

Kimberly-Clark de Mexico

Overall score 30/100

ISIN CODE: MXP606941179

Sector: Luxury Goods & Cosmetics
Emerging Market

Information rate: 59% (Sector average: 57%)
Company cooperation level: Not responsive *

General information

Kimberly-Clark de Mexico SAB de CV is a Mexico-based company engaged in the manufacture and distribution of consumer disposable products for the daily use such as diapers, sanitary towels, bathroom and facial tissues, napkins, kitchen towels, hand towels, among others. On 2016, the Company bought the Escudo soap brand in Mexico and other Latin American countries as well as the brands: Blumen and Solei for a total consideration of MXN 781m.

Main Economic Segment**	Turnover 2016
Consumer Products	85.6 %
Professional and Health Care	9.4 %
Exports	5.0 %

CORPORATE GOVERNANCE			
	2013	2015	2017
Score			30
Allegations			No
Rating			=
Risk management			Limited

Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. Vigeo's framework has been adapted to capture the level of integration of CSR topics at Board-level, supplementing traditional signals on efficient governance practices. Directors are notably evaluated on their level of diversity and experience with operational, financial, and CSR topics (CGV1.1). The audit and internal controls system is examined regarding the efficiency and reach of its risk management (CGV2.1). Shareholders are expected to have fair voting rights and access to all relevant information on material CSR issues (CGV3.1). Executive remuneration is assessed for transparency and alignment with the interests of company's shareholders and other stakeholders (CGV4.1).

Company performance

- Kimberly-Clark de Mexico's absolute performance in the Corporate Governance domain is limited and has improved compared to the previous review.
- The Company appears to have an Executive Sustainability Committee (ESC) that reports directly to the CEO. In addition, some processes are reported to be dedicated to management of CSR risks. However, only 3 members out of the 12 Board members are considered independent. Also, the Company is not transparent on the rules guiding its executive remuneration.

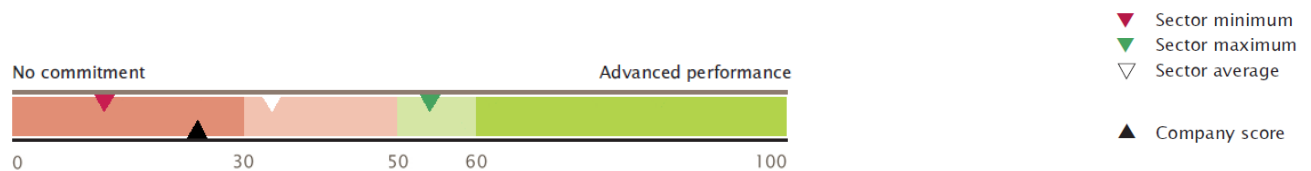
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Corporate Governance

Score : 30

CGV1.1 Board of Directors

(score: 24, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

Information disclosed on this subject is insufficient or not relevant.

Independence of the Board Chairman

The roles of Chairman and CEO are separated, but the chairman is not considered independent.

Responsibility allocated over CSR issues

The Head of CSR functions reports directly to the CEO. Executive Sustainability Committee (ESC) reports directly to the CEO. It is made up of directors from the Operations, Social Responsibility, Institutional Communications, Innovation, Sustainability, Legal, Human Resources, Finance and Internal Audit areas. The CES is responsible for designing, implementing and keeping up to date the company's Sustainability Strategy.

Share of independent shareholder-elected Board members

The Board is between 21 and 33% independent, which is less than the recommended level. 3 members of the 12-member Board are considered independent.

Diversity of the skills and backgrounds of the Board

*The Board of Directors diversity appears to be partial:
- Board members with demonstrated professional experience in the company's sector of activities: the majority of the company's Board members have experience in the sector of activities of the company.*

Training and expertise provided to board members

Information obtained from company and public sources regarding training provided to board members is insufficient.

Regular election of Board members

Information obtained from company and public sources regarding the regular election of board members is insufficient.

Evaluation of Board's functioning and performance

Information obtained from company and public sources regarding the evaluation of board functioning and performance is insufficient.

Review of CSR issues at Board meeting

The formal CSR reporting has been signed by CEO, but there is no evidence that relevant CSR issues are reviewed at Board meetings. The company's Board of Directors reviewed the Annual Sustainability Report in 2016. However, it remains whether specifically relevant CSR issues at stake for the company's operations have been reviewed at this level.

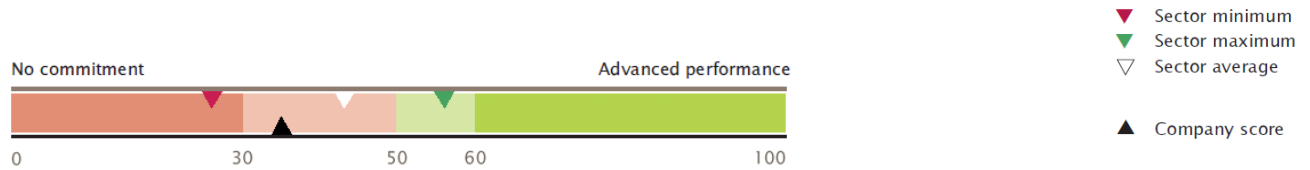
Regularity of and attendance at Board meetings

Regular meetings are held, but no attendance rates are disclosed.
7 Board meetings were held during 2016,

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	>9 years on Board	Stock options	Paid > 1/2 executive salary	Represent >3% company's shares	Other	Independence
Claudio X. González	Chairman							X	X					
Valentín Díez Morodo	Chairman of Compensation Committee						X		X					
Thomas J. Falk							X		X					
Pablo R. González	Chief Executive Officer	X												
Michael Hsu														X
Jorge Ballesteros									X					
María Henry														X
Emilio Carrillo	Chairman of Audit Committee					X			X					
Antonio Cosío						X			X					
Esteban Malpica						X			X					
Fernando Senderos						X	X		X					
Sandra MacQuillan														X

CGV2.1 Audit & Internal Controls

(score: 35, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

No executive is a member of the committee, but half or fewer are independent. *None of the 4-member Audit Committee is considered independent.*

Skills and backgrounds of Audit Committee members

Members appear to have financial and relevant operational experience.

