it. The code provides guidance to employees at all levels of the organization on how they should conduct themselves in all areas of our business, including quality, safety, employee interaction, environmental responsibility, compliance, supplier relations, and ethical behavior. The code also provides clear instruction should an employee require assistance or be faced with an ethical question of which he or she is uncertain.

Upon employment with our company, every employee receives a copy of the Code of Conduct. Every year, employees across our global operations are asked to review the Code of Conduct and report any potential conflicts or violations. Selected employees also receive a survey with questions regarding the Code.

## **GLOBAL QUALITY MANAGEMENT SYSTEM**

Since the founding of our company in 1872, we have been committed to the principles of quality, service and fair dealing.

### **QUALITY OF THE CORPORATION'S PRODUCTS AND SERVICES POLICY (ADOPTED 1996)**

It is the policy of Kimberly-Clark to design, manufacture and deliver products, which meet or exceed consumer and customer expectations for quality, performance and value.

It is the intent of this policy to:

- Establish accountability for quality management.
- Provide a common framework for the establishment and communication of quality practices.
- Conduct regular assessment of quality practices to promote continuous process, product and service improvement, and to ensure compliance with applicable laws and regulations.

This policy is implemented through our Quality Management System (QMS), which governs quality assurance at Kimberly-Clark and is modeled on the globally recognized International Organization for Standardization (ISO) 9000:2000 standard. The QMS serves as a consistent company-wide framework for quality management and assurance practices within every business unit and clearly identifies accountability at every level of our organization. It ensures we use resources efficiently and develop products that are safe, effective and compliant with all applicable laws and regulations. The QMS also provides a structured approach for the continual improvement of our processes and products.

## **SUPPLIER COMPLIANCE**

Kimberly-Clark is building long-lasting relationships with suppliers. 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, rules, regulations, standards or codes, including where appropriate, the U.S. Fair Labor Standards Act. A supplier performing work at company facilities must also comply with the rules and regulations of these facilities.

## ECONOMIC PERFORMANCE

Kimberly-Clark's Global Business Plan is designed to create economic value for key stakeholders, including our employees, shareholders, governments, communities, customers and suppliers. Our global team focuses on sustaining market leadership through innovative and trusted brands, and world-class supply-chain integration and customer management. By translating customer and consumer insights into new products, and by integrating economic, environmental and social considerations at the front-end of product planning, we developed many value-added, proprietary solutions in 2003.



- A Message From Mark A. Buthman, Senior Vice President and Chief Financial Officer
- Innovation Management
- Financial Data
  - Consolidated Revenues by Business Segment
  - Consolidated Revenues by Geographic Area
- Global Market Share Positions
- Customer and Consumer Services
- Generating and Protecting Intellectual Property
- Responsible Marketing
- Supplier Diversity, United States
- Global Environmental Expenditures
- Charitable Contributions

A MESSAGE FROM MARK A. BUTHMAN, SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

For well over a century, Kimberly-Clark has delivered solid financial returns on shareholders' investments and economic value to employees, customers, suppliers, governments and communities where we do business. To do this, we have strictly adhered to our company's founding principles of quality, service and fair dealing.

Though some of our stakeholders' expectations have remained consistent over the years – such as growth, employment with a secure company, and quality products – other expectations continue to evolve in the increasingly connected world in which we do business. We believe that integrating the concept of sustainability into our business better positions us to create sustainable relationships with our diverse stakeholders.

The concept of sustainability holds considerable economic opportunity for our business and stakeholders – and the key to long-term growth. Take, for example, our focus on developing and emerging markets. This strategy will not only enable us to deliver on our mission; but also assist Kimberly-Clark in creating new, profitable business opportunities for our company that also bring in valuable revenues to governments and growing communities.

Sustainability also enables us to uncover business opportunities that enhance value in our product lines and processes. For example, it better positions us to meet the growing customer and consumer demand for more environmentally friendly products, as well as increase our operational efficiencies. Additionally, by infusing our commitment to diversity into our supplier base, we can more equitably distribute the benefits of doing business with a large company. These are just a few of the many win-win opportunities that sustainability promotes.

I invite you to learn more about how we further incorporated the concept of sustainability into our business during 2003 to create economic value for many of our stakeholders.



Mark A. Buthman

August 27, 2004

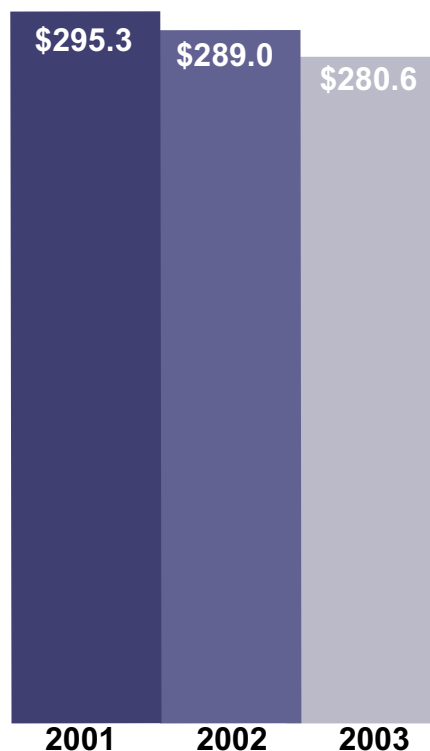


## INNOVATION MANAGEMENT

A major portion of Kimberly-Clark's total research and development (R&D) expenditures is directed toward the innovation of new or improved personal care, consumer tissue, and B2B products. Innovation Management is what we call our disciplined approach to streamlining innovations and managing the impacts of a product's full life cycle. Through Innovation Management, quality, value and environmental considerations are built into our product development process. As part of this approach, we also actively engage external resources, such as suppliers, research firms, universities and various companies, to work together to develop new technologies and materials.

In 2003, Innovation Management resulted in new and improved products around the world, such as Huggies Convertibles diaper-pants, Huggies Supreme diapers with Triple Protection Leak Barriers, Huggies Natural Care baby wash, Huggies disposable washcloths, Pull-Ups training pants with easy open sides, Poise pantliners, improved Andrex bathroom tissue with aloe vera in Europe, new Kotex Good-Feel long ultraslim pads in Korea, new Viva towels in Australia, and improved surgical products in health care.

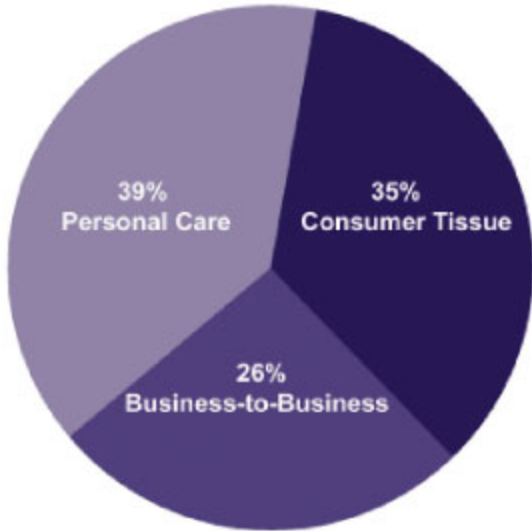
## CONSOLIDATED R&D EXPENSES 2001-2003 (Millions)



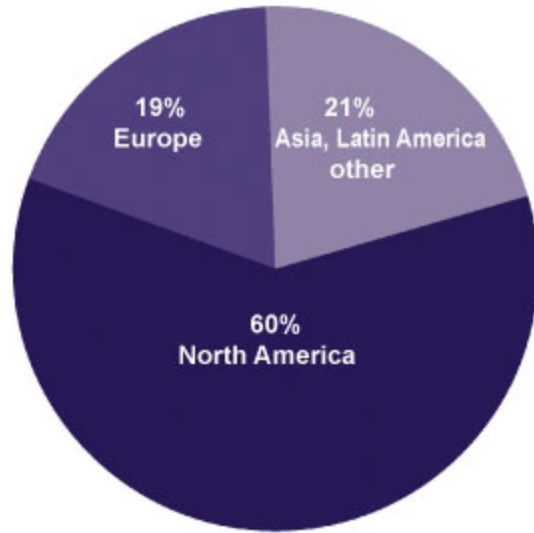


**FINANCIAL DATA**

**2003 REVENUES BY BUSINESS**



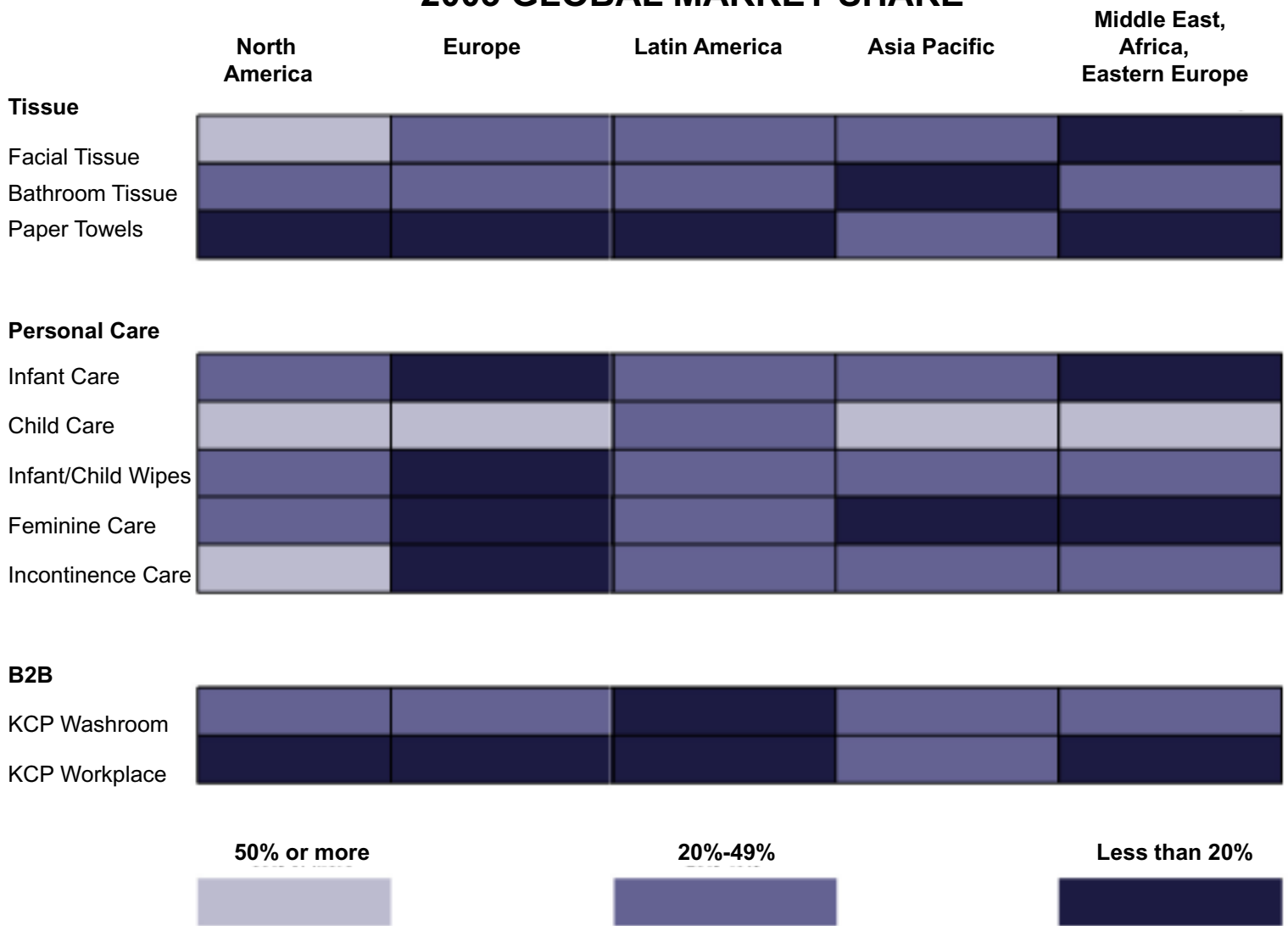
**2003 REVENUES BY GEOGRAPHY**



**GLOBAL MARKET SHARE POSITIONS**

In 2003, Kimberly-Clark brands held the No. 1 and No. 2 market share positions in more than 80 countries.

