



SUSTAINABILITY

STRATEGY

ASSESSMENT

Max Boath

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Company Background

Headquartered in Dallas, Texas, with around 40,000 employees operating in 34 offices worldwide, Kimberly-Clark (“K-C”, NYSE: KMB) is a leading company behind numerous essential needs brands covering personal care (diapers, baby wipes, feminine care, etc.) to household and workplace tissue products (facial tissue, bathroom tissue, paper towels, safety products, wipes). K-C’s brand portfolio includes Huggies®, Kleenex®, Scott®, Kotex®, Cottonelle®, Depend®, GoodNites®, and others, and the company holds the number 1 or 2 market share position in 80 countries¹.

In business for 148 years and claiming to have invented five of the eight major product categories in which the company competes², Kimberly-Clark’s assertion that one-quarter of the world population across 175 countries, regions, and territories use their products daily³ is conceivable. That said, the majority of net sales (52% of \$18.5 Billion) in 2019 were in North America alone⁴. The company claims to have been the first to sell Forest Stewardship Council (FSC) tissue paper in the US⁵.

Sustainability Communication

Kimberly-Clark’s preceding sustainability strategy, Sustainability 2022, was introduced in 2015 but celebrated as a success three years ahead of schedule due to exceeding its goal of 20% absolute greenhouse gas emissions reductions over a 2005 baseline⁶. The company has now reset its sights for 2030, engaging a collective suite of sustainability goals across multiple categories now referenced as the “2030 Ambitions.” Notably, categories of Plastics and Forests still include various goals with target dates of 2022 and 2025 (Figure 1). Annual sustainability reports from 2010 to 2017 show these non-2030 goals are carryovers from previous sustainability strategies that have not yet been met.

Kimberly-Clark has submitted annual reports to the Carbon Disclosure Project⁷ (CDP) since 2010 for Climate Change, Forests, Water, and Supply

Strategic Focus	Our 2030 Aspiration	Our Goals	Target Year	SDG Focus		
			2022	2025	2030	
 Forest Footprint	Reduce our natural forest footprint by 50% while unlocking the power of the world's forests to help solve the environmental sustainability crisis.	Reduce our Natural (Non-Forest) Forest Footprint by 50% from a 2011 base year. Source 90% of our tissue fiber from Preference only Preferred Fiber (PPF) sources. In the near future, set a science-based goal to reduce Scope 3 land-use emissions by 2030.				 
 Carbon Footprint	Do our part to help lighten the global climate change by minimizing the carbon footprint of our products and brands and reducing our direct emissions by 20% and value chain emissions by 20%.	Reduce absolute Scope 1 and 2 GHG emissions by 50% over a 2015 base year. Reduce absolute Scope 3 GHG emissions by 20% from a 2015 base year.				
 Water Footprint	Reduce our water footprint by 20% in water stressed regions by creating significant improvements in our supply chain and the surrounding communities, ensuring ongoing success in fresh water for all.	Achieve sustainable water use at 80% of our sites in water stressed regions. Create positive and measurable watershed impact in 30 watersheds/water basins. Achieve responsible and efficient water use at all Kimberly-Clark manufacturing facilities. Collaborate with key supplier partners to amplify our impact in water-stressed regions around the world.				

Figure 1. 2030 Aspirations and Goals.

Chain. Not all four resource disclosures have been submitted for each year, and since 2017 only a single CDP report (Climate Change 2018) has been made publicly accessible. Kimberly-Clark declined to grant

¹ <https://www.kimberly-clark.com/en/company/about-us>

² Kimberly-Clark 2020 Investor Relations Fact Sheet, p. 3

³ <https://www.kimberly-clark.com/en/company/about-us>

⁴ Kimberly-Clark 2019 Global Sustainability Report, p. 5

⁵ Kimberly-Clark 2011 Sustainability Report, p. 83

⁶ <https://www.kimberly-clark.com/en/esg/smallest-footprint/climate#>

⁷ <https://www.cdp.net/en/>

the assessor access to confidential CDP reports on multiple requests, instead deflecting to their corporate sustainability website landing page⁸.

The company’s website hosts a glut of corporate social responsibility (CSR) agendas and environmental, social, and governance (ESG) accomplishments, thick with c-suite memorandums and group hugs. Annual company-published sustainability reports are available for most years from 2003 to 2019, with 2019 the first year the company has divided content into two separate reports of either talking points or data disclosures. K-C’s own corporate sustainability reports and public CDP disclosures both openly lay out its social and environmental agenda, each goal tied to one of seven United Nations Sustainable Development Goals (SDGs). The company’s CSR commitments include improving the lives of another one billion people around the world’s underserved communities by 2030 (by comparison, only 17 million people were reached in 2019), with additional contributions to gender equality, clean water, sanitation, and climate action spheres⁹. K-C’s environmental goals emphasize footprint reductions in carbon emissions, plastics, water risk, and forests.

