

KIMBERLY CLARK CORP

Form DEF 14A

March 14, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant    
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Kimberly-Clark Corporation**

\_\_\_\_\_  
(Name of Registrant as Specified In Its Charter)

\_\_\_\_\_  
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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March 14, 2007

**Thomas J. Falk**

Chairman of the Board and  
Chief Executive Officer

**TO OUR STOCKHOLDERS:**

On behalf of the Board of Directors and management of Kimberly-Clark Corporation, I cordially invite you to the Annual Meeting of Stockholders to be held on Thursday, April 26, 2007, at 11:00 a.m. at the Dallas Marriott Las Colinas, which is located at 223 West Las Colinas Boulevard, Irving, Texas.

At the Annual Meeting, stockholders will be asked to elect three directors for a three-year term, approve the selection of the Corporation's independent auditors, approve a proposal regarding the annual election of directors and vote on three stockholder proposals. These matters are fully described in the accompanying Notice of Annual Meeting and proxy statement.

It is important that your stock be represented at the meeting regardless of the number of shares you hold. You are encouraged to specify your voting preferences by marking and dating the enclosed proxy card, voting electronically using the Internet or using the telephone voting procedures.

If you plan to attend the meeting, please check the card in the space provided or so indicate electronically or by telephone. This will assist us with meeting preparations and will enable us to expedite your admittance. If your shares are not registered in your own name and you would like to attend the meeting, please ask the broker, trust, bank or other nominee that holds your shares to provide you with evidence of your share ownership, which will enable you to gain admission to the meeting.

Sincerely,

Thomas J. Falk

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**KIMBERLY-CLARK CORPORATION**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**APRIL 26, 2007**

The Annual Meeting of Stockholders of KIMBERLY-CLARK CORPORATION will be held at the Dallas Marriott Las Colinas, which is located at 223 West Las Colinas Boulevard, Irving, Texas, on Thursday, April 26, 2007, at 11:00 a.m. for the following purposes:

1. To elect three directors for a three-year term to expire at the 2010 Annual Meeting of Stockholders;
2. To approve the selection of Deloitte & Touche LLP as our independent auditors;
3. To approve a proposal to amend the Restated Certificate of Incorporation to permit the annual election of directors;
4. To vote on three stockholder proposals which may be presented at the meeting; and
5. To take action upon any other business which may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on February 26, 2007 are entitled to notice of and to vote at the meeting and any adjournment thereof.

It is important that your shares be represented at the meeting. I urge you to sign, date and promptly return the enclosed proxy card in the enclosed business reply envelope, or vote using the Internet or telephone.

The accompanying proxy statement also is being used to solicit voting instructions for shares of Kimberly-Clark common stock that are held by the trustees of our employee benefit and stock purchase plans for the benefit of the participants in the plans. It is important that each participant in the plans signs, dates and returns the voting instruction card, which is enclosed with the proxy statement, in the business reply envelope provided, or indicates his or her preferences using the Internet or telephone.

By order of the Board of Directors.

Timothy C. Everett  
Vice President and Secretary

P.O. Box 619100  
Dallas, Texas 75261-9100  
March 14, 2007

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March 14, 2007

**PROXY STATEMENT**

**PART ONE  
VOTING INFORMATION**

The accompanying proxy is solicited on behalf of the Board of Directors of Kimberly-Clark Corporation for use at the Annual Meeting of Stockholders to be held on April 26, 2007 and at any adjournment of the Annual Meeting. We are first mailing this proxy statement and the accompanying proxy to holders of Kimberly-Clark common stock on March 14, 2007.

**Who May Vote**

Each stockholder of record at the close of business on February 26, 2007 will be entitled to one vote for each share registered in the stockholder's name. As of that date, there were outstanding 456,446,040 shares of our common stock.

**How You May Vote**

You may vote in person by attending the meeting, by completing and returning a proxy by mail, or by using the Internet or telephone. To vote your proxy by mail, mark your vote on the enclosed proxy card, then follow the instructions on the card. To vote your proxy using the Internet or telephone, see the instructions on the proxy form and have the proxy form available when you access the Internet website or place your telephone call.

The named proxies will vote your shares according to your directions. If you sign and return your proxy but do not make any of the selections, the named proxies will vote your shares for the election of directors, for approval of the selection of our independent auditors, for approval of the proposal for annual election of directors and against approval of the stockholder proposals.