**2003 GLOBAL MARKET SHARE\***



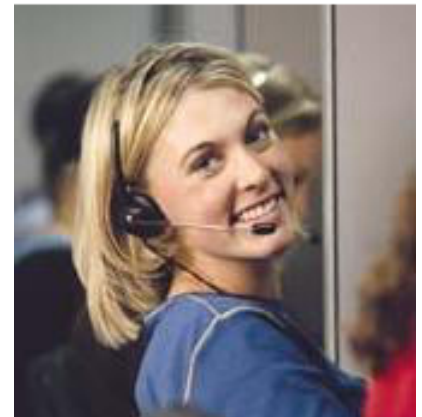
\*In the markets in which K-C competes

## CUSTOMER AND CONSUMER SERVICES

Our commitment to superior customer and consumer service is an important part of who we are and our strategy for continued growth. Our customer commitment has been long recognized in the Consumer Packaged Goods Industry. We aim for 99.2 percent on-time shipment and complete order fulfillment. In 2003, this commitment was recognized favorably by The Performance Monitor, an industry survey that provides retailer and manufacturer feedback on supply chain and customer service performance in the U.S. In a survey of 18 consumer packaged goods companies by the Advantage Group in North America, Kimberly-Clark ranked among the top two for customer satisfaction. In a similar survey in Europe of 20 companies, K-C moved from No. 7 in 2002 to No. 4 in 2003.

Kimberly-Clark also receives recognition for its customer service practices and programs from its global retailer partners. In 2003, Wal\*Mart honored Kimberly-Clark with a Supplier of the Year Award for helping the retailer increase sales, manage costs and drive overall profit in Wal\*Mart's Household Paper and Chemicals department. In addition, Sam's Club presented Kimberly-Clark with the Supplier of Excellence Award in 2003 for outstanding sales results, service levels and efforts to develop products and programs that meet the Sam's Club operating philosophy.

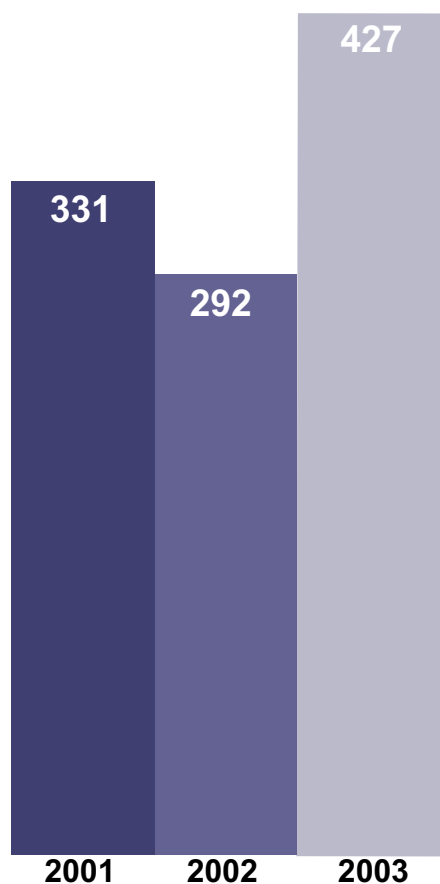
We greatly value our consumers and welcome their comments and questions about Kimberly-Clark and our products. Consumer input helps us better understand how we can improve our products and services. Each year, we receive and document hundreds of thousands of contacts from consumers. Our company encourages consumer interaction by providing a toll-free telephone number, a Web site address and a mailing address on most of our product packages in a number of countries. Representatives within our Consumer Services organizations are trained to respond knowledgeably to consumer inquiries, and to share the information with the appropriate Kimberly-Clark businesses. We have established Consumer Services organizations in a number of countries and regions, including Australia, Canada, Europe, Mexico, South Africa and the United States; and offer services in a number of languages. For example, the European Consumer Services department is located in the Brighton Shared Services Centre and currently covers Spain, France, UK, Ireland, Portugal, Denmark, Norway, Belgium and the Netherlands. Other European countries are supported with country-specific consumer services teams.



## GENERATING AND PROTECTING INTELLECTUAL PROPERTY

Kimberly-Clark has a longstanding history of innovation and some of the most recognized trademarks in the world. A key focus at Kimberly-Clark is the creation of intellectual property that enhances shareholder value by generating competitive advantage and solid financial returns. Kimberly-Clark aggressively pursues patents and other forms of legal protection for our products, manufacturing systems and methods of doing business. We obtain patents for the long-term, overall benefit of our company. All of our scientists and engineers, and those involved with product and business method development are trained to recognize patenting opportunities. Last year, 651 Kimberly-Clark inventors were listed on U.S. patents granted to Kimberly-Clark and 89 Kimberly-Clark employees were individually named as inventors on five or more U.S. patents. According to the Intellectual Property Owners Association, Kimberly-Clark ranked No. 54 out of 300 companies for patents granted in 2003.

### U.S. PATENTS 2001-2003



## RESPONSIBLE MARKETING

In marketing leading brands, Kimberly-Clark follows strict guidelines to promote a positive interaction between consumers and our products. Kimberly-Clark surveys consumers to ensure our brands are meeting their needs and to identify new product opportunities. We highly value the insights we gather, and follow the Council for Marketing and Opinion Research's Respondent Bill of Rights to ensure participants' privacy is respected and confidentiality maintained. In Europe, this includes 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 using the product. We design our packages to meet all legal requirements for conveying critical consumer information. Our Consumer Services representatives are trained to uphold our core values of honesty and integrity and to properly balance their dual roles as consumer advocates and corporate representatives. When promoting our products, we pay close attention to delivering honest, value-based compelling reasons to purchase our brands and place advertising during programming that is consistent with our values.

### HISPANIC CAMPAIGN LAUNCH, UNITED STATES

Diversity is heavily engrained in all aspects of our operations and business practices, and also positively influences our marketing efforts and business results. In an effort to reach the growing Hispanic community in the United States and provide more value to this important consumer segment, we continued to expand in key markets our coordinated multi-brand Hispanic campaign launched in 2001 called "Madre y Mujer" ("Mother and Woman"). These markets included Los Angeles, Calif.; Houston and San Antonio, Texas; and Miami, Fla. This campaign effectively reached Hispanic women and provided relevant information on almost all of our brands, including Huggies, Pull-Ups, Goodnites, Kotex, Depend, Poise, Kleenex, Scott and Viva. It also generated sales volume for our company.

The logo for the "Madre y Mujer" campaign. It features the word "Madre" in a pink, cursive font, followed by a small purple circle containing a white "y". Below this, the word "Mujer" is written in a larger, purple, cursive font. A thin, light purple arc curves behind the text. A small "TM" trademark symbol is located at the end of "Mujer".The Kimberly-Clark logo, consisting of a circular icon with a stylized "K" and "C" inside, followed by the text "Kimberly-Clark" in a bold, black, sans-serif font.

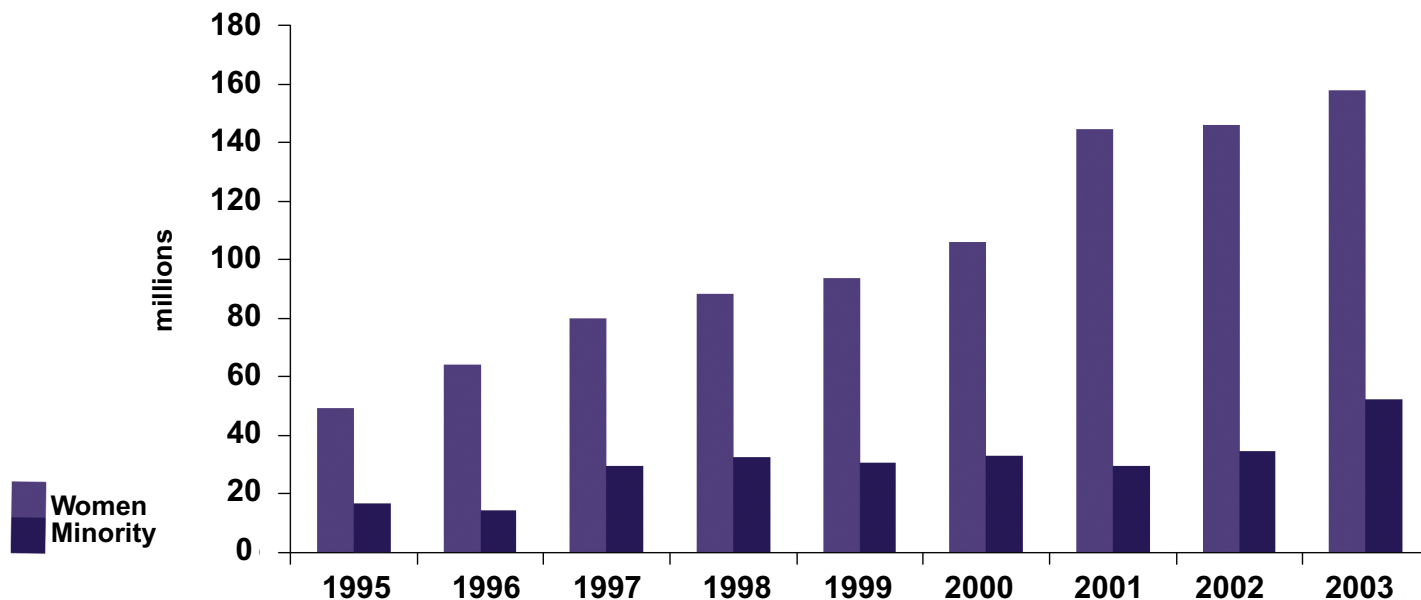
### EUROPEAN MARKETING APPROACH

Given that Europe is a blend of many different cultures and national identities, we conduct significant research to better understand the relationships consumers have with our brands and their reactions to our products. These consumer insights play a key role in our European marketing programs, reflecting the commonalities and differences of this diverse group of consumers.

### SUPPLIER DIVERSITY, UNITED STATES

Kimberly-Clark is committed to using our buying power to further the success of small, minority-owned and women-owned businesses. We actively solicit these types of businesses and provide them with opportunities to furnish goods and services to our company. Over the years, our commitment has significantly increased the minority- and women-owned businesses in our supplier base. Our Purchasing Administration group maintains a library of minority sourcing guides and continually works to expand these sourcing opportunities.