Forest Sustainability Strategy

Mitigating business activities’ indirect damages to forestlands may not be Kimberly-Clark’s foremost concern or as imperative a task as its stakeholders consider, but deforestation and forest carbon emissions do at least rank as “High” priority in the company’s Materiality Assessment and constitute a vital component of the overall sustainability strategy (Figure 2). K-C’s agenda for 2030 closely follows these criteria through three discrete Forest Footprint goals, disclosed in the 2019 Global Sustainability Report and as outlined below:

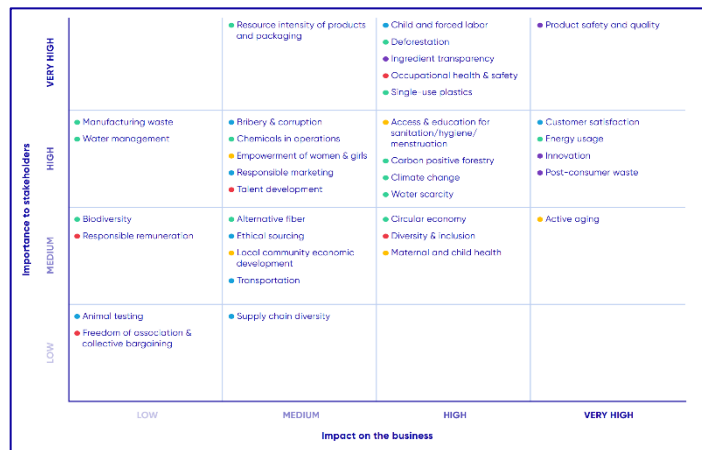


Figure 2. Materiality Assessment of the 2019 Global Sustainability Report Addendum, p. 4.

GOAL	YEAR
Reduce our Natural (Northern) Forest Fiber footprint by 50% from a 2011 base year;	2025
Source 90% of our tissue fiber from Environmentally Preferred Fiber (EPF) sources;	2025
In the near future, set a science-based goal to reduce Scope 3 land-use emissions by 2030.	2030

⁸ <https://www.kimberly-clark.com/en/esg>

⁹ Kimberly-Clark 2019 Global Sustainability Report, p. 7

Goal 1: Reduce our Natural (Northern) Forest Fiber footprint by 50% from a 2011 base year (by 2025)

Kimberly-Clark’s foremost forest goal toward their comprehensive 2030 Aspirations is to “Reduce our Natural (Northern) Forest Fiber footprint by 50% from a 2011 base year” by 2025¹⁰. A fine-print footnote in the report attempts to add context:

Natural forests are composed of native species that self-regenerate and contain key elements of native ecosystems such as wildlife and biological diversity. To us, this primarily includes boreal fibers known as Northern Bleached Softwood Kraft (NBSK)¹¹.

“Forest Fiber footprint,” while perhaps not an industry term, likely refers to the raw virgin fiber sourced from North American boreal forests used as product inputs.

K-C’s annual sustainability reports spanning the previous decade reveal this goal was originally developed in November 2011, following “updated environmental, energy and waste policies¹²”; this detail substantiates the company’s choice to make 2011 the baseline on which to compare the success of its revised set of policies. Interestingly, this goal was the only one set for a 2025 deadline, three years beyond all other goals of the previous “Sustainability 2022” bundle, and is the only environmental goal of the company’s original 2022 plan not yet revamped to bolder 2030 aspirations.

The revised set of environmental policies in 2011 seems to have had an immediate effect; in the first year following implementation, Forest Fiber footprint (i.e., metric tons of used fiber) decreased by nearly 25% (Figure 3). Less congratulatory, annual reduction of virgin fiber each year afterwards has averaged just 1.3%. Nevertheless, the latest annual sustainability report enriches their transcript: “In 2019, we reduced our natural forests footprint by 31%”¹³ – cumulative gains presented as an annual snapshot.

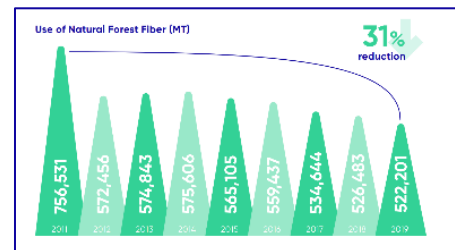


Figure 3. Forest fiber reduction, 2011 - 2019.