**How You May Revoke or Change Your Vote**

You may revoke your proxy before the time of voting at the meeting in any of the following ways:

by mailing a revised proxy to the Secretary of the Corporation

by changing your vote on the Internet website

by using the telephone voting procedures

by voting in person at the meeting

**Confidential Voting**

Proxy cards are received by our independent proxy processing agent, and the vote is certified by independent Inspectors of Election. Proxy cards and ballots that identify the vote of stockholders and plan participants will be kept confidential, except as necessary to meet legal requirements, in cases where stockholders and participants request disclosure or write comments on their cards, or in a contested matter involving an opposing proxy solicitation. During the proxy solicitation period, we will receive daily tabulation reports from the independent proxy processing agent, but these reports provide only aggregate data. In addition, the agent will identify stockholders who fail to vote so that

we may contact them and request they do so.

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### **Costs of Solicitation**

Kimberly-Clark will bear the cost of preparing, printing and delivering materials in connection with this solicitation of proxies including the cost of the proxy solicitation and the expenses of brokers, fiduciaries and other nominees in forwarding proxy material to beneficial owners. In addition to the use of mail and electronic delivery, solicitation may be made by telephone or otherwise by our employees. We have retained D. F. King & Co., Inc. to aid in the solicitation at a cost of approximately \$14,000 plus reimbursement of out-of-pocket expenses.

### **Votes Required/Voting Procedures**

A majority of the shares of our common stock, present in person or represented by proxy, will constitute a quorum for purposes of the Annual Meeting. The three nominees for director receiving a plurality of the votes cast at the meeting in person or by proxy shall be elected, subject to the Board's existing policy regarding resignations by directors who do not receive a majority of for votes. The proposed amendment to the company's Restated Certificate of Incorporation described below in Proposal 3 requires for approval the favorable vote of a majority of shares outstanding as of the record date. All other matters require for approval the favorable vote of a majority of votes cast on the applicable matter at the meeting in person or by proxy. Abstentions are treated as votes against a proposal and broker non-votes will not be considered present and entitled to vote. Generally, a broker non-vote occurs on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner of the shares, and instructions are not given.

### **Dividend Reinvestment and Stock Purchase Plan**

If a stockholder is a participant in our Automatic Dividend Reinvestment and Stock Purchase Plan, the proxy card represents the number of full shares in the stockholder's account in the plan, as well as shares registered in the stockholder's name.

### **Employee Benefit Plans**

We also are sending this proxy statement and voting materials to participants in various Kimberly-Clark employee benefit and stock purchase plans. The trustee of each plan, as the stockholder of record of the shares of our common stock held in the plans, will vote whole shares of stock attributable to each participant's interest in the plans in accordance with the directions the participant gives or, if no directions are given by the participant, in accordance with the directions of the respective plan committee.

### **Electronic Delivery of Proxy Materials and Annual Report**

The Notice of Annual Meeting and proxy statement and our 2006 Annual Report are available in the Investors section of our website at [www.kimberly-clark.com](http://www.kimberly-clark.com). Instead of receiving copies of the proxy statement and annual report in the mail, stockholders may elect to receive an e-mail with a link to these documents on the Internet. Receiving your proxy materials online saves us the cost of producing and mailing documents to your home or business and gives you an automatic link to the proxy voting site. Stockholders may enroll to receive proxy materials online as follows:

*Stockholders of Record.* If your shares are registered in your own name, to enroll in the electronic delivery service, go directly to our transfer agent's website at [www.computershare.com/us/ecomms](http://www.computershare.com/us/ecomms) anytime and follow the instructions.

*Beneficial Stockholders.* If your shares are not registered in your name, to enroll in the electronic delivery service, check the information provided to you by your bank or broker, or contact your bank or broker for information on electronic delivery service.

*Plan Participants.* If you are a participant in one or more of our employee benefit or stock purchase plans, to enroll in the electronic delivery service, go directly to our transfer agent's website at [www.econsent.com/kmb](http://www.econsent.com/kmb) anytime and follow the instructions.