**2003 U.S. SUPPLIER DIVERSITY RESULTS  
K-C SPENDING WITH MINORITY-AND WOMEN-OWNED SUPPLIERS**

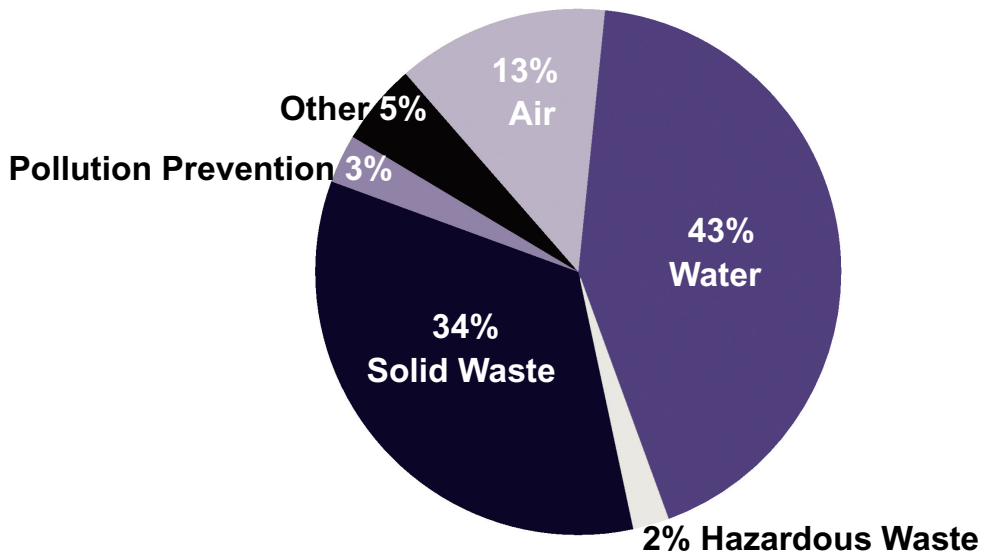


**GLOBAL ENVIRONMENTAL EXPENDITURES**

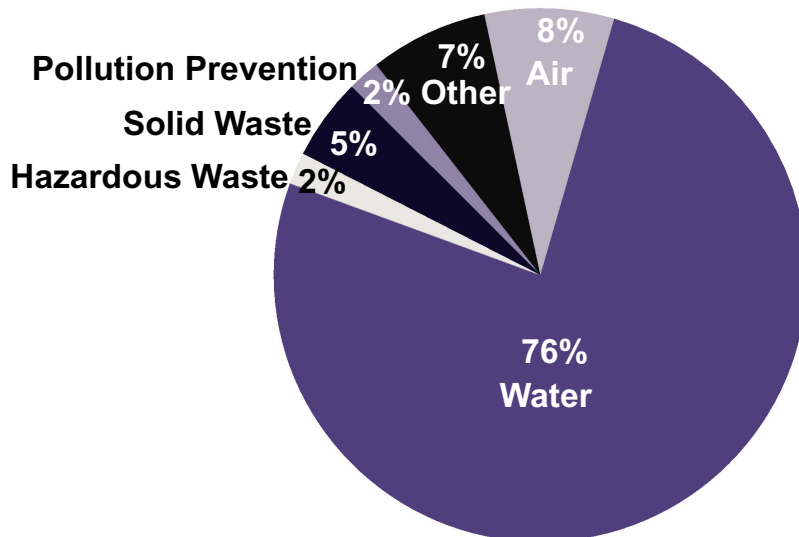
Kimberly-Clark's highest environmental operating costs relate to wastewater treatment and solid waste recycling. During 2003, our environmental expenditures increased about 8 percent to \$211.7 million: \$33.5 million for capital expenditures for the installation of new environmental control systems and \$178.2 million for operating costs for existing controls. Comparatively, in 2002, we spent \$196.5 million on environmental expenditures: \$29.9 million on capital expenditures and \$166.6 million on operating costs.

Environmental capital expenditures were primarily used for wastewater systems upgrades and expansions. The operation of these systems represents almost half of Kimberly-Clark's total environmental operating costs. All of Kimberly-Clark tissue mills have primary and/or secondary wastewater treatment systems. Solid waste recycling and processing also represent a significant portion of our operating costs.

**2003 OPERATING COSTS  
FOR ENVIRONMENTAL CONTROLS**



**2003 CAPITAL COSTS  
FOR ENVIRONMENTAL CONTROLS**



## **CHARITABLE CONTRIBUTIONS**

Kimberly-Clark is committed to making contributions to qualified charitable, educational and other similar organizations. In 2003, we donated \$17 million in the United States alone to a number of organizations and worthy causes aligned with our focus on strengthening the family. Kimberly-Clark also donates products such as diapers and baby wipes to people in immediate need, with the majority of these donations set aside for disaster relief efforts and the remainder allocated for families with infants and children. K-C product donations are in addition to cash contribution totals.

### **CHARITABLE DONATIONS POLICY (ADOPTED 1992)**

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. pre-tax 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 U.S. national organizations.



## ENVIRONMENTAL STEWARDSHIP

Home to some of the world's most trusted and recognized consumer brands, Kimberly-Clark is committed to reducing its impact on the environment through strategies for continuous improvement in environmental performance. We look not only at our operational impacts and those of our suppliers, but also at the impact of our products throughout their life cycle. Kimberly-Clark's efforts are guided by company-wide improvement objectives for the environmental challenges associated with our business and industry. Our company focuses on promoting the sustainable use of natural resources, increasing energy efficiency throughout our global operations, and recycling and reducing solid waste generated during manufacturing and in the development of our products.

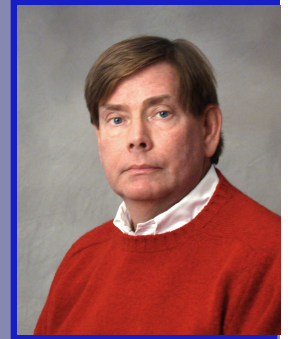
Every employee is expected to understand, uphold and further a "sincere and proper regard for the environment" as articulated in our Kimberly-Clark Corporation Code of Conduct.

- A Message From Kenneth A. Strassner, Vice President of Environment and Energy
- Environmental Organization, Management Systems and Policy
- Vision 2005 Objectives for Performance Improvement Compliance
- Sustainable Forestry
- Water Usage
- Energy Efficiency
- Waste Management



## A MESSAGE FROM KENNETH A. STRASSNER, VICE PRESIDENT OF ENVIRONMENT AND ENERGY

It is vital that Kimberly-Clark manage the natural resources we use and the environmental footprint we leave behind in a way that will enable both our business and future generations to prosper. This is our strategy for environmental stewardship – and sustainability thinking – as reflected in our Vision 2005 program. Vision 2005 establishes companywide performance goals for improved efficiencies, reduced impacts, and added business value.



Three fundamental principles guide our companywide commitment to environmental stewardship.

- Continuous legal compliance with environmental regulations and laws in every country and community where we operate.
- Setting and measuring performance in meeting clearly stated objectives for environmental improvement company-wide. (These objectives are based on supporting our business; controlling costs; and mitigating important global issues, such as climate change, water scarcity and deforestation.)
- Consistently and systematically managing our company's worldwide environmental performance by implementing a company-specific environmental management system (EMS) in line with internationally recognized EMS standards.

We recognize that our ability to create long-lasting relationships with customers, consumers, governments, investors and our communities is influenced by how well we manage our environmental performance. Increasingly, it will also depend on how effectively we can influence the behaviors of our suppliers.

Two of Kimberly-Clark's greatest environmental stewardship challenges are developing appropriate environmental standards throughout our supply chain and for our third-party manufacturers. In 2003, we made progress in these areas. For example, we strengthened our suppliers' commitment to sustainably managing forests. By year-end 2005, all must be certified to an internationally recognized forest certification system.

Through our programs and commitment to sustainability, we will continue improving our environmental performance today – and for generations to come.

A handwritten signature in white ink that reads "Ken Strassner". The signature is written in a cursive, flowing style.

Kenneth A. Strassner

August 27, 2004

## **ENVIRONMENTAL ORGANIZATION, MANAGEMENT SYSTEMS AND POLICY**

Kimberly-Clark's Corporate Environment and Energy department develops and oversees corporate environmental policy and programs for our operations worldwide. The vice president of the department is accountable for our global performance and reports to our group president of Developing and Emerging Markets, who reports directly to Chairman and CEO Tom Falk. Regional environmental staffs in Asia, Australia, Europe, K-C de Mexico\*, and South and Central America coordinate our environmental efforts globally where each of our facilities is equipped with an environmental coordinator who provides day-to-day environmental expertise.

\*Equity Company

For many years, Kimberly-Clark facilities have taken a structured approach to managing environmental performance objectives to assure compliance with laws and regulations in the countries where we do business and to continually improve performance. To provide more structure and consistency throughout our global operations, we developed a performance-oriented Environmental Management System (EMS) that is consistent with the International Organization for Standardization (ISO) 14001 EMS standard, and that also goes beyond these requirements. By the end of 2005, all K-C facilities are required to comply with this internal EMS, and we will perform internal audits at least biannually to measure and track results against our performance objectives. We do not require our facilities to formally certify to the ISO 14001 standard, though a number of our facilities have already done so.

At our mills, we conduct self-assessments of performance. By the end of 2003, 34 mills (23 percent) had implemented Kimberly-Clark's new EMS and were ready for auditing; 20 of these mills were also ISO 14001 certified. Another 66 mills (45 percent) had made good progress on their implementations, and 47 (32 percent) were beginning the process.

Kimberly-Clark's Environment and Energy department also oversees the company's environmental auditing program, known as our Corporate Environmental Inspection program. As part of this program, corporate and regional environmental staff performs an annual onsite review of applicable local environmental compliance requirements and generally accepted environmental best practices to keep pace with important developments. EMS implementation is also evaluated and implementation advice provided.

### **FUNDAMENTAL POLICY ON ENVIRONMENTAL PROTECTION AND CONCERN (ADOPTED 1992)**

It is the policy of Kimberly-Clark to conduct its affairs at all times 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.

### **ENVIRONMENTAL MANAGEMENT RECOGNITION, BARTON, UNITED KINGDOM**

At our large state-of-the-art diaper plant in Barton, we have made substantial investments in our production, reclaim and recycling facilities. During a visit to the plant, Elliot Morley, the U.K.'s environment minister and member of parliament for Scunthorpe, was given an in-depth briefing on our operations and commitment to the environment. He commented, "I was impressed by the environmental management practices and systems that Kimberly-Clark is implementing at Barton, and I was particularly interested to see just what goes into the manufacture of disposable diapers."

## **VISION 2005 OBJECTIVES FOR PERFORMANCE IMPROVEMENT**

In 2000, Kimberly-Clark launched the Vision 2005 program - the second phase of a company-wide initiative designed to improve efficiencies, reduce environmental impacts, realize business value, and better position us to respond to forthcoming environmental legislation and regulatory requirements. Vision 2005 establishes operational performance targets for year-end 2005. We achieved significant environmental and business benefits following Vision 2000, the first phase of the initiative.

- We recycled 63 percent of our manufacturing wastes saving the Corporation \$24 million per year.
- An 87 percent toxics reduction was achieved versus the target of 50 percent.
- An energy efficiency improvement of 11.7 percent was reached.
- A worldwide annual purchased energy savings of \$50 million was achieved.

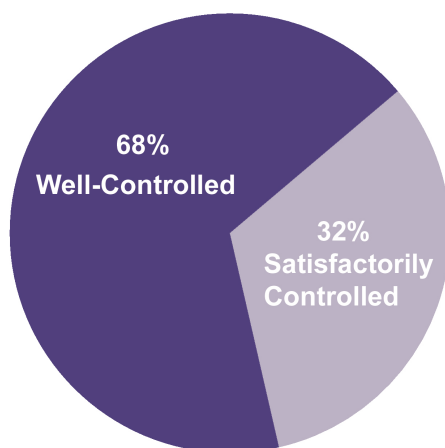
The Vision 2005 objectives target many of our business's significant environmental considerations and impacts:

- **Fresh Water Use Reduction Objective:** Reduce the amount of process water we use to world-class benchmark levels.
- **Energy Efficiency Objective:** Achieve world-class energy efficiency benchmarks for each manufacturing process. Anticipated reductions in worldwide operating costs are \$150 million annually at current energy cost levels.
- **Packaging Reduction Objective:** Achieve a 10 percent reduction in total transport and final product packaging for each business, while continuing work toward recycling 100 percent of Kimberly-Clark's manufacturing waste solids.
- **Implement an EMS consistent with ISO 14001** at each manufacturing facility.