Operational and CSR risks covered by the company's internal controls system

The internal control system covers the standard issues related to financial, operational, and legal risks. In addition, the system covers some of the CSR risks inherent to the company's business operations. The company's internal controls are reported to cover information systems, environmental and social matters, human rights, corruption.

Role of the Audit Committee in overseeing internal and external controls

The Audit Committee has a limited role that includes:
 - *Oversee internal audit and internal controls*
 - *Review accounting policies and be responsible for updates*
 - *Oversee the work of the external auditor*

Management of the CSR risks

Limited processes dedicated to management of CSR risks appear to be in place:
 - *Risk mapping: based on a materiality analysis of a systemic operations study, the company identifies and prioritises risks according to their magnitude, likelihood of occurrence, and impact on the company. These are reviewed and updated annually in meetings of the Board of Directors. The company reports also on risk management programmes to identify, evaluate, reduce and prevent losses associated with climate change in addition to analysis of environmental risks among others.*

Independence of the firm's external auditors

Information obtained from company and public sources regarding the independence of the firm's external auditors is insufficient.

Inclusion of CSR issues in the company's reporting

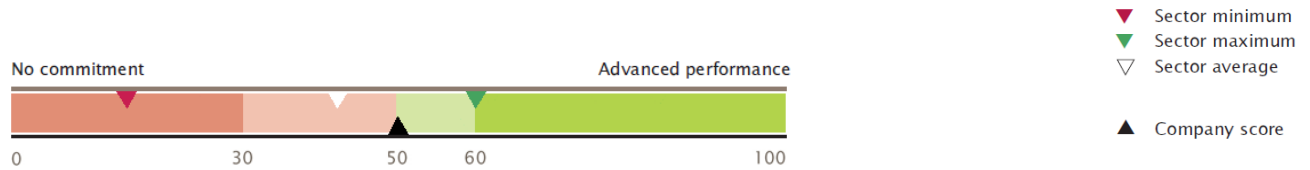
The company publishes significant CSR reporting on key material issues. *The company's 2016 Sustainability Report has been prepared according to the requirements of the Mexican Stock Exchange IPC Sustainable Index and the Global Reporting Initiative (GRI) version G4 guidelines.*

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral. *As of 10/2017, Kimberly-Clark de Mexico did not appear to be involved in any controversy related to this sustainability driver*

CGV3.1 Shareholders

(score: 50, weight: 2)



Nonexistence of voting rights restrictions

The company respects the "one share - one vote" principle.

Safeguards on transactions with major shareholder(s)

Transactions with related parties must be evaluated and approved by the Audit Committee. In addition, the company publishes information on transactions with related parties. However, Audit committee is not considered independent.

Ability to add items to the agenda of the AGM and to convene an EGM

Information obtained from company and public sources, regarding the ability to add items to the agenda of the AGM and to convene an EGM, is insufficient.

Access to voting at General Meetings

Information obtained from company and public sources regarding the access to voting at the AGM is insufficient.

Ability to vote on relevant issues in separate resolutions at AGM

All major items are voted upon in separate resolutions, in accordance with standards advocated by Vigeo.

Presentation of CSR strategy to shareholders and investors

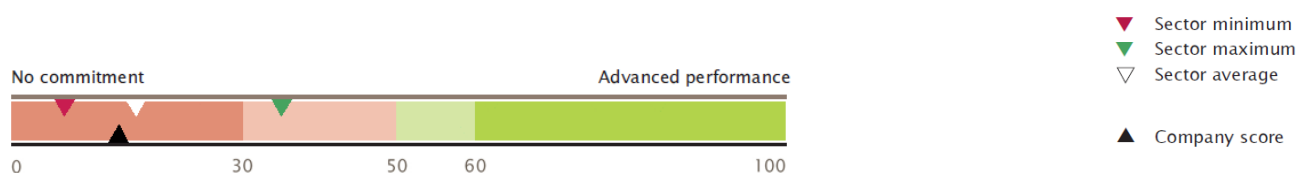
The company reports that among the matters approved in the 2016 Ordinary Annual Meeting: aspects regarding the company's operations, including social and environmental responsibility aspects.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral. As of 10/2017, Kimberly-Clark de Mexico did not appear to be involved in any controversy related to this sustainability driver

CGV4.1 Executive Remuneration

(score: 14, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

No executive is a member of the committee, but half or fewer are independent.
None of the 3-member Compensation Committee is considered independent.

Disclosure of senior executives' individual remuneration

Executive remuneration is disclosed, but on a collective rather than on an individual basis.

Link between Short Term Incentive Plans and the performance of the company

There is no disclosure on what rules guide the company in allocating bonuses and other short-term incentives to senior executives.

Link between the main Long Term Incentive Plan and the performance of the company

Information on the rules and performance conditions guiding the allocation of long-term incentives to senior executives is insufficient.

Link between variable remuneration and CSR performance of the company

There is no disclosure on the links between variable remuneration of executive and the CSR performance of the company.

Severance pay for senior executives

Information obtained from company and public sources regarding severance pay for senior executives is insufficient.

Evolution of CEO-to-employee compensation ratio

Information obtained from company and public sources regarding the compensation of CEO and the average employee salary is insufficient.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral
As of 10/2017, Kimberly-Clark de Mexico did not appear to be involved in any controversy related to this sustainability driver

Contacts

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