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**Delivery of One Proxy Statement and Annual Report to a Single Household to Reduce Duplicate Mailings**

Each year in connection with our Annual Meeting, we are required to send to each stockholder of record a proxy statement and annual report, and to arrange for a proxy statement and annual report to be sent to each beneficial stockholder whose shares are held by or in the name of a broker, bank, trust or other nominee. Because many stockholders hold shares of our common stock in multiple accounts or share an address with other stockholders, this process results in duplicate mailings of proxy statements and annual reports. Stockholders may avoid receiving duplicate mailings and save the Corporation the cost of producing and mailing duplicate documents as follows:

*Stockholders of Record.* If your shares are registered in your own name and you are interested in consenting to the delivery of a single proxy statement or annual report, you may contact Stockholder Services by mail at P.O. Box 612606, Dallas, Texas 75261-2606, by telephone at 972-281-1522 or by e-mail at stockholders@kcc.com.

*Beneficial Stockholders.* If your shares are not registered in your own name, your broker, bank, trust or other nominee that holds your shares may have asked you to consent to the delivery of a single proxy statement or annual report if there are other Kimberly-Clark stockholders who share an address with you. If you currently receive more than one proxy statement or annual report at your household, and would like to receive only one copy of each in the future, you should contact your nominee.

*Right to Request Separate Copies.* If you consent to the delivery of a single proxy statement and annual report but later decide that you would prefer to receive a separate copy of the proxy statement or annual report, as applicable, for each stockholder sharing your address, then please notify us or your nominee, as applicable, and we or they will promptly deliver such additional proxy statements or annual reports. If you wish to receive a separate copy of the proxy statement or annual report for each stockholder sharing your address in the future, you may also contact Stockholder Services by mail at P.O. Box 612606, Dallas, Texas 75261-2606, by telephone at 972-281-1522 or by e-mail at stockholders@kcc.com.

**PART TWO  
CORPORATE GOVERNANCE INFORMATION**

**Board of Directors and Board Committees**

The Board of Directors met six times in 2006. All of the incumbent directors attended in excess of 75 percent of the total number of meetings of the Board and committees of the Board on which they served.

Although we do not have a formal policy with respect to director attendance at Annual Meetings, since 1997 all nominees and continuing directors have attended the Annual Meetings. Twelve of our directors, which constituted all nominees and continuing directors, attended the 2006 Annual Meeting.

The standing committees of the Board include the Audit Committee, Management Development and Compensation Committee, Nominating and Corporate Governance Committee and Executive Committee. In compliance with applicable New York Stock Exchange ( NYSE ) corporate governance rules, the Board has adopted charters for the Audit, Management Development and Compensation, and Nominating and Corporate Governance Committees. These charters are available in the Investors section of our website at [www.kimberly-clark.com](http://www.kimberly-clark.com). Stockholders may also contact Stockholder Services, P.O. Box 612606, Dallas, Texas 75261-2606 or call (972) 281-1522 to obtain paper copies of the charters without charge.

**Audit Committee**

Dennis R. Beresford is the Chairman of our Audit Committee. The other members of the Audit Committee are John R. Alm, John F. Bergstrom, and Mae C. Jemison, M.D. The Committee met eight

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times in 2006. In addition, Mr. Beresford participated in three additional conference calls as Chairman of the Committee to preview earnings press releases during 2006.

Each member of the Audit Committee is an Independent Director under the independence standards set forth in our Corporate Governance Policies. See [Director Independence](#) below for additional information on Independent Directors.

Each member of the Audit Committee satisfies the financial literacy requirements of the NYSE, and the Board has determined that Mr. Beresford is an [audit committee financial expert](#) under the rules and regulations of the Securities and Exchange Commission ( [SEC](#) ).

The principal functions of the Audit Committee, as specified in its charter, include the following:

Oversees (i) the quality and integrity of the financial statements; (ii) compliance with ethical policies contained in the Code of Conduct, and legal and regulatory requirements; (iii) the independence, qualification and performance of our independent auditors; and (iv) the performance of our internal auditors.

Subject to stockholder approval, selects and engages our independent auditors.

Reviews the scope of the audits and audit findings, including any comments or recommendations of our independent auditors.

Establishes policy in connection with internal audit programs.

Pre-approves all audit and non-audit services provided by the independent auditors.

Reviews risk assessment and management policies.

For additional information about the Audit Committee's oversight activities in 2006, see the Audit Committee Report in Part Four of this proxy statement.

## **Management Development and Compensation Committee**

Marc J. Shapiro is the Chairman of our Management Development and Compensation Committee. The other members of this Committee are Abelardo E. Bru, Pastora San Juan Cafferty, James M. Jenness, and G. Craig Sullivan. Mr. Jenness was appointed to this Committee as of February 1, 2007. The Committee met five times in 2006. Each member of this Committee is an Independent Director.