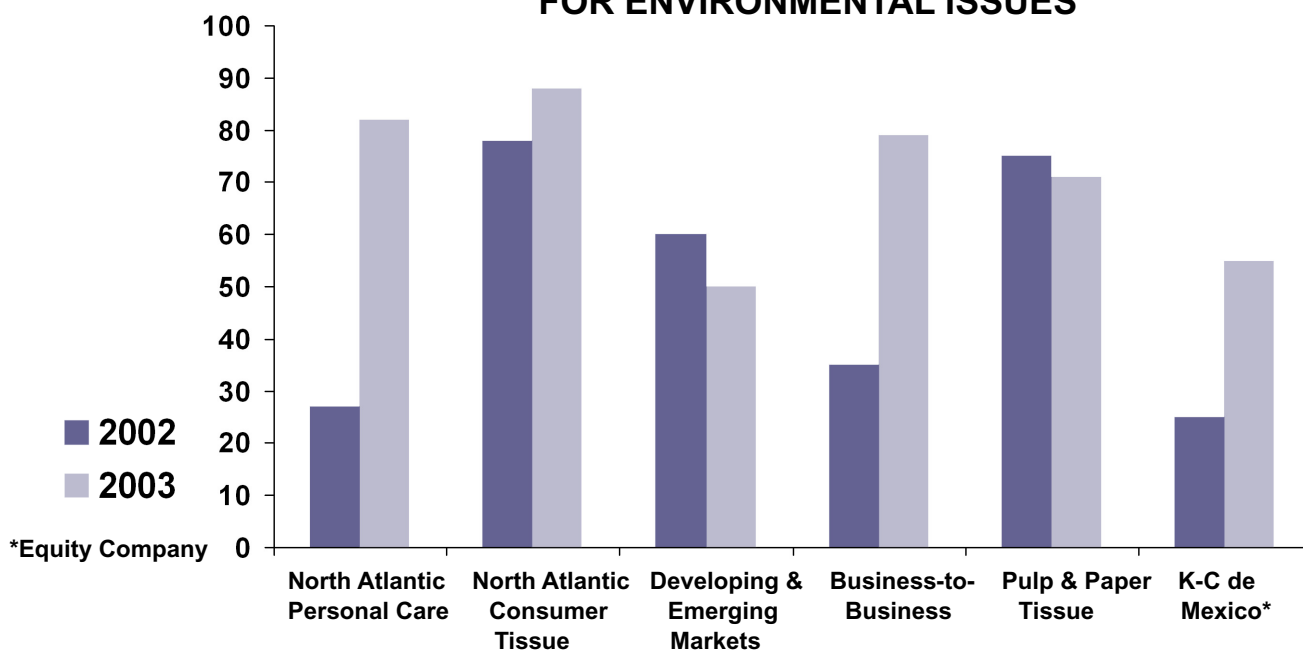
## COMPLIANCE

All K-C facilities must comply with all corporate environmental policies and environmental laws, regulations and permit requirements in the countries in which they are located. To facilitate this corporate imperative, our Corporate Environment and Energy department conducts detailed environmental compliance inspections at our global facilities. In 2003, the group conducted environmental inspections at more than 100 facilities in 35 countries. The majority of our facilities received the most favorable rating of "well-controlled." Kimberly-Clark tissue mills are inspected annually, and personal care and health care facilities are inspected every other year. This approach has enabled our company to focus our resources on facilities that would benefit most from additional corporate guidance.

### 2003 TOTAL GLOBAL CORPORATE ENVIRONMENTAL INSPECTION RATINGS



### PERCENTAGE OF MILLS RATED WELL-CONTROLLED FOR ENVIRONMENTAL ISSUES



**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 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.

**COMPLIANCE PERFORMANCE**

In 2003, Kimberly-Clark received a total of 12 noncompliance orders for seven facilities in the United States, with fines amounting to \$22,480. Outside the U.S., no other citations were received by K-C facilities during the year. The largest fine, \$18,840, was assessed to our mill in Munising, Mich., by the Michigan Department of Environmental Quality for an opacity record-keeping paperwork error. (More detail on our noncompliance incidents is provided below.) In all noncompliance cases, we addressed the issues promptly through a review of our operational procedures, and, if appropriate, the addition of new environmental controls.

	2000	2001	2002	2003
<b>Notices of Violation (NOV)</b>	<b>8</b>	<b>10</b>	<b>5</b>	<b>12</b>
<b>Fines</b>	<b>\$48,499</b>	<b>\$14,000</b>	<b>\$19,480</b>	<b>\$22,480</b>

**NONCOMPLIANCE INCIDENTS AND CORRECTIVE ACTIONS 2003**

- The Beech Island mill in South Carolina was issued a notice of violation (NOV) for failing to record all required pressure drops and visual emissions observations for the facility’s baghouses and wet scrubbers. The mill improved its record-keeping systems, and the regulatory agency did not issue a fine.
- The Delaware County Regional Water Quality Control Authority issued the Chester, Pa., mill four NOV’s for failing to meet permit requirements for water and silt samples, pH compliance, and a pH calibration. The mill reviewed and revised training procedures, and implemented process changes. No fines were issued.
- The Everett, Wash., mill was issued three NOV’s. One, which was subsequently rescinded, related to a permit exceedence for total suspended solids wastewater. The mill’s ongoing upgrade projects to its wastewater treatment systems effectively addressed the problem. The second NOV was issued for exceeding limits for hourly average air emissions of sulfur dioxide (SO2) related to a malfunctioning alarm, for which the mill was assessed a \$3,000 fine. A new procedure was implemented to prevent recurrence. The third NOV was for an SO2 exceedence related to a boiler’s main and back-up ammonia injection pumps for which the mill was fined \$1,000. The mill replaced the pumps to correct the problem.
- The Loudon mill in Tennessee received an NOV for chloroform emissions from its wastewater treatment plant. The mill initiated a project to improve bleaching efficiency for recycled tissue fiber, and to reduce hypochlorite use and the generation of chloroform. No fine was issued.
- The Lexington mill in North Carolina received an NOV for failing to file a quarterly Control of Air Toxic Pollutants Report and to notify the state within 15 days of start-up of its new boiler. The mill submitted the required paperwork and no fines were issued.
- The Owensboro mill in Kentucky received an NOV for missing a deadline for filing its annual air emissions inventory. The mill submitted the required report and received no fines.
- The Michigan Department of Environmental Quality issued the Munising, Michigan, mill an NOV for an opacity record-keeping paperwork error and assessed an \$18,840 fine.

## **SUSTAINABLE FORESTRY**

The majority of Kimberly-Clark's disposable consumer products are produced from wood fiber harvested from forests and fiber derived from pre- and post-consumer waste paper. All of our fiber is sourced from sustainably managed forests and plantations. To produce consumer products, Kimberly-Clark does not source any fiber from mixed hardwood forests in Indonesia or from temperate rainforests in coastal British Columbia, Canada.

In 2003, Kimberly-Clark pulp mills produced 37 percent (950,000 metric tons) of the total virgin fiber required to make our products. The other 63 percent (1,600,000 metric tons) was purchased from third-party suppliers. During this reporting period, our company revised some of the policies and practices associated with Kimberly-Clark's Sustainable Use of Natural Resources Policy to improve our suppliers' environmental performance and promote sustainable forestry on a global level.

## **SUSTAINABLE USE OF NATURAL RESOURCES POLICY (ADOPTED 1991)**

Kimberly-Clark is committed to conduct its business with a sincere and proper regard for the need to sustain natural resources through:

- The use of sustained yield forestry practices so that corporate lands continue to provide a source of fiber for corporate products and an attractive habitat for wildlife.
- The use of virgin pulp produced in high-yield processes as well as recycled fiber in products and packaging consistent with product performance and customer requirements.
- Requiring our pulp suppliers to adopt responsible environmental policies and monitoring them accordingly.
- Reducing use of fresh water by reusing water and purifying wastewater before returning it to the environment.

## **SUPPLIER FOREST CERTIFICATION POLICY (ADOPTED 2003)**

Kimberly-Clark's new Forest Certification Policy requires that all of our purchased round wood, woodchips and other forms of fiber, as well as all purchased virgin pulp, be sourced from companies that will have certified their forestry operations to an internationally recognized forest certification system by December 31, 2005. (This includes the certification of the operations of industrial fiber suppliers.)

To implement our policy, in 2003 Kimberly-Clark completed an inventory of our third-party global fiber suppliers. We collected information regarding countries of origin, wood type and performance-based forest certification standards that our suppliers were implementing. We also expanded an internal forestry audit program to cover third-party fiber suppliers. At the end of 2003, approximately 54 percent of the total fiber that we purchased from third-party suppliers came from certified suppliers. Annual reviews of Kimberly-Clark's policy are held with many of our suppliers with the expectation that they will all be certified by the 2005 deadline.

As a global company sourcing fiber worldwide, we recognize the importance of flexibility in forest certification systems and the need for these systems to be responsive to specific local requirements. The certification system that our suppliers select must be consistent with 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.
- Compliance with certification systems adhering to these criteria will improve suppliers' performance and their ability to be responsive to unique local concerns.

We support the work of the World Business Council for Sustainable Development and the International Forest Industry Roundtable in their efforts to achieve mutual recognition of regional certification standards.

## **USE OF RECYCLED FIBER**

Our commitment to sustainable forestry goes hand in hand with reducing our company's need for virgin fiber. In 2003, roughly 19 percent of the total fiber used to manufacture tissue products in North America, and 52 percent of the total fiber used in Kimberly-Clark Professional products, were recycled. Overall, we purchased approximately 1.5 million metric tons of waste paper and recycled fiber globally, representing 36 percent of the company's total purchased fiber.

To reduce the need for virgin fiber, we research and develop global innovative technologies and high-quality products that meet our customers' and consumers' needs. For example, Kimberly-Clark employs a proprietary tissue manufacturing technology that reduces the amount of fiber in our tissue products by 10-15 percent, compared to conventional tissue products. The amount of recycled fiber in a Kimberly-Clark product depends on the product's format and performance requirements. Some of our bathroom tissue products are made using 100 percent recycled fiber and some paper towel brands are made using 85 percent or more recycled fiber. Most premium tissue brands use only virgin pulp, which creates a softer, stronger product.

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.

## **PARTNERING TO "KEEP KOREA GREEN"**

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

In 2003, Yuhan-Kimberly continued administering the many Keep Korea Green initiatives:

- Through Keep Korea Green's Making Forests in Schoolyards program, students from 301 schools planted trees in their schoolyards and received environmental education.
- Through the Newlyweds Tree Planting program, 585 newlywed participants planted 1,500 trees on public lands. Since 1985, 13,000 newlyweds have planted 109,100 trees.
- The Environmental Field Studies for Youth program provided 169 schoolgirls from around the country with four days of environmental field studies training in a national park. Since 1988, 2,324 students have completed the program.

During the reporting period, the campaign also funded a number of environmental projects and publications.

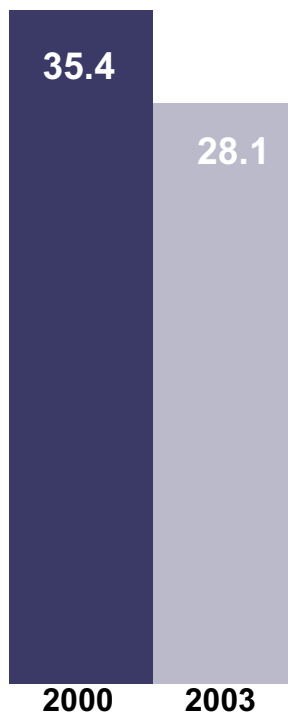


## **WATER USAGE**

To function effectively, Kimberly-Clark tissue operations require ample fresh water, a natural resource of increasing scarcity and concern around the world. Moving toward highly efficient water usage is a critical sustainability priority – and growth issue – for our company in all of the countries where we do business. During the reporting period, Kimberly-Clark mills worldwide used 256 million cubic meters of water, a savings of almost 9 million cubic meters over 2002.