Figure 4. Forests and Fiber goals described as “on track.”

Forecasting out K-C’s expected performance to 2025 to test the claim of being “on track” (Figure 4) requires extrapolating yearly data deprived of the outlying 2011 allegorical diving board. Data from 2012 to 2019 more realistically represent the company’s fiber use trend under its current policies, and so provide a better indication of K-C’s potential to meet its 50% reduction goal vs. 2011. That sourcing target amounts to 378,266 MT annually by 2025.

¹⁰ Kimberly-Clark 2019 Global Sustainability Report, p. 15

¹¹ Kimberly-Clark 2019 Global Sustainability Report, p. 15

¹² Kimberly-Clark 2011 Sustainability Report, p. 83

¹³ Kimberly-Clark 2019 Global Sustainability Report, p. 4

Linear and polynomial models were employed to forecast existing data beginning in 2012 through 2025 (Figure 5). According to linear extrapolation, Kimberly-Clark will utterly miss their 2025 target by nearly 94,000 MT; using the polynomial approach, the company would meet their goal in 2025, though by a mere 1,990 MT.

While the number of observations is too few to make robust conclusions, both models exhibit strong model fits (r^2 value) yet have drastically opposing insights. The polynomial model squeezes out a successful prediction, but expecting this result may be less reliable without better information about whether the company’s plans and policies will continue to support the continued rate of change into the future. The linear forecast foresees total shortcoming. Kimberly-Clark is clearly making gradual progress over time, but the trend of that observed progress draws into question the viability of achieving its 2025 50% fiber reduction goal.

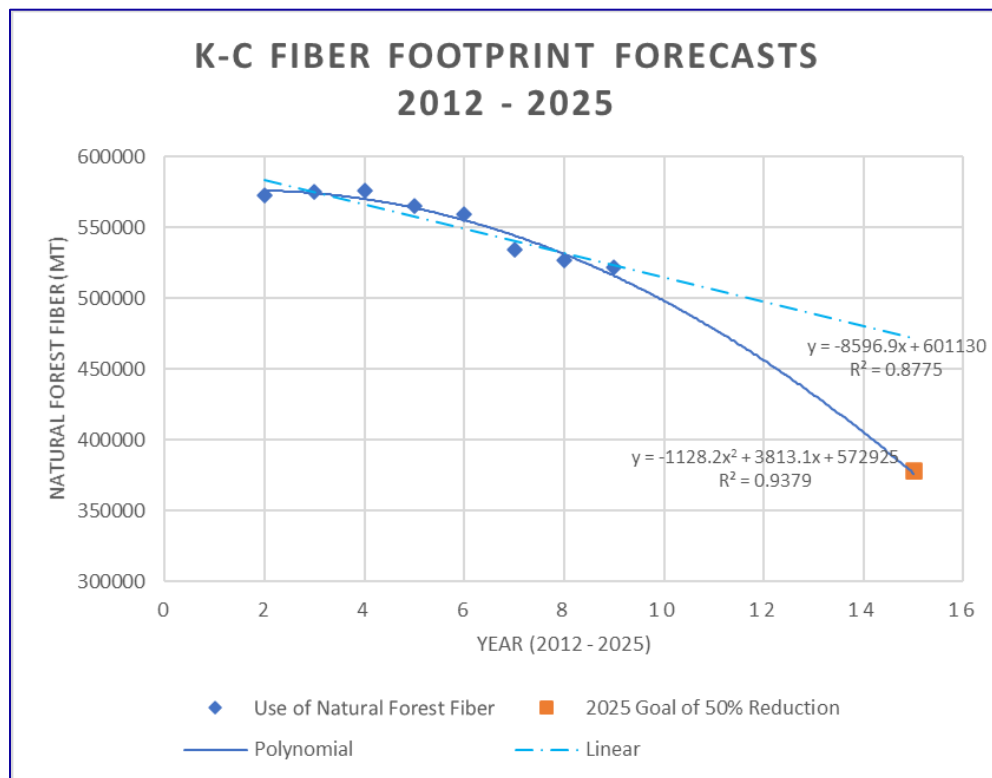


Figure 5. Projections of fiber footprint to 2025 via linear and polynomial models.

Finally, it is necessary to return to the goal’s parenthetical specification of reducing “(Northern) Forest Fiber Footprint,” language that fails to inform whether K-C has any broader plans to mirror the strategy globally. Furthermore, no observed disclosures outline whether K-C intends to: a) wean off virgin Northern Bleached Softwood Kraft fiber by switching to non-Boreal-sourced fiber, b) reduce fiber demand entirely via more efficient production processes, or c) substitute recycled content or alternative fibers in its demand (not apparent, per Figure 6). The company has clearly taken a bold step to reduce its

deforestation impacts, but whether or not they meet their 2025 goal, they have not seemed to formulate the game plan for alternative fiber strategies while growing the business.