The principal functions of the Management Development and Compensation Committee, as specified in its charter, include the following:

Establishes and administers the policies governing annual compensation and long-term compensation, including stock option awards, restricted share awards and restricted share unit awards.

Oversees (i) leadership development for senior management and future senior management candidates; and (ii) key organizational effectiveness and engagement policies.

Reviews diversity programs and key metrics.

Compensation Process and Procedures

On an annual basis, the Committee reviews and sets the compensation of our elected officers, including all of our executive officers. The Committee's charter does not permit the Committee to delegate to anyone the authority to establish any compensation policies or programs for elected officers, including our executive officers. Our Chief Executive Officer has the authority to establish compensation programs for non-elected officers. Additionally, as discussed below in Part Four Executive Compensation Compensation Discussion and Analysis, the Committee has delegated limited authority to our Chief Executive Officer to grant stock options, restricted stock, and restricted share units to non-executive officers for recruiting or retention purposes.



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Our Chief Executive Officer makes a recommendation to the Committee each year on the appropriate compensation to be paid to our executive officers, excluding himself. The Committee makes the final determination of the amount of compensation to be awarded to each executive officer, including the Chief Executive Officer, based on the Committee's determination of how that compensation achieves the objectives of our compensation policies. None of our executive officers are present during the portion of the Committee's meetings when compensation for executive officers is set.

For additional information on the Committee's processes and procedures for determining executive compensation, and for a detailed discussion of our compensation policies, see Part Four Executive Compensation Compensation Discussion and Analysis below.

### **Use of Compensation Consultants**

The Committee's charter provides that the Committee has the authority to retain advisors, including compensation consultants, to assist the Committee in its work. Both we and the Committee believe that compensation consultants can provide important market information and perspectives that can help the Committee develop compensation programs that best meet the objectives of our compensation policies.

To assist management and the Committee in assessing and determining appropriate, competitive, compensation for our executives, the Corporation annually engages an outside compensation consultant. In 2006, Mercer Human Resource Consulting was retained for this purpose. The Committee also separately retains an additional compensation consultant, independent of management, who is directed by the Committee to review the analysis and recommendations of the consultant retained by the Corporation, and advise the Committee whether such analysis and recommendations are appropriate and in line with the market and general compensation trends and consistent with our compensation objectives. In 2006, the Committee retained The Delves Group as its independent compensation consultant. The Delves Group had no other business relationship with the Corporation and received no payments from us other than fees for services to the Committee.

### **Committee Report**

The Committee has reviewed the Compensation Discussion and Analysis section of this proxy statement and has recommended that it be included in this proxy statement. The Committee's report is located below at Part Four Executive Compensation Management Development and Compensation Committee Report.

### **Nominating and Corporate Governance Committee**

Linda Johnson Rice is the Chairman of our Nominating and Corporate Governance Committee. The other members of this Committee are Abelardo E. Bru, Pastora San Juan Cafferty, James M. Jenness, and G. Craig Sullivan. Mr. Jenness was appointed to this Committee as of February 1, 2007. The Committee met four times in 2006. Each member of this Committee is an Independent Director.

The principal functions of the Nominating and Corporate Governance Committee, as specified in its charter, include the following:

- Oversees the process by which individuals are nominated to become Board members.

- Oversees matters of corporate governance, including developing and recommending to the Board changes to Corporate Governance Policies.

Advises the Board on (i) Board organization, membership, function, performance and compensation; (ii) committee structure and membership; and (iii) policies and positions regarding significant stockholder relations issues.

Reviews director independence standards and makes recommendations to the Board with respect to the determination of independence of directors.

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Monitors and recommends improvements to the practices and procedures of the Board.

Reviews stockholder proposals and considers responses or actions with respect to such proposals.

The Nominating and Corporate Governance Committee, in accordance with its charter and our Restated Certificate of Incorporation, has established criteria and processes for director nominees, including nominations proposed by stockholders. Those criteria and processes are described below in Director Nominee Criteria and Process and Stockholder Nominations for Directors.

## **Executive Committee**

Robert W. Dechard is our Lead Director and is the Chairman of the Executive Committee. The other members of this Committee are John F. Bergstrom, Thomas J. Falk, and Claudio X. Gonzalez. In 2006, the Executive Committee did not meet and took action by unanimous written consent once with respect to the approval of two subsequent phase projects under our Strategic Cost Reduction Plan pursuant to authority delegated to the Committee by the Board in July 2005.