In keeping with our Vision 2005 water use reduction objectives, Kimberly-Clark facilities in our Developing and Emerging Markets business management organization succeeded in reducing water usage, with all North Asian and Middle Eastern facilities meeting their targets in 2003. Overall, 50 percent of Kimberly-Clark mills met their water use goals in 2003. We intend to strengthen our focus on improving water efficiency at those facilities not meeting their targets. Globally, Kimberly-Clark has improved 7.3 percentage points in meeting its Vision 2005 water use goals since 2000.

### **PERCENTAGE DEVIATION FROM WATER USE TARGETS**



### **REDUCING WATER USAGE IN ALANNO, ITALY**

Over the last three years, a multidisciplinary team from the Kimberly-Clark facility in Alanno, Italy, has reduced its fresh water usage by 45 percent, increasing water efficiency from 56 to 31 cubic meters per ton of fiber.

### **A JOINT EFFORT FOR IMPROVED WATER QUALITY, EVERETT AND MARYSVILLE, WASH., UNITED STATES**

For both neighboring communities and our Everett mill, water quality and supply are important concerns. In 2003, Kimberly-Clark and the cities of Everett and Marysville completed a \$25 million, nine-year joint project to improve water quality.

The Everett Mill Diffuser Pipeline Project replaced three old outflow pipelines with a single, state-of-the-art deep-water diffusion pipeline system. A 6,600-foot on-land pipeline now carries the combined treated wastewater from our Everett mill and its municipal partners into Port Gardner Bay. By properly diluting and dispersing effluent, this deep-water outflow method measurably reduces the remaining impacts of the treated wastewater discharged by the cities and our mill. This collaborative solution enabled all parties to save money, and improved the water quality within these communities. It also will allow the communities to build hiking trails and restore a natural beach along the route of the new pipeline. In a related effort, Everett Mill spent \$7 million to upgrade its wastewater treatment plant.

### **WATER QUALITY RECOGNITION, MEXICO**

In 2003, Mexico's National Water Commission (Comisión Nacional del Agua (C.N.A.)) issued Kimberly-Clark de Mexico's Bajio\* mill a Water Quality Certificate for excellence in water recycling and wastewater treatment. The C.N.A. granted only five Water Quality Certificates in all of Mexico during 2003. The Bajio mill's treated wastewater irrigates roughly 160 hectares of cornfields.

\*Equity facility

## ENERGY EFFICIENCY

Energy efficiency and conservation is good for both Kimberly-Clark’s business and the environment. To assist our facilities in meeting the Vision 2005 energy efficiency objective, Kimberly-Clark developed an Energy Gap Analysis process that enables our facilities around the world to identify and resource the most cost-effective energy efficiency projects. In 2003, we succeeded in making a number of energy efficiency gains, and overall energy efficiency improved 1.1 percent during the year. Out of approximately 150 facilities\*, 15 mills have already achieved their 2005 targets. Overall, Kimberly-Clark’s energy performance was 12.5 percent above the 2005 energy efficiency goal. Kimberly-Clark’s energy efficiency efforts yielded substantial energy efficiency gains, a significant reduction in air emissions during the year and significant cost savings. Since 2000, we have improved energy efficiency by 3 percent.

\*Includes equity facilities.

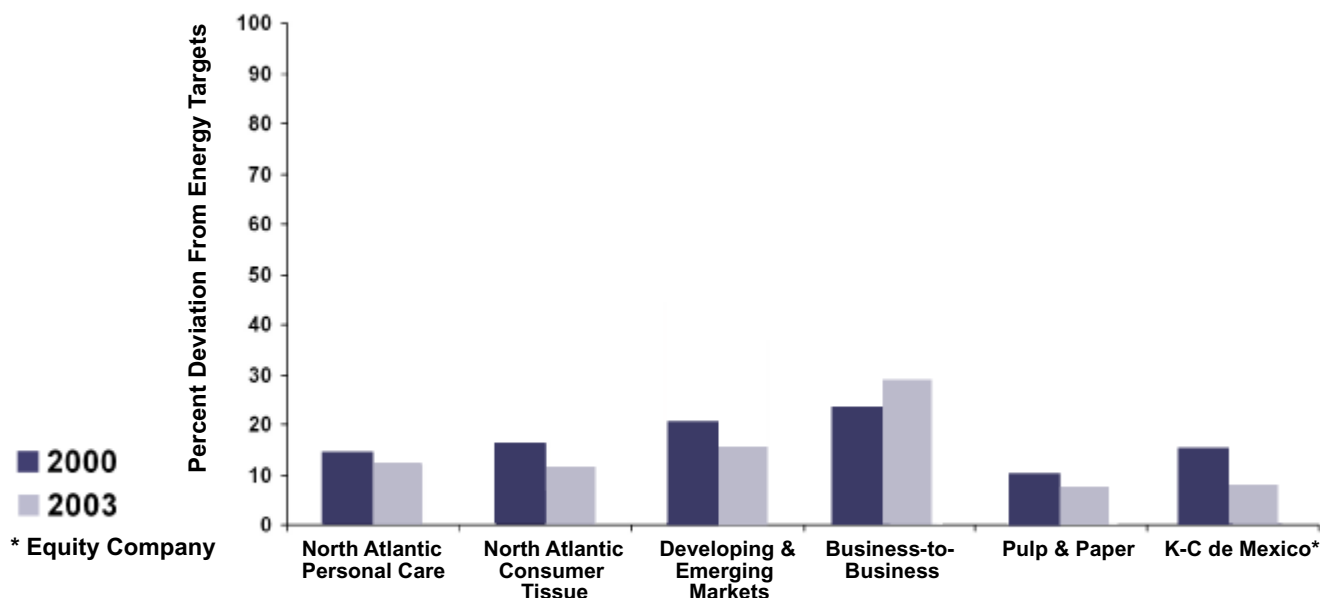
Energy efficiency considerations are built into all of our process and equipment design activities, whether we are siting new construction, expanding existing facilities or replacing existing assets. Building in these considerations at the front-end of process design enables us to achieve optimum use and reuse of steam, condensation, compressed air, water and other process fluids.

Several factors partially offset our solid gains in energy performance in 2003. For example, in three of our Thailand Safeskin facilities in Kimberly-Clark’s Business-to-Business segment, we reduced efficiency when we converted the facilities’ boilers from burning oil to burning renewable wood waste.

### ENERGY EFFICIENCY RECOGNITION, PHILIPPINES

In December 2003, the Philippines Department of Energy and the Energy Management Association of the Philippines awarded Kimberly-Clark Philippines the Don Emilio Abello Award for achieving energy efficiencies equivalent to saving 5,551,317 liters of oil.

## VISION 2005 ENERGY EFFICIENCY IMPROVEMENT PROGRESS



**ENERGY POLICY (ADOPTED 1991)**

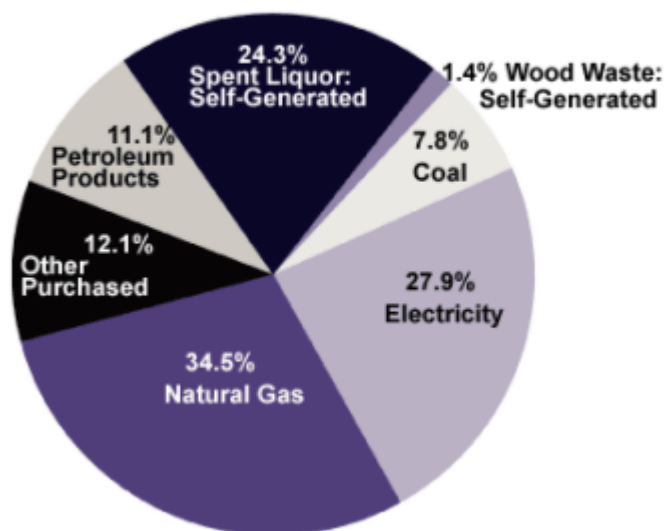
We are committed to achieving world-class energy efficiency in all of our processes and to using renewable forms of energy wherever practical.

Kimberly-Clark is committed to actively pursuing energy conservation through:

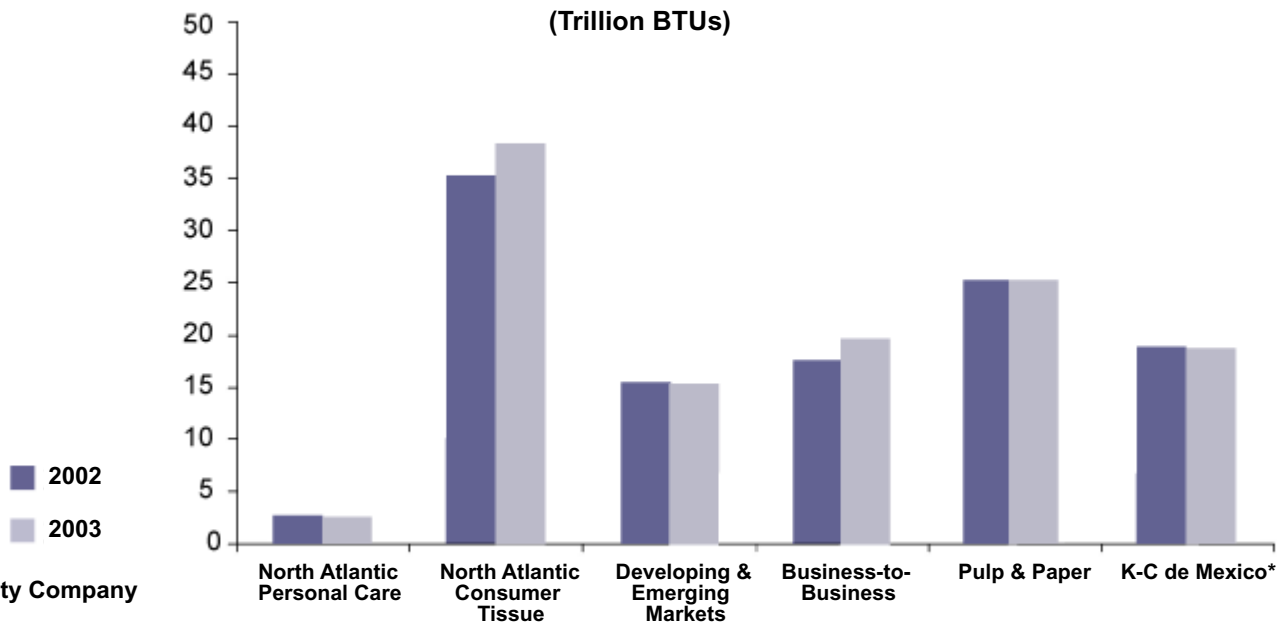
- Establishing programs to ensure the efficient use of energy and to encourage energy conservation.
- Using renewable forms of energy, such as wood wastes and waste-to-energy systems where feasible and cost effective.
- Conducting performance audits of all major steam plants, recovery boilers and other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