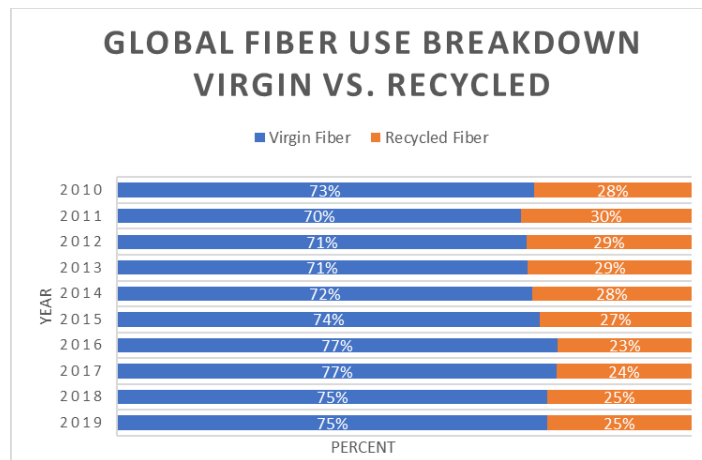


Figure 6. Comparison of forest fiber types used from 2010 - 2019.

Goal 2: Source 90% of our tissue fiber from Environmentally Preferred Fiber (EPF) sources (by 2025)

Kimberly-Clark’s second Forest Footprint goal, again for 2025, is to source 90% of tissue fiber from Environmentally Preferred Fiber (EPF) sources¹⁴. EPF is not so much defined as typified, referred to as “e.g., recycled and alternative fibers and virgin fibers certified by the Forest Stewardship Council®”¹⁵. On the surface, such designations appear relatively better than other fibers from outside this scope, but K-C’s loose membership for EPF is evocative of apparel brands’ aspirations to source all cotton from organic, recycled, or the Better Cotton Initiative (BCI)¹⁶. Progress and outlook of each EPF category may be scrutinized:

- Recycled content, including post-consumer recycled content, has held a commendable 28-35% of K-C’s globally sourced EPF since 2010, but has otherwise been stagnant and suggests no growth.
- Alternative fibers, ranked of “Medium” impact to business and stakeholder values (Figure 2), has not been technically defined by K-C nor represented yet by any data, suggesting it remains on the R&D to-do list.
- Virgin fibers certified by FSC, constituting 54% of total global fiber in 2019, is touted as the final panacea:

We believe FSC® certification applies the most rigorous criteria for the conservation of biodiversity and the protection of the rights of Indigenous communities. These are two

¹⁴ Kimberly-Clark 2019 Global Sustainability Report, p. 15

¹⁵ Kimberly-Clark 2019 Global Sustainability Report, p. 32

¹⁶ <https://joshuaskov.info/2019/04/19/is-it-really-better-cotton/>

important reasons why FSC®-certified virgin fiber is the only virgin fiber we consider to be an environmentally preferred fiber and allow to count toward our 2025 goal¹⁷.

Despite this positive posture, exploring the depths of the data-heavy 2019 Global Sustainability Report Addendum reveals that the FSC certified virgin fiber Kimberly-Clark is specifically referring to is FSC’s lowest bar of certification – FSC Mix – which is “made using a mixture of materials from FSC certified forests, recycled materials, and/or [up to 30%] FSC controlled wood. While controlled wood is not from FSC certified forests, it mitigates the risk of the material originating from unacceptable sources”¹⁸. Kimberly-Clark proudly parades their seat onboard the FSC bandwagon, but considering as little as 70% of their FSC Mix fiber inputs are actually from FSC Certified sources, “Environmentally Preferred Fiber” begins to feel fluffier than three-ply Scott®.

Examining Kimberly-Clark’s 90% EPF goal from the perspective of competency exposes additional shortcomings. First, disclosed global EPF statistics combine both global and North American data, but North America as a subset trails global totals by an average of five percent annually since 2010, only reaching 76% in 2019 (vs. 84% globally). As North America’s Boreal forests provide a major quantity of product inputs and are therefore threatened by deforestation from the company’s activities, it is alarming that EPF sourcing in North America lags far behind global performance overall, and by itself may take much longer to reach the company’s 90% success bar.