The principal function of this Committee is to exercise the powers of the Board to direct our business and affairs between meetings of the Board.

## **Compensation Committee Interlocks and Insider Participation**

During 2006, the following directors served as members of the Management Development and Compensation Committee of our Board: Abelardo E. Bru, Pastora San Juan Cafferty, Marc J. Shapiro and G. Craig Sullivan.

Thomas J. Falk, our Chairman of the Board and Chief Executive Officer, served as a member of the Compensation Committee of the Board of Directors of Kimberly-Clark de Mexico, S.A.B. de C.V. Claudio X. Gonzalez, Chairman of the Board and Managing Director of Kimberly-Clark de Mexico, S.A.B. de C.V., served as a member of our Board in 2006.

## **Director Independence**

Since 1996, our By-Laws have provided that a majority of our directors be independent directors ( Independent Directors ). In addition, our Corporate Governance Policies adopted by the Board provide independence standards consistent with the rules and regulations of the SEC and the listing standards of the NYSE. Our Corporate Governance Policies are available in the Investors section of our website at [www.kimberly-clark.com](http://www.kimberly-clark.com).

The nominees for director are such that immediately after the election of the nominees to the Board, a majority of all directors holding office will be Independent Directors. Our independent Board helps ensure good corporate governance and strong internal controls. We are in compliance with all corporate governance requirements of the NYSE, the SEC and the Sarbanes-Oxley Act of 2002.

The Board has determined that all directors and nominees are Independent Directors, except for Thomas J. Falk and Claudio X. Gonzalez. When making these determinations, the Board considered the following:

We made charitable contributions of (i) \$162,000 in 2004, \$237,500 in 2005, and \$275,000 in 2006 to the Fox Cities Performing Arts Center in Appleton, Wisconsin, where Mr. Bergstrom is a director, and (ii) \$290,000 in 2004, and \$400,000 in each of 2005 and 2006 to Marquette University, where Mr. Bergstrom is a trustee. Each

of these contributions was below the amounts established by the NYSE and our Corporate Governance Policies as potentially affecting a director's independence. We have significant company operations and a significant number of employees in the Fox Cities area.

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Companies majority owned by Mr. Bergstrom paid to us approximately (i) \$55,000 in 2004, and \$58,000 in each of 2005 and 2006 to lease excess hangar space at an airport near Appleton, Wisconsin, and (ii) approximately \$123,000 in 2004, \$128,000 in 2005, and \$133,000 in 2006 for pilot services pursuant to a pilot sharing contract for incremental costs related to using our pilots for their corporate aircraft.

We paid approximately \$15,000 in 2004, \$34,000 in 2005, and \$8,000 in 2006 for automobile and related services to car dealerships in the Neenah, Wisconsin area that are majority owned by Mr. Bergstrom.

We paid approximately \$194,000 in 2004, \$50,000 in 2005, and \$53,000 in 2006 for advertising to entities owned directly or indirectly by Belo Corp., where Mr. Decherd is Chairman, President and Chief Executive Officer. This advertising was placed in accordance with our advertising agencies' independent recommendations, and not at the request or direction of management.

We made charitable contributions of \$5,000 in 2004, and \$1,000 in each of 2005 and 2006 to the Dorothy Jemison Foundation for Excellence, where Dr. Jemison is a director.

We paid \$550,000 in each of 2004 and 2005, and \$343,000 in 2006 for advertising to entities owned directly or indirectly by Johnson Publishing Company, where Ms. Johnson Rice is President and Chief Executive Officer. This advertising was placed in accordance with our advertising agencies' independent recommendations, and not at the request or direction of management.

We paid approximately \$306,000 in 2004, \$746,000 in 2005, and \$1,133,000 in 2006 to JPMorgan Chase & Co. ( JPMC ) for investment banking services. Mr. Shapiro serves as a consultant to JPMC and as non-executive chairman of its Texas operations. We do not believe his relationship with JPMC gives him a direct or indirect material interest in our transactions with JPMC.

## **Director Nominee Criteria and Process**

The Board of Directors is responsible for approving candidates for Board membership. The Board has delegated the screening and recruitment process to the Nominating and Corporate Governance Committee, in consultation with the Chairman of the Board and Chief Executive Officer. The Nominating and Corporate Governance Committee believes that the criteria for director nominees should ensure effective corporate governance, support our strategies and businesses, account for individual director attributes and the effect of the overall mix of those attributes on the Board's effectiveness, and support the successful recruitment of qualified candidates for the Board.

