

CGMA<sup>®</sup> CASE STUDY  
RETHINKING THE  
VALUE CHAIN

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Kimberly-Clark: managing natural  
capital in the value chain

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# INTRODUCTION

Kimberly-Clark is a leading global manufacturer of personal care products. Its brands, which include Kleenex, Andrex and Huggies, are used by 1.3 billion people every day. That's nearly 1 in 4 people globally. With approximately 58,000 employees worldwide and operations in 37 countries, Kimberly-Clark posted sales of \$21.15 billion in 2013.

Kimberly-Clark was founded 140 years ago on four core values – to be authentic, accountable, innovative and caring. Sustainability has always been central to these values, and is growing in importance. It is not only seen as the right thing to do but also offers competitive advantages such as cost savings, encouraging innovation and attracting customers and employees.

The organisation first set corporate-wide environmental goals in the 1990s but its journey to sustainability has not always been plain sailing. In 2004 Greenpeace launched a global campaign against Kimberly-Clark, focusing on issues of deforestation and the supply chain. Significantly, the corporation opened a dialogue with Greenpeace, not only to understand the issues and the ways they could address them better, but also to explore ways they could work together. This led to the joint creation of fibre-sourcing standards, issued in 2009, which have influenced sourcing practices in the wider market.

Today sustainability remains an integral component of Kimberly-Clark's strategy and business plan. Natural capital issues, in particular, are becoming more important, as noted in its *2012 Sustainability report*: "As global demand for the world's natural-forest resources increases, serious global issues such as deforestation and forest degradation have become more prominent. Almost half of Earth's original forest cover is gone, much of it removed within the past three decades. With world population projected to reach 9 billion by 2050, pressure on these important resources continues to grow."<sup>1</sup>

Kimberly-Clark is also working with its extensive supply chain – approximately 250 contract manufacturers who are part of a larger network of 30,000 suppliers – to become more sustainable. In 2012 the organisation updated its sustainability standards for suppliers, which include environmental compliance issues and human rights issues (child labour, discrimination etc). It also expanded the environmental information it collects from suppliers to include eight key raw-materials categories, including questions about their energy consumption and greenhouse gas goals.

As Mindy Lubber, President of Ceres, and member of Kimberly-Clark's Sustainability Advisory Board, said: "Building resilient supply chains is essential in an era where extreme weather events are the norm, resources are scarce, and human rights abuses continue. Kimberly-Clark is embedding sustainability within its supply chain because it is a business imperative."<sup>2</sup> She goes on to applaud Kimberly-Clark's commitment to set high standards for its suppliers and has challenged it to further scale improvements across its supply chain through engagement, capacity-building and industry collaboration.

This case study focuses on how Kimberly-Clark is managing natural capital in its entire value chain. It is involved in pioneering work to reduce its dependence and impact on natural resources (particularly forest fibres) in its operations and supply chain. It is also tackling the tricky issue of environmental impact caused by consumer use of its products.

# REDUCING FOREST FIBRE FOOTPRINT IN OPERATIONS AND SUPPLY CHAIN

Kimberly-Clark uses wood fibres from forests in its products, such as tissues. In 2004 it was heavily criticised by Greenpeace who said it was “wiping away ancient forests by using boreal tree fibre for disposable tissue products” and called on it to increase both the use of recycled and sustainability produced fibre.<sup>3</sup>

Kimberly-Clark opened a dialogue with Greenpeace which led to the co-creation of fibre sourcing standards in 2009. Since then Kimberly-Clark has continued to find ways to reduce its forest fibre footprint in its operations and supply chain.

To achieve this it is using a three-pronged approach that includes:

- 1 Finding alternatives to forest fibre,
- 2 Sourcing wood fibre from sustainable sources,
- 3 Using more recycled forest fibres.

## Alternatives to wood fibre

In 2012 the organisation announced plans to transition at least 50% of its wood-fibre demand from natural forests to other sources by 2025.