Next, in both 2016 and 2017 the company reached 89% of EPF sourcing, just one percent away from its 90% global goal; however, in the two years since, the company’s performance has waned to 87% (2018), then to 84% (2019) (Figure 7). Either real challenges exist in surpassing the 90% threshold, or the company is intentionally unambitious to achieve their goal ahead of schedule, thereby needing to reimpose more strict and costly commitments on itself sooner. Still, with six years of reporting left until the deadline, it seems likely K-C will achieve their EPF goal. Whether the integrity of the goal is commendable or helps drive real change given its loosely defined structure, statistical enhancements, and recent relapses, appears uncertain.



Figure 7. Global vs. North American sourcing of Environmentally Preferred Fiber (EPF), 2010 – 2019.

¹⁷ <https://www.kimberly-clark.com/esg/smallest-footprint/forests>

¹⁸ <https://fsc.org/en/fsc-labels>

Goal 3: In the near future, set a science-based goal to reduce Scope 3 land-use emissions by 2030

Kimberly-Clark's third and final goal to reduce their Forest Footprint, "In the near future, set a science-based goal to reduce Scope 3 land-use emissions by 2030"¹⁹, is more an embryo of a goal than a goal itself. As the only Forest Footprint goal set for 2030, the company has more latitude to explore pathways, but what may be holding K-C back from taking decisive action already is what the company attributes to slow technological development of land-use carbon accounting tools and methodologies. Without promising advancements in this field, Kimberly-Clark expresses an inability to overcome existing challenges to accurately measure carbon impacts of forestry activities in their supply chain²⁰.

Nevertheless, Kimberly-Clark's 2019 Global Sustainability Report alleges the company is already confident it is on the right path towards intentions to scale back their taking of high carbon value forests, via EPF sourcing improvements and reliance on FSC certification. However, in light of EPF and FSC shortcomings explored earlier, it will remain to be seen whether K-C's protocols are truly effective, whether carbon accounting tools improve soon enough for K-C to formulate a tangible goal before 2030, and whether that standard for reducing Scope 3 land-use emissions ends up being demanding enough.

Conclusion

Comprehensive analysis of Kimberly-Clark's crawling Forest Footprint strategies offers lukewarm assurance for the future. The company's two quantifiable goals put them out ahead of industry competitors²¹, but still may not be stringent enough in nature to meaningfully reduce the company's indirect ruin of forestlands – especially against aspirations of explosive global growth of sixtyfold additional customers by 2030. A ceremonious third goal lies dormant. And panic buying throughout 2020 of household essentials like toilet paper and paper towels due to the COVID-19 pandemic has forced record-breaking production and volatile supply chain adaptations, certain to show up in the next annual sustainability report as further backsliding from deforestation goals²².

Kimberly-Clark might be making laudable headway on its carbon footprint reduction strategies and social impact commitments, liberally pushing these endeavors front and center of corporate sustainability materials. Promoting rich climate action buzzwords, boasting big-name NGO partnerships, and touting catchy social programs like "Five Years of Toilets Change Lives," "No Baby Unhugged in Latin America," and "Alliance for Period Supplies," K-C knows how to brand a nurturing vibe. By contrast, picturing tree fibers as toilet paper mostly conjures up images of splinters in sensitive places, and there is sensibility to bury connections to this industry sore spot. Nevertheless, without substantial promise in recycled and/or

¹⁹ Kimberly-Clark 2019 Global Sustainability Report, p. 15

²⁰ Kimberly-Clark 2019 Global Sustainability Report, p. 33

²¹ <https://www.nrdc.org/experts/shelley-vinyard/investors-directive-pg-stop-driving-deforestation>

²² <https://fortune.com/2020/05/18/toilet-paper-sales-surge-shortage-coronavirus-pandemic-supply-chain-cpg-panic-buying/>

alternative fiber supplies – currently either stagnant, unprofitable, or unattainable – Kimberly-Clark would be prudent to go to greater lengths to support the perpetuation of its entire portfolio’s lifeblood.

What steps could the company take? Within the scope of its existing goals: commit to a more stringent FSC certification level; speed up research and development into using non-virgin forest fibers and increasing production efficiencies, thereby decreasing virgin fiber demand; employ what carbon accounting technologies exist already, however experimental; and possibly join or create cross-industry coalitions to reduce overall strain on forests. With its two measurable Forest Footprint goals approaching five years sooner than nearly all other 2030 sustainability goals, Kimberly-Clark has an opportunity to prioritize alleviation of deforestation linked to its supply chain, meet 2025 goals ahead of schedule, and develop stronger industry-leading practices for the next iteration of Forest Footprint goals. If any company were to commit to cleaning up such a big mess, it ought to be the one making the most absorbent materials.