Qualified candidates for director are those who, in the judgment of the Nominating and Corporate Governance Committee, possess all of the personal attributes and a sufficient mix of the experience attributes described below to assure effective service on the Board. Personal attributes of a Board candidate considered by the Nominating and Corporate Governance Committee include: leadership, ethical nature, contributing nature, independence, interpersonal skills, and effectiveness. Experience attributes of a Board candidate considered by the Nominating and Corporate Governance Committee include: financial acumen, general business experience, industry knowledge, diversity of viewpoints, special business experience and expertise.

The Nominating and Corporate Governance Committee may receive recommendations for Board candidates from various sources, including our directors, management and stockholders. In addition, the Nominating and Corporate Governance Committee has retained a search firm to assist the Committee in identifying and recruiting director candidates meeting the criteria specified by the Committee.

When a vacancy occurs on the Board, the Nominating and Corporate Governance Committee recommends to the Board a nominee to fill the vacancy. As provided in the Corporation's Certificate of Incorporation, the Board elects a new director when a vacancy occurs between Annual Meetings of Stockholders. The Nominating and Corporate Governance Committee also annually evaluates and recommends to the Board nominees for election as directors at our Annual Meeting of Stockholders.

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### **Stockholder Nominations for Directors**

The Nominating and Corporate Governance Committee considers nominees recommended by stockholders as candidates for election to the Board of Directors. A stockholder wishing to nominate a candidate for election to the Board at the Annual Meeting is required to give written notice to the Secretary of the Corporation of his or her intention to make a nomination. The notice of nomination must be received by us not less than 50 days nor more than 75 days prior to the stockholders' meeting, or if we give less than 60 days notice of the meeting date, the notice of nomination must be received within 10 days after the meeting date is announced. The notice of nomination is required to contain information about both the nominee and the stockholder making the nomination, including information sufficient to allow the Nominating and Corporate Governance Committee to determine if the candidate meets the director nominee criteria described above. We may require that the proposed nominee furnish other information to determine that person's eligibility to serve as a director. A nomination that does not comply with the above procedure will not be considered for presentation at the Annual Meeting, but will be considered by the Nominating and Corporate Governance Committee for any vacancies arising on the Board between Annual Meetings in accordance with the process described above in Director Nominee Criteria and Process. If the proposed amendments to the Corporation's Restated Certificate of Incorporation, as set forth in Proposal 3 below, are adopted at the Annual Meeting, the notice of nomination must be received by us not less than 75 days nor more than 100 days prior to the stockholders' meeting, or if we give less than 75 days notice of the meeting date, the notice of nomination must be received within 10 days after the meeting date is announced.

### **Communications to Directors**

Our Board has established a process by which stockholders and other interested parties may communicate with the Board. That process can be found in the Investors section of our website at [www.kimberly-clark.com](http://www.kimberly-clark.com).

Stockholders and other interested parties may send written correspondence to our Board in care of our Lead Director:

Lead Director  
Kimberly-Clark Corporation  
P. O. Box 619100  
Dallas, Texas 75261-9100

### **Other Corporate Governance Matters**

*Corporate Governance Policies.* The Board of Directors adopted Corporate Governance Policies in 1994, which have been amended from time to time in accordance with changes in rules and regulations and developing governance practices. These policies guide the Corporation and the Board on matters of corporate governance, including director responsibilities, Board committees and their charters, director independence, director qualifications, director compensation and evaluations, director orientation and education, director access to management, Board access to outside financial, business and legal advisors, and management development and succession planning. These policies, which include our director independence standards, are available in the Investors section of our website at [www.kimberly-clark.com](http://www.kimberly-clark.com). Stockholders also may contact Stockholder Services, P.O. Box 612606, Dallas, Texas 75261-2606 or call (972) 281-1522 to obtain a copy of the Corporate Governance Policies without charge.

*Code of Conduct.* Kimberly-Clark has a Code of Conduct that applies to all of our directors, executive officers and employees, including the chief executive officer, chief financial officer, and the principal accounting officer and controller. The Code of Conduct is available in the Investors section of our website at [www.kimberly-clark.com](http://www.kimberly-clark.com).

Stockholders also may contