

Tamera Fenske: Good morning. My name is Tamera Fenske, and I'm Chief Supply Chain Officer for Kimberly-Clark. I joined Kimberly-Clark after 22 years at 3M. I've worked in a variety of manufacturing and supply chain leadership roles across a wide variety of technologies, innovations and go-to-market models.

Since joining, I have been impressed with the great people, capabilities and foundation that has shaped Kimberly-Clark over the last 150-plus years. As Mike outlined earlier, our heritage resides in world-class manufacturing technology capabilities across materials development, product design and manufacturing process innovation. This enables us to deliver the highest quality, best value consumers can find in the marketplace. We have a strong foundation, but we know we can do even better. Our opportunity in our future reside in modernizing our supply chain, understanding opportunities presented by a rapidly evolving external supply ecosystem and how we manage it on an end-to-end basis.

Through new tools and ways of working, we will better leverage our global scale, pull the best ideas from around the world and drive them to market faster than our competition. We are building a supply chain that is agile, differentiated, sustainable and will power our growth at Kimberly-Clark. We work as one team to meet the needs of our consumers worldwide with our high-quality essential products. We are 24,000 team members strong, and our team is the key to our success.

Our supply chain has a wide reach and a significant impact. We care for the world with every product we produce in every location we operate. We take better care for a better world at [heart] across our 82 manufacturing locations, which represents 33 different manufacturing countries. I would like to share a few examples to bring this to life. Our European consumer business produces enough Kleenex boxes annually to match the population of the United States. Our Beach Island, South Carolina facility produces enough diapers in a year to circle the Earth 3.5x.

Not only do we make great products but we take sustainability and our responsibility to our environment footprint very seriously. At the end of 2023, electricity consumed at our Kimberly-Clark global sites was offset by renewable wind and solar sources to substitute 1/3 of the total electricity purchased from the grid. This is equivalent to the carbon tax and emissions coming from the electricity consumption of 175,000 homes for 1 year. Santa Cruz, one of our Latin America tissue facilities, has reduced the equivalent of 85 Olympic-sized swimming pools and water consumption since their 2015 base year.

Next, I'm going to discuss our simple and effective strategy to power growth through a transformed supply chain. Our focus is clear, and we know what we need to do to deliver best-in-class service for our consumers while driving more than \$3 billion of anticipated gross productivity savings, and another \$500 million in anticipated working capital reductions for Kimberly-Clark. We expect to achieve these results through 3 broad strategies. First, we are laser-focused on how we can drive simplification through our global value stream organization. We will leverage the best of our local capabilities to help drive best-in-class performance at each step of the value chain at scale.

Our new connected approach connects us globally and help us adopt, share and speed up best practices and improvements. Our value stream is prepared to look at all levers of the value chain: plan, source, make, deliver, win at shelf and sustainability. This will be consumer-led value creation in tight partnership with our strong innovation and business partners.

Second is optimizing our networking costs, leveraging our capital and scale, and strengthening our relationships with our strategic suppliers and strategic retailers. And finally, the foundation of this will be our digital supply chain capabilities that predict and execute at the speed and needs of the consumers. This combines both the automation advancement of our manufacturing and distribution operations with the advanced digital tools and skills to execute our strategies.

Now let's unpack our strategy starting with value stream. This new way of working is critically important and delivers over half of the gross productivity savings. We start by keeping consumer value creation at the center of what we do while we leverage our enterprise scale. We are prepared to move fast. As I have traveled around the world to our manufacturing and distribution operations, I have witnessed firsthand the

impressive results of our team. We have pockets of excellence in all corners of the world. You will hear more from Ehab later on this as he shares the great work the international family care and professional segment is doing in this area.

One example of this type of work involves our technical operations team digging in and understanding the capabilities of other teams across the globe, including a go, see and learn approach. If one location is excelling at any of the operational metrics, then we need to work as a collective team to identify the why and translate that to all operations in the network. And one example, we had a team that was completing change over 75% faster than a similar team in a different region. With the continuous improvement mindset, strong problem-solving and waste elimination, we will work to elevate the entire asset base across the world to those levels.

Another lever is to drive simplification and harmonization. As we advance our product offerings to meet consumer needs, our manufacturing technology and process advancements needs to anticipate and support our innovation pipelines. We are identifying where complexity exists but doesn't necessarily drive consumer value like having 500 different versions of a Kleenex carton. We are also enhancing our competitive advantages through better design that creates value. This promotes intentional holistic design across the entire value chain. We will design to source, design to manufacture, design to ship, design to win on shelf and design for sustainability across each of our categories and winning brands.

You can see the example where our teams were able to design a product with 50% less packaging and still meet the consumer needs. You can see across all 3 areas that we are globally collaborating to create visibility and accelerate learning of the great work already underway across pockets of our supply chain. To expand that approach a bit further, you can see from these charts the total delivery cost of some of our products indexed to our best performance. You can see the variation, which points to the opportunity across different assets and in different geographies. Our approach is simple, proven and effective.

We'll take diapers as an example. We take a detailed lens to all drivers that make up total delivery cost of a diaper. We start with the product design and a deeper understanding of every component that makes up the diaper. This includes suppliers, specifications and performance. We analyze the manufacturing asset performance metrics, determine who is performing best, how they achieve the results and how we can apply the learning more broadly to accelerate our performance across the entire diaper asset base. This highlights opportunity across all of the value chain levers from procurement to manufacturing, and even how we flow the products in the most efficient and effective ways for our consumers. It's just one example, and we are taking the same coordinated approach across all our value streams with inputs from every node across our supply chain everywhere.

Next up is network optimization. The second strategy is to seamlessly integrate our physical footprint, our flows and our strategic partnerships to drive efficiency. As we simplify and optimize across and within our value streams, we need to bring product to market in the most effective way. We aim to build a more efficient and resilient network with an improved working capital and reduce environmental footprint through a variety of levers. First, we plan to rightsize the overall network footprint from supplier to customer across our manufacturing and distribution operations. Through this, we also expect to optimize material usage and retune our operations.

We expect to improve costs within our 4 walls through advancements and changeovers, material handling, unplanned downtime and overall labor efficiency. We are also working to strengthen our transportation management system functionality and capability to unlock additional savings. Through leveraging and strengthening connections with our strategic partnerships, we will unlock a one supply chain. This is similar for how we're learning across our value streams. We're walking the flow of our products from manufacturing through to shelf with our partners to find efficiencies and advancements. We have joint business plans to drive shared value creation captured through speed, cost and sustainability.

Finally, we are elevating ownership and accountability of capital with the right make, buy, ally strategy to drive the lowest cost, highest efficiency and best performance to serve our consumers. And finally, scalable automation. We want to continually advance our capabilities across our supply chain while

ensuring a high return on investments. In the center, you see our digital core. Kimberly-Clark has embarked on an upgrade to our foundational software across the globe, enabling new reporting and moving us towards factories of the future.

The upgrade of foundational systems will homogenize digital tools, unlock operational insights and enable critical functionality. Starting at the top, and as I mentioned previously, the strategy comes to life through our people. And it is critical that they are digitally enabled and connected. As we invest and advance our supply chain capabilities, we will continue to upscale our teams, which leads us to innovative efficient solutions to drive value.

The asset of the future will leverage automation, material movement, machine control and advanced testing. Advanced process control actively controls set points every minute to reduce variability and to achieve an objective. And in one of our mills, we have significantly reduced our variability. Operators also experienced less planned downtime and improved quality metrics. Integrated energy analytics was launched to save operating expenses, address aging utilities infrastructure and lower carbon dioxide emissions.

Next, I'll discuss the solutions we are creating for our future workforce. Our team has a solid foundation of safety as a core value and continuous improvement as a fundamental mindset. We are building from that, our future workforce needs and bringing new solutions to unleash innovative ideas and equip our talent with the skills they need to adapt to a changing environment. We are deploying connected worker technologies like digital work instruction and forum management. We have virtual reality to accelerate training and aid in real-time problem solving. And this reinforces best practice sharing and has reduced our overtime spend on training.

Through our application-specific training, we can build a skilled workforce that can learn from virtual and augmented reality applications. Our data upskilling program will help workers stay up to date in a data-driven environment. We have plans in place to upskill over 5,000 of our colleagues in digital tools through our digital academy. This has already delivered noticeable labor efficiency through the advanced capabilities.

We have invested in the capability called a digital twin that allows us to see our full supply chain performance and material flow, which is a first-of-a-kind view for Kimberly-Clark. We can virtually model in real time over 60 manufacturing locations across 700-plus lines with over 400,000 shipment lanes and 200 storage locations, before we make any physical changes. This ability to test before changing gives us speed of decision-making and with full confidence we will improve our performance. Finally, our digital manufacturing capability learning is bringing innovative solutions to the fingertips of our global workforce. We have an artificial intelligence agent that is trained in our best practices to enable immediate answers for operators and engineers.

Simply put, it's an internal search engine that returns technical and scientific data from years of learning across our brilliant workforce. This knowledge management and frictionless access helps accelerate and integrate our continuous improvement revitalization everywhere without delay. These strategies and capabilities will help drive the results I showed you at the beginning.