**ENERGY USAGE**

**2003 ENERGY USE BY FUEL**



**ENERGY USE BY MANAGEMENT ORGANIZATION (Trillion BTUs)**



\*Equity Company

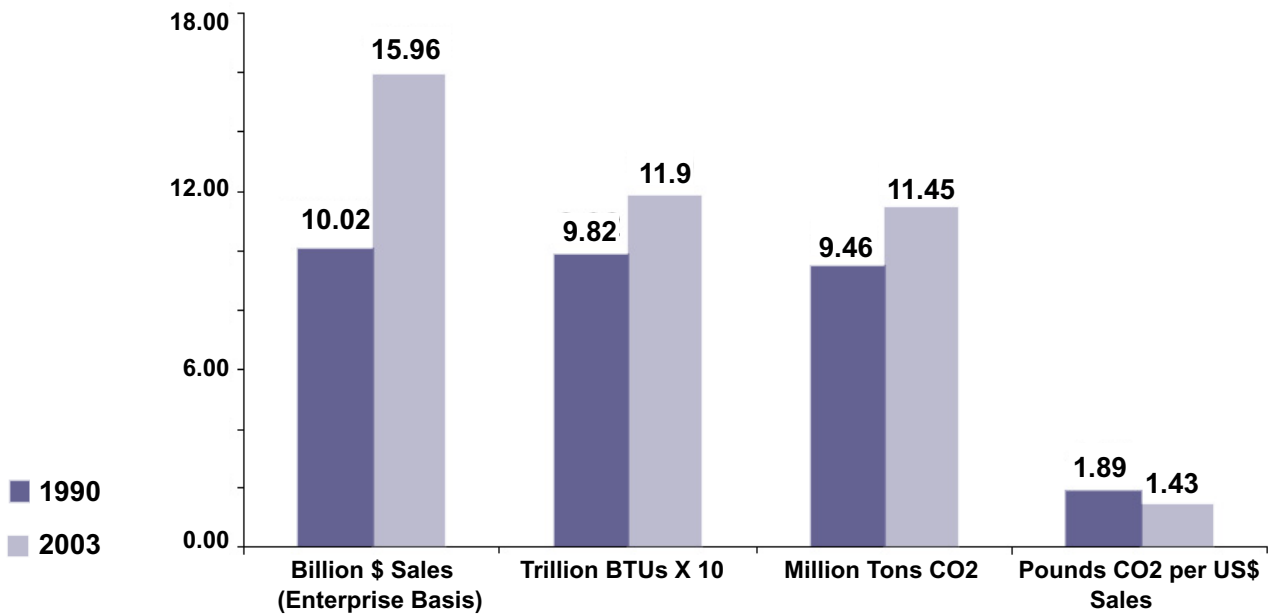
### CARBON REDUCTION STRATEGY

Kimberly-Clark is committed to taking aggressive action to reduce the amount of energy we use in manufacturing and distributing our products. Our Vision 2005 energy efficiency objective is also designed to help us decrease carbon emissions from our manufacturing facilities. Since 1990, we have reduced our company's worldwide carbon emissions per \$1 sales by approximately 23.3 percent, from 1.89 pounds per \$1 sales to 1.45 pounds per \$1 sales.

Our company will also participate in the European Union Emissions Trading Scheme, which is scheduled to begin in 2005. We have submitted our data to the U.K. government and continue working to ensure that our facilities throughout the European Union comply with these new carbon reduction requirements.

All of our operating facilities worldwide are tasked with achieving benchmark energy efficiency per unit of production by year-end 2005, which will further reduce our carbon emissions.

### CARBON EMISSIONS REDUCTION



**WASTE MANAGEMENT**

As a manufacturer of disposable products, Kimberly-Clark demonstrates leadership in solid waste management through such strategies as source reduction, recycling and transforming waste into energy. Our reduction goals focus on finding beneficial reuse options for all of our manufacturing, nonhazardous, solid wastes. Since 2000, we have seen a 9 percentage-point improvement globally on our goal to divert waste from landfills. In 2003, approximately 65 percent of all waste generated worldwide was recycled or converted into energy; 72 percent of all manufacturing facilities met or exceeded a 75 percent landfill diversion rate; and 38 percent of all manufacturing facilities achieved 100 percent landfill-free status.

**REDUCTION AND DISPOSAL OF WASTE POLICY (ADOPTED 1991)**

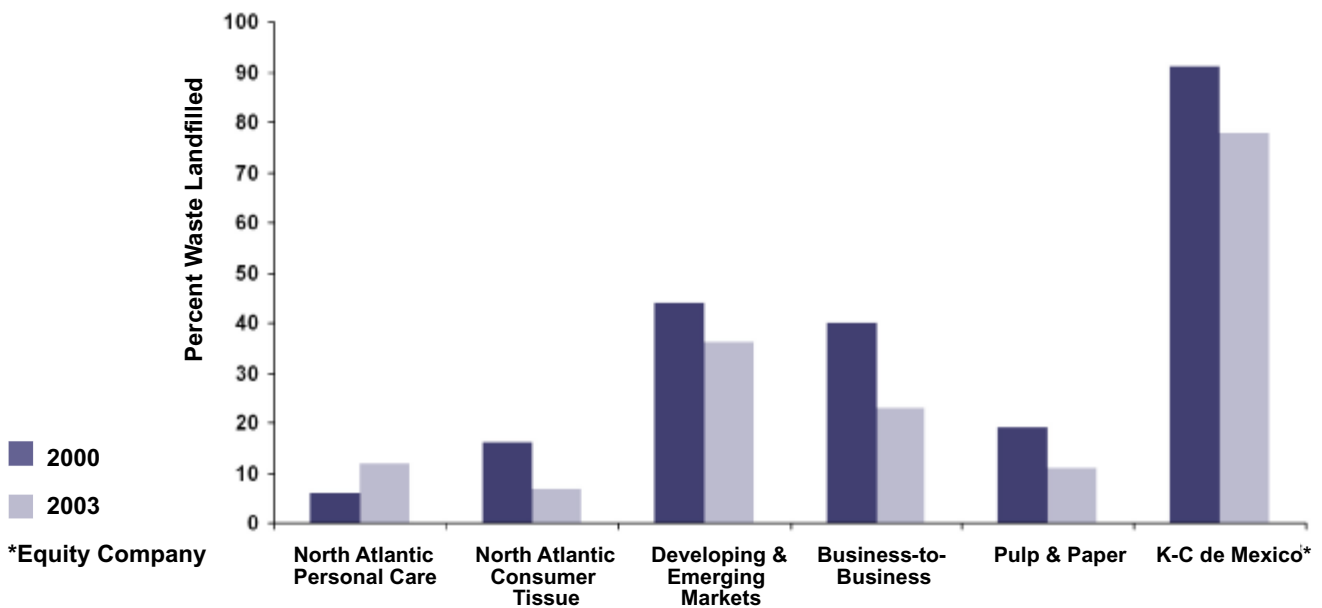
Kimberly-Clark is committed to designing products and processes to reduce the volume and weight of materials and to minimize the disposal of product and manufacturing waste by supporting an integrated approach to waste management, including source reduction, recycling and waste-to-energy systems.

**WASTE LANDFILLED (PERCENT)**

As the chart below indicates, Kimberly-Clark’s landfill diversion rate for our North Atlantic Personal Care segment shows an increase; however, a sharp decrease is expected in 2004 with the mid-2003 start-up of a new waste-to-energy project in the Fox Valley area in Wisconsin, United States. The beneficial use of wastewater treatment plant sludge as alternative daily cover at a local municipal landfill considerably improved landfill diversion at our Ecatepec\* mill in Mexico.

\*Equity facility

**VISION 2005 LANDFILL ELIMINATION PROGRESS**



### **REUSING RESIDUAL SHORT FIBER, ENSTRA, SOUTH AFRICA**

The Kimberly-Clark mill on the outskirts of Johannesburg generates roughly 65 metric tons of residual short fiber per day from its wastewater operations. Beginning in 2002, the plant explored how it could reuse the waste, rather than send it to a landfill. They found a useful new life for the fiber in the manufacture of clay bricks, which are as strong as conventional bricks, but lighter, reducing the mill's disposal costs for 2004 by an estimated \$168,000.

### **REDUCING PACKAGING**

Through innovative design, production efficiency, source reduction and more environmentally friendly packaging materials, Kimberly-Clark is reducing the amount of packaging waste that customers and consumers will ultimately dispose of. Since 2000, our goal has been to reduce total product packaging by 10 percent by year-end 2005. All business units have packaging reduction plans in place to meet the 10 percent reduction target. By year-end 2003, 29 percent of our consumer, professional and healthcare businesses had reduced their total packaging by at least 10 percent. Significant progress toward the 10 percent goal had been made by 53 percent of our businesses.

These efforts have helped our company realize a number of other environmental and cost benefits. For example, decreased packaging weight per product means that Kimberly-Clark can ship more product per shipment, improving transportation and distribution efficiency. This, in turn, results in fewer air emissions, including emissions of carbon dioxide (CO<sub>2</sub>).

The following are a few of the packaging innovations achieved in 2003 that helped us make significant progress toward meeting our packaging reduction goals:

- Consumer Tissue Europe reduced the weight of core boards in their tissue products to provide more than 630 metric tons of annual savings. A further 220 metric tons annually have been saved by altering the packaging for our facial tissue products.
- Personal Care Europe eliminated corrugated containers and compressed product into smaller volumes, realizing a savings of over 600 tons of packaging.
- Consumer Tissue North America eliminated the need for corrugate cases and reduced the amount of plastic shrink wrap film by switching to 20- and 30-roll bundled packs, reducing packaging used for its tissue products by 16.8 percent since 2000, a savings of 16,900 tons of packaging.
- Personal Care North America developed a thinner Pull-Ups training pant, reducing the amount of corrugate containers and plastic film required by 17.9 percent -- a saving of more than 3,700 tons of corrugated cardboard and 400 tons of polyethylene film for a total packaging weight reduction of 4,100 tons annually.

### **WASTE REDUCTION RECOGNITION, TAIWAN**

In December 2003, the Environmental Protection Administration of Executive Yuan, Republic of China, awarded Kimberly-Clark's Ta-Yuan plant the Excellent Waste Reduction, Reuse and Recycle Unit Award for outstanding performance in waste reduction, reuse and recycling.

## SOCIAL RESPONSIBILITY PERFORMANCE

Our social responsibility performance, like Kimberly-Clark's corporate culture, is guided by values of teamwork, exceeding expectations, superior performance and caring for others. It encompasses the policies, organizations and programs that keep our employees around the world safe and motivated and effectively represents Kimberly-Clark customers, consumers and the communities where we operate across the globe. An important element of our social responsibility performance is Kimberly-Clark's philanthropic focus on strengthening families around the world.



- A Message From Lizanne C. Gottung, Senior Vice President of Global Human Resources
- Corporate Safety Policy, Organization, Management Systems and Performance
- Commitment to Diversity and Employee Development
- Employee Compensation, Benefits and Work/Life Balance Programs
- Employee Turnover in the United States
- Consumer Safety
- Giving Focused on Strengthening Families Across the Globe
- Policies and Positions on Global Labor Issues



A MESSAGE FROM LIZANNE C. GOTTUNG, SENIOR VICE PRESIDENT OF GLOBAL HUMAN RESOURCES

Social responsibility – Kimberly-Clark’s duty to our employees, customers, consumers, the communities in which we operate, and the global community in general – is a fundamental value of our company. This duty encompasses treating people fairly, cultivating trust and respect, and genuinely caring about society’s well-being. We believe that the attention paid to this aspect of our business is an important part of sustainability at Kimberly-Clark. Through our demonstrated commitment we earn not only our employees’ dedication, but also a global reputation as a trustworthy company.