To help achieve this Kimberly-Clark is exploring natural alternatives to wood fibre, such as bamboo or wheat straw. It commissioned the Georgia Institute of Technology to conduct life-cycle analysis of alternative natural materials. It found that bamboo for example takes three years to grow to maturity, and can produce 10 tonnes per acre per year, compared to northern softwood that takes 60 years and yields only one tonne per acre per year (see figure 1). Kimberly-Clark has also commissioned the WWF-US to explore the potential impacts on carbon sequestration, biodiversity and ecosystem services of these alternatives.

FIGURE 1: Fibre production per acre per year



Source: Kimberly-Clark Sustainability Report 2012

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## Growth rates and productivity of fibre sources

In 2012, Kimberly-Clark launched its first products made from these alternative fibres:

- Andrex Eco in the UK contains 90% recycled fibre and 10% bamboo
- Kimberly-Clark Professional's Kleenex and Scott brand in the US contain 20% wheat straw or bamboo.

Innovations, such as these alternative fibres, are important to Kimberly-Clark and it has set an innovation target. By 2015, it aims for 25% of its net sales to be from environmentally innovative products. It is currently at 22% on this measure.

## Sustainable sourcing of wood fibre

Where virgin wood fibre is still used, Kimberly-Clark wants to ensure it comes from sustainable sources. It therefore set an ambitious target to source 100% of its wood fibre, by 2015, from suppliers that have received third-party certification of their forestry activities. It achieved this goal in 2012.

Moreover, Kimberly-Clark will not knowingly use "conflict wood", illegally harvested fibre or fibre procured from special forest areas, such as primary tropical rainforests, endangered forests, high conservation-value forests and any areas protected by government authorities.

## Recycled wood fibre

To reduce Kimberly-Clark's forest fibre footprint, it is also using more recycled wood fibre in its products. In 2012, it used 34% recycled fibre in its global tissue products (up from 31% in 2008). But some brands contain much more recycled content, for example, Andrex Eco which contains 90% recycled fibre.

### View from Kimberly-Clark's Sustainability Advisory Board

"Continuous dedication and improvement are just not enough. How long can we continue to turn fibres from slow-growth forests into wastes of very short-lived tissue goods? And, for every ton of tissue produced, release a ton of CO<sub>2</sub> and displace 40 tons of water? This industry needs broad and dramatic technology changes to become sustainable."

*Claude Fussler, Former Vice President, Dow Chemical Former Director, Stakeholder Relations, World Business Council for Sustainable Development*<sup>4</sup>

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# TACKLING CONSUMER WASTE

The majority of Kimberly-Clark's products are single use, so post-consumer waste is a concern. As the organisation adopts a more 'life-cycle' thinking approach to products (i.e. from development to disposal), consumer use and waste will become an increasingly important consideration.

To tackle post-consumer waste Kimberly-Clark is working on a number of recycling, upcycling and composting solutions.

- For the Huggies brand, it partnered with Envirocomp in 2012 to open collection-and-compost plants for used nappies (diapers), incontinence products and sanitary items in Wellington, New Zealand.
- For the K-C Professional brand there is a recycling programme in the US for single-use garments such as gloves. These gloves can be recycled into frisbees, plastic lumber and other consumer products. Similar programmes are being tested in Germany and the UK.
- Kimberly-Clark has been working with hospitals to help them recycle Kinguard Sterilisation Wrap. In 2012, 52 hospitals helped the organisation divert an estimated 1.5m pounds (equivalent to the weight of more than 400 midsize cars) of sterile wrap from landfills.
- Kimberly-Clark is also reducing its packaging and increasing the percentage of recycled material used to help reduce post-consumer waste.

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## FINAL COMMENT

For Kimberly-Clark, building the long-term resilience of its business is critical, and embedding sustainability considerations into its decisions and strategy is vital to achieving this.

This case study demonstrates how sustainable thinking can save an organisation money in the short term (from reduced landfill costs, using fewer resources etc), and protect it from future costs and risks brought about by resource scarcity or reputational issues.

As organisations start to see the impact of sustainability issues on cost, risk and value, they will increasingly need the support of CGMAs. CGMAs have the skills and oversight to present rigorous information and analysis on social and environmental factors that can impact on performance and value creation.



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## References

1. *2012 Sustainability report*, Kimberly-Clark, 2012
2. *ibid*
3. Greenpeace, 2005
4. *2012 Sustainability report*, Kimberly-Clark, 2012

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