Starting with best-in-class service. I want to start by thanking our supply chain members across the globe for their continued and relentless commitment to serving our consumers. The last 3 years have been like nothing we have seen in the history of the company and certainly not in any of our careers. However, our teams have stepped up and done what it takes to continuously improve by ensuring we are available where our consumers need us. You can see the improvements since the COVID period, and our aspiration is to keep pushing that performance. As part of our digital supply chain, we have invested in advanced integrated planning capabilities to improve our demand forecasting, which allows us to lower working capital while increasing service levels.

We are pushing for a best-in-class performance of our on-time and full rates with top quartile performance and forecast accuracy. All of this is achieved through tight commercial collaborations with our key

strategic retail partners, which I'll talk a bit more in a bit and will also come to life as a key driver for our new North America segment.

Next, I'll discuss how we plan to reduce our gross costs by more than \$3 billion by the end of the decade. Our goal is to fuel growth and margin expansion through accelerated, scaled supply chain improvements. More than half of this is expected to come from our value stream strategy, 1/3 from optimizing our network and the rest from automation in our digital supply chain. I am confident in our ability to achieve this level of gross productivity based on a strong 2023 delivery and the strategic business plan and commitments already underway. There are particularly important enablers to this strategy and new ways of working that have already accelerated our productivity identification and actions.

We have strong consumer intimacy and understand their needs. Pair that with strong category bending innovations and an agile and connected supply chain, we have a winning equation. We will empower the teams to translate that intimacy and connectivity to value. We are doing this through integrated margin management, a change in approach that Nelson will expand upon later.

Our teams are prepared to bring data to all business challenges and opportunities to drive the best outcomes. This will help our teams work more smoothly on margin improvement initiatives and increase the net impact of our gross productivity programs. This integrated approach is so much more powerful than the traditional silo-ed sum of the parts.

In addition to translating our productivity programs in the bottom line results, we are also focused on managing headwinds and reducing volatility across our cost base. These ways of working and our productivity programs across our key strategies are essential to deliver our goal of \$3 billion in gross productivity savings, which will help fund critical investments to support the company's growth initiatives as well as our margin expansion plans.

As a result, we would be disappointed if our gross margins weren't at least 40% by the end of the decade. And finally, also targeting to improve our cash generation by improving working capital. In the last 5 years, we have cut our cash conversion cycle by 13 days and reduced our working capital on the balance sheet by over \$400 million since 2018. We intend to continue this progress by focusing on our inventories and payables.

Planning transformation is key to unlocking our full potential. It involves a holistic and business-led approach. We are shifting from sequential, disconnected and a one-size-fits-all model to an integrated, real-time data-led and segmented modeling approach. This will enable us to manage our inventory better and have the right product in the right place for our consumers.

We also work closely with our customers to anticipate their needs and create synergies across our supply chains. And in procurement, we are not just looking at cost reduction and business continuity, but also using our brands' equity, sourcing scale and strategic partnerships to drive innovation and value creation. All of this will help us continue our progress and reduce our working capital by another \$500 million in the coming years.

I'll wrap up my comments with sustainability and focus because there is no better world without a healthy planet and strong communities. We know that delivering great products that make lives better requires a full court press on sustainability. That's why growing for good is nonnegotiable at Kimberly-Clark.

I'm incredibly proud of what we've accomplished so far and have the reason to believe that has emerged with our long track record of achieving what we set out to do. We've deployed hundreds of renewable energy and energy efficiency projects, reducing our greenhouse gas emissions, in line with our science-based targets initiative aligned goals while at the same time, taking on the big challenges associated with Scope 3 emissions.

We have explored an extensive array of alternative fibers, investing more than \$40 million to find more sustainable materials for our tissue products, while at the same time, progressing sustainable forest

management in our existing supply chain. We've activated hundreds of initiatives designed to care for people in vulnerable and underserved communities through our philanthropic investments, our brand programming and our supply chain responsibility work.

But we are not resting on our achievements. The world's sustainability challenges are more urgent than ever, and we are far from done. With the balanced capabilities and reach of our powerhouse supply chain and purpose-driven brands, we are incredibly excited about what we can accomplish, fully knowing that achieving these ambitious sustainability goals will help us do our part to create a better world and further strengthen our business for the future.

In closing. Thank you again for allowing me the opportunity to share the great work, ambitions and focus of the supply chain team to deliver a step-change improvement across the value chain. I am very proud to be leading such a capable, caring and performance-driven team. We are excited for the future and to continue to build and deliver better care for a better world.