Our social responsibility strategies focus on the following:

- Building a company that is representative of our customers, consumers and the communities in which we do business, and providing excellent service to our customers.
- Meeting our employees’ professional growth needs, and attracting and retaining the best talent.
- Offering employees a great place to work, one that allows them to feel valued for their beliefs, life choices and unique cultural backgrounds.
- Creating an injury-free workplace, and continually improving the safety of our processes and our products.
- Contributing to strengthening families in our communities and globally, whether this is through financial contributions, jobs, paying taxes or employees’ volunteer efforts.
- Establishing and adhering to policies and practices that foster respect for individual empowerment, and protect the more vulnerable members of society, such as children.

For well over a century, the quality of our products has enhanced the quality of life for Kimberly-Clark consumers. Our commitment to social responsibility helps broaden this positive impact, creating sustainable relationships with our employees, our stakeholders, our customers and our communities.

A handwritten signature in cursive script that reads "Lizanne C. Gottung". The ink is dark and the signature is fluid and legible.

Lizanne C. Gottung

August 27, 2004

## **CORPORATE SAFETY POLICY, ORGANIZATION, MANAGEMENT SYSTEMS AND PERFORMANCE**

Kimberly-Clark has a long-standing commitment to employee safety, focusing on its goal of an injury- and illness-free workplace. The company's attention to safety, has resulted in a decrease in our global lost workday incident rate, and has benefited the health and safety of our employees worldwide and allowed the company to achieve good productivity gains and consistent product supply.

### **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.

### **SAFETY ORGANIZATION AND ACCOUNTABILITY**

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

### **SAFETY MANAGEMENT SYSTEMS**

We implement our policy 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. To assist in facilities' evaluation efforts and ensure improvement initiatives are working, trained assessment verifiers work closely with individual facilities.

### **SAFETY PERFORMANCE**

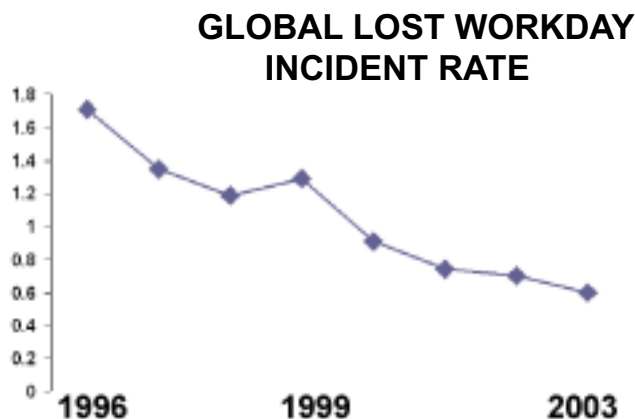
In 2002 we implemented Kimberly-Clark's Global Injury/Illness Measurement System. This reporting process enables us to track incidents consistently for operations worldwide. During the period from 1996 to 2003 our lost workday incident rate decreased 65 percent. In the 12-month period from March 2003 to February 2004, 20 percent of the approximately 150 Kimberly-Clark facilities\* reported no lost time injuries.

**\*Includes equity facilities.**

The number of mills with a lost time injury-free year in Europe increased from five in 2000 to 13 in 2003. In addition, the number of lost work day injuries decreased by 26 percent from 2002 to 2003 and the number of reportable injuries decreased by 32 percent over the same time period.

Though no Kimberly-Clark employees lost their lives on the job, tragically, an electrical contractor was fatally injured at our facility in the Philippines. Leadership at the facility initiated significant changes to their contractor safety procedures to avoid any future incidents.

In the United States, the U.S. Occupational Health and Safety Administration (OSHA) performed three on-site inspections at Kimberly-Clark facilities. OSHA identified 36 violations for which we were fined \$18,220. In addition, we received three letters of complaint to which we effectively responded, and which required no further regulatory action.



### **SAFETY PERFORMANCE RECOGNITION, TAIWAN**

The Council of Labor Affairs of Executive Yuan, Republic of China awarded the HsinYing & Ta-Yuan mills the National Award of Honorable Unit of Voluntary Protection Programs for outstanding safety performance.

### **FALL PROTECTION IN TISSUE MANUFACTURING, EVERETT, WASH., UNITED STATES**

Kimberly-Clark paper machines are over 16 feet wide and 17 feet tall and are built over a sloping area. To reduce the risk of employees falling while performing routine maintenance, the facility assembled a Fall Protection Team to design a system of temporary horizontal lifelines that could be installed and removed as needed. The team developed a plan and fully trained all employees, as well as installers, on the system. This initiative was communicated globally to all employees through our annual Safety Day video, and other facilities are implementing this improvement.

## **COMMITMENT TO DIVERSITY AND EMPLOYEE DEVELOPMENT**

As a global company, Kimberly-Clark believes that a motivated, skilled workforce reflective of our customers, consumers and the communities where we operate is essential for our long-term success. We are committed to recruiting, promoting and supporting the professional development of a diverse workforce through equal employment opportunity. It is our policy that decisions regarding the hiring of job applicants, as well as subsequent employee considerations, such as training, compensation and promotion, be made without discrimination on the basis of race, color, sex, sexual orientation, age, religion, national origin, disability or other legally defined category. Since 2002, we have invested over \$1 million and countless hours of management time to raise employee awareness in our North American operations of the value of inclusion and diversity. As testament to the success of our efforts, in 2003 the U.S.-based Minorities Corporate Counsel Association, a nonprofit organization that advocates for the placement of minority attorneys in corporate law departments, awarded Kimberly-Clark its Employer of Choice Award.

At Kimberly-Clark, we make it a priority to assist all employees in reaching their full potential and to plan career development opportunities that foster their professional growth. We do not tolerate harassment or intimidation in our work environments and fully enforce this policy. We also provide a work environment in which people are comfortable, productive and want to come to work.

Employees, themselves, play a major role in helping us deliver on our commitments. The Kimberly-Clark Corporation Code of Conduct clearly articulates our values and expectations for high ethical standards. And, it encourages the desired team ethic essential for innovation and professional growth across international boundaries to meet our company's goals.

### **MANAGING OUR DIVERSITY COMMITMENT**

The Corporate Diversity Steering Committee, a team of senior leaders with global responsibilities, governs diversity initiatives at Kimberly-Clark, and provides high-level direction and oversight for our company-wide commitment. The committee is involved in benchmarking performance, communicating best practices and initiatives, developing employee networks, recruiting and retention, mentoring, and developing leaders and effective teams. Our Corporate Diversity Initiatives Team coordinates diversity activities throughout our company and supports leaders in their efforts to implement policies and new practices. This team reports to the senior vice president of Global Human Resources, who directly reports to Chairman and CEO Tom Falk.



We have cultivated a number of Employee Network groups in the U.S. to help in recruiting, integrating new employees, career development and to help the company better understand the diverse needs of its employees. Spearheaded by our chairman and CEO, these networks help employees get to know one another, and to share interests, best practices, and ideas for professional and business growth. Senior management actively participates in these networks, which are open to all employees. (Information on each network is available for employees on the company's intranet site.) In 2003, employees participated in 13 formal networks, as well as numerous satellite organizations at manufacturing facilities.

### **COMPOSITION OF KIMBERLY-CLARK'S BOARD OF DIRECTORS AND EXECUTIVES**

In 2003, our board of directors comprised 30 percent female directors and 40 percent minority directors. Minorities made up 14 percent of our executive officers.

### **RECOGNITION FOR COMMITMENT TO DIVERSITY, TAIWAN**

In 2003, President Chen Shui-bian of Taiwan presented Kimberly-Clark's Taiwan facilities with one of 10 Performance Awards. The performance award was part of Taiwan's Council of Labor Affairs Second Annual Female Human Resources Division ceremony and recognized our company's commitment to actively promoting and valuing gender-based diversity through employment, compensation, benefits, flexible working conditions and career growth.

### **RECOGNIZING ABILITY, QUEBEC, CANADA**

Through a partnership with a local nonprofit organization, Les Services OPUS, the Kimberly-Clark facility in St. Hyacinthe, Quebec, Canada, provided training and other valuable job experience to a team of six to eight mentally disabled workers in 2003. As part of its multi-phased approach to help mentally disabled people find meaningful employment, Les Services OPUS places people in companies, enabling them to gain the job skills, experience and the social interaction they need to eventually move into mainstream employment.

### **MANAGING TALENT AND DEVELOPING THE NEXT GENERATION OF LEADERS**

Our size, global scope and focus on employee recruitment and talent development enable Kimberly-Clark to provide long-term career opportunities and growth for employees in all areas of our operations. According to an internal benchmarking study conducted of our global operations in 2002, more than 40 percent of Kimberly-Clark's employees have 15 years or more of service and nearly two-thirds of all job openings were filled by internal talent. The Global Human Resources group oversees our talent management strategy and systems.

### **FOSTERING INTERNAL PROFESSIONAL DEVELOPMENT**

To assist our employees in charting rewarding career paths, our company has a formalized performance management process that includes rewards tied to performance and annual career development discussions between employees and team leaders. These discussions set the stage for training plans and experiential learning that address business needs and promote personal growth and skill development. As part of our efforts to continually improve our performance management process, we made system improvements and implemented initiatives in our North American operations that enhanced the visibility and accessibility of our human resources programs. Employees can now search internal job openings online; and active career development teams, comprising leadership across our business sectors, assist people in advancing their careers across functional areas, business sectors and locations. These improvements will serve as models for similar professional development initiatives in our operations worldwide.

Kimberly-Clark supports formal mentoring programs at the regional level, as well as .U.S.-based employee network groups, which help employees – both new and long-term – make the most of their career choices and learn from others. Globally, K-C Europe, Canada and Australia offer formalized mentoring programs, while a North American program is currently being redesigned. Additionally, as part of the Kimberly-Clark culture, team leaders and co-workers make it a practice to provide informal mentoring.

### **CULTIVATING AND RECRUITING NEW TALENT**

Kimberly-Clark actively cultivates formal partnerships with universities in the United States and Australia, and informal partnerships with universities in Europe to help us recruit top talent. We provide funding to university programs, and many of our employees are involved in assisting in classroom and extra-curricular learning. Kimberly-Clark features internships and co-operative 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. Every year in the United States, over 500 students gain valuable experience in internship and co-operative education assignments. Kimberly-Clark also actively recruits new talent through our corporate Web site, from employee referrals, and through recruitment agencies with expertise in specialized areas.

Where people who think differently  
**think together**<sup>TM</sup>



Our relationships with professional women's and minority organizations in the United States are another important part of our recruitment strategy. Kimberly-Clark partners with the National Society of Black Engineers on their 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 time, energy and funding.

Kimberly-Clark offers a variety of resources to employment candidates throughout the recruiting process and to new employees in their transition into the organization. For example, Kimberly-Clark employees are available to answer candidates' and new employees' questions about our company.

### **FOSTERING EMPLOYEE PROFESSIONAL GROWTH**

In 2003, Kimberly-Clark invested millions of dollars in training our employees. In Europe, this investment totaled \$4.7 million and earned us the Investors in People accreditation in the United Kingdom, an accreditation for organizations that demonstrate consistent good practice in the organization's four "investment in people" principles: commitment, planning, action and evaluation.

### **RECOGNITION FOR WORKPLACE DESIGN, UNITED KINGDOM**

In 2003, the Kimberly-Clark Shared Service Center in Brighton received a design award from the British Institute of Facilities Management and a commendation from the British Council of Offices for its employee-responsive design.

### **KIMBERLY-CLARK RECOGNIZED AS TOP EMPLOYER – 2003**

**Argentina.** Kimberly-Clark was named for the second consecutive year as one of the best companies to work for in Argentina in an annual survey conducted by the Great Places to Work Institute and sponsored by Apertura magazine. Overall, K-C ranked No. 24 out of 100 companies and ranked No. 7 among companies with more than 500 employees.

**Asia.** Yuhan-Kimberly ranked No. 6 in the Top 20 Best Employers in all of Asia for 2003, and was also named Korea's No. 1 Best Employer in the Best Employers in Asia 2003 study conducted by Hewitt Associates consultants and the Asian Wall Street Journal.

**Czech Republic.** Kimberly-Clark was awarded the Best Company Culture Award at the national Employer of the Year event, sponsored by the largest daily newspaper in the Czech Republic, MF DNES, and the Hay Group.

**Korea.** The Korean Ministry of Commerce, Industry and Energy awarded Yuhan-Kimberly the Best Corporate Image Award for Ethical Management for the second year in a row. Forbes Korea and the JungAng Daily awarded Yuhan-Kimberly the Management Renovation Award in Knowledge Management Sector.

**United Kingdom.** In 2003, the Great Places to Work Institute and the national Sunday Times newspaper named Kimberly-Clark Europe one of the best companies to work for in the U.K. The company was also awarded the prestigious Investors in People award for a third consecutive year in recognition of its commitment to employee development.

**Taiwan.** Taiwan's Council of Labor Affairs presented Kimberly-Clark Taiwan with the National Excellent Institute Award for efforts on female resource development.

**Thailand.** For the second year, Kimberly-Clark Thailand was named one of Thailand's Best Employers in a survey conducted by Hewitt Associates, the Sasin Graduate Institute of Business Administration and The Nation newspaper in Thailand.

## **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 plan for Kimberly-Clark's senior leaders.

### **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 Kimberly-Clark stock contribution once the contribution has been made. Since its inception in July 2002, thousands of employees in Europe have taken advantage of the European Shareplus Plan in which employees can invest and receive a matching company contribution in Kimberly-Clark's stock.

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 for whom long-term equity is not considered a key compensation component 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 a specific plan 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, employees who are ineligible for bonuses and nonunion hourly employees are eligible for Distinguished Performance Awards. 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. From 1995 through 2003, Kimberly-Clark awarded more than \$12 million to more than 2,000 employees. In 2003, we awarded \$800,000 through this program, with the average award being nearly \$6,000.

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

### **LONG-SERVICE AWARDS**

Kimberly-Clark highly values the loyalty and long-term commitment of our employees and formally recognizes key anniversary milestones with gifts and certificates of appreciation for dedication.

### **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 dependant on local legislation and customs. Kimberly-Clark offers a number of benefits, including health and medical insurance, life insurance and support for long-term sickness. Some of our operations also provide employee-counseling services to support families experiencing difficulties.

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.



## **EMPLOYEE TURNOVER IN THE 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 2003, our total turnover rate was 11.43 percent, up from our 2002 turnover rate of 8.51 percent due to an increase in the number of retirements and involuntary separations. However, excluding retirements and involuntary separations, our turnover rate was less than 4 percent.

## **CONSUMER SAFETY**

Kimberly-Clark's policy on quality and its management systems are designed to ensure our products are safe for consumer use.

### **SAFETY OF THE CORPORATION'S PRODUCTS AND SERVICES POLICY (ADOPTED 1991)**

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

It is the intent of this policy to:

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

### **PRODUCT SAFETY ORGANIZATION AND MANAGEMENT SYSTEMS**

Kimberly-Clark's Product Safety Department assists each of our global business units in meeting these responsibilities. All of our products undergo extensive safety evaluations and comprehensive risk assessments, including a review of available scientific and medical data on the components of the products, along with any special considerations associated with their intended use. When appropriate, we also perform extensive safety testing on new materials and products. A third-party panel of experts in toxicology, dermatology and in vitro toxicology benchmark our testing program against the programs of other companies to ensure our testing is yielding accurate results.

Innovation Management, the research and development management process at our company, includes formal consideration of the safety impacts of a product's full life cycle and provides a uniform approach to product development safety issues throughout Kimberly-Clark's global operations.

In addition, Kimberly-Clark has established interdisciplinary Product Review Committees at major headquarters sites to review proposed new raw materials, products and production processes. The committees' comprehensive Product Review Process takes into consideration worker safety, consumer response, other legal and regulatory concerns, and environmental impacts of materials used.

Kimberly-Clark deals with any crisis issues by means of a Corporate Crisis Management Procedure. This procedure is intended to guide the prompt and effective handling of potential crisis events occurring anywhere in the world that require a response at the corporate level.

## GIVING FOCUSED ON STRENGTHENING FAMILIES ACROSS THE GLOBE

At Kimberly-Clark, we have a long tradition of philanthropy. This spirit of giving flows from our commitment to improving the quality of life in “K-C hometowns” – communities in which we have operations. We recognize that a vital community, a strong workforce and consumer good will are the concrete dividends of community investment.

Connecting all of K-C’s businesses is a strong cord of commonality – the desire to create products that improve people’s lives. Our products promote good health and hygiene, allow people to lead more active lives, aid in child development, preserve dignity and help family members care for each other.

That tradition of creating products that make a difference in people’s lives also guides Kimberly-Clark’s philanthropic giving. By funding organizations that make Kimberly-Clark communities a better place to live, supporting higher education and encouraging employee volunteerism, our company improves the quality of life for families around the world. With this in mind, we focus on programs and organizations that:

- Provide vital information, resources and services that strengthen families.
- Involve parents and others in activities that help children grow physically, mentally and socially.
- Develop creative, caring options to cope with the issues facing the elderly.

Last year alone, the company set aside \$17 million for philanthropic causes in the U.S, where Kimberly-Clark annually commits approximately one percent of pretax income to charity, and donated millions of dollars worth of product. In addition, K-C’s global operations collectively contributed hundreds of thousands of dollars in funding and in product donations outside the U.S.

### KIMBERLY-CLARK FOUNDATION

Established in 1952, the Kimberly-Clark Foundation is the charitable arm of the Kimberly-Clark Corporation and supports our employees, their families and a range of North American organizations and programs that help families in the communities where we operate. In 2003, the foundation contributed over \$6 million to match support for employees’ gifts of both time and money, to provide college scholarships for children of Kimberly-Clark employees, and to fund various community projects and schools.

In 2003, the Kimberly-Clark Foundation made a number of grants directly to many U.S. charitable organizations that strengthen families, including:

- The ARK Program’s Children’s Center for Self-Esteem, dedicated to educating parents about raising healthy and happy children.
- The Betty Ford Center’s Children and Family programs, which assist children and their families who live in homes affected by alcohol and drug addiction.
- The Boys & Girls Clubs of America, which provide American youth with leadership and life skills.

We invite you to read the full listing of the U.S. charitable organizations assisted by the Kimberly-Clark Foundation in 2003.



### **PARTNERING WITH THE YMCA, UNITED STATES**

As a way of strengthening today's families, Kimberly-Clark formed an alliance in 2000 with the YMCA of the United States, a national organization that provides, in partnership with other local organizations, many helpful services to people of all ages, incomes and abilities. This partnership allows Kimberly-Clark to promote local YMCA programs in a variety of ways, as well as to provide grants to YMCAs in our communities. In 2003, these local grants totaled \$290,000.



As part of our alliance, Kimberly-Clark sponsors the biannual Nation's Report Card on Families, a research study performed by the YMCA that investigates the conditions and challenges of the American family. The Nation's Report Card provides critical information to policy-makers, and helps the YMCA and Kimberly-Clark advocate priority issues on behalf of children and their families.

### **DISASTER RELIEF**

Manmade and natural disasters can be devastating for our employees, our neighbors, our business partners and our customers. When disaster strikes the communities in which we operate, Kimberly-Clark is there to provide help and support. In 2003, we provided a local matching gift of \$15,000 to a community in South Korea affected by major flooding.

Our Infant Care group in the United States also has an ongoing relationship with the U.S.-based international relief organization, AmeriCares. The organization collects usable products that we can no longer sell and distributes these worldwide to those in need.

### **IMPROVING QUALITY OF LIFE THE WORLD OVER**

Kimberly-Clark entered a four-year partnership from 2001 to 2004 with the U.S. Fund for the United Nations Children's Fund (UNICEF) to address the needs of children orphaned by the HIV/AIDS pandemic and civil conflict. To support this partnership, our company pledged \$2.6 million and provided executive leadership to the Fund's AIDS Action Team. Our grant is helping address the special needs of children who have lost one or both parents, and, as a result, 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; an approach that includes health, nutrition, child protection, education and psychosocial counseling. In 2004, this alliance was renewed until 2008.



In K-C hometowns across the world, corporate philanthropy takes on a decidedly grassroots feel. From Tanzania to Taiwan, local mills and offices annually contribute dollars and product to causes that enrich their communities and further K-C business goals. Here's a glimpse of what K-Cer's are doing around the world.

### **ASIA-PACIFIC**

K-C's Yuhan-Kimberly subsidiary is doing its part to restore Korea's forests through an acclaimed environmental protection program called "Keep Korea Green." The campaign has earned Yuhan-Kimberly prestigious awards and widespread recognition as an environmentally responsible organization.

## EUROPE AND AFRICA

In 2003, we were involved in more than 250 initiatives across Europe with donations of cash, products or professional support. More than 25 percent of funds donated by Kimberly-Clark are made in support of local schools and youth organizations. For example:

- K-C Europe donated nearly US \$370,000 in product and promotional goods to In Kind Direct, a U.K. charity founded by the Prince of Wales. In 2003, K-C Europe was the organization's main donor for the second consecutive year.
- K-C Europe contributed 20,000 diapers to an orphanage in Romania.
- In the Netherlands, volunteers at our Ede office have been helping disabled children go horseback riding since 1998.
- In Madrid, employees have been raising funds for local disability centers and rest homes for the elderly.
- In South Africa, K-C has donated and funds a mobile clinic that operates in areas where there are no medical services and has provided literacy training to 240 of its employees.

## LATIN AMERICA

Our facility in Argentina put together an innovative program in 2003 to help improve health, educational opportunities and quality of life for local children. The program, called Impulsar, accomplished the following:

- Sponsored a number of organizations that provided food to 500 children and access to health care.
- Provided children from low-income families with more than 3,500 books and established four libraries for the benefit of the community.
- Enabled 30,000 school-age children to learn more about their culture through visits to the Malba Museum, which holds one of the most prominent collections of Latin American art.

## UNITED STATES

Kimberly-Clark and our employees have long recognized the vital role the United Way plays in American communities, and have been participating in the campaign for several decades. Each year, we match employee pledges to the United Way, dollar for dollar. In 2003, Kimberly-Clark's and employees' United Way contributions totaled \$3,204,000. For its campaign results, our Everett mill in Washington received the United Way's President's Award for Excellence.



## A REASON TO GIVE

To thousands of Kimberly-Clark employees around the world, reaching out and giving back to our communities isn't a corporate strategy; it's a matter of heart and conviction. It's a value that's ingrained in our culture and a responsibility shared worldwide. In short, it's about caring for the well-being of the people we work with, the people we sell to and the communities we live in.

## **POLICIES AND POSITIONS ON GLOBAL LABOR ISSUES**

Our commitment to socially responsible business practices includes protecting the rights of children and employees, and spans our operations worldwide.

### **CHILD LABOR AND WORKER EXPLOITATION POLICY (ADOPTED 2004)**

Kimberly-Clark's position on child labor and exploitation of workers is as follows:

Kimberly-Clark does not employ child, prison, indentured, or bonded labor, nor use corporal punishment or other forms of mental or physical coercion as a form of discipline in any of its global operations. Further, Kimberly-Clark will not knowingly conduct business with vendors that engage in any of these practices. (In the absence of any national or local law, Kimberly-Clark will define "child" as 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.)

### **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 Paper, Allied-Industrial, Chemical and Energy Workers International Union (PACE). 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.

Kimberly-Clark's collective bargaining agreements normally follow patterns in the industry, and include wage and fringe benefit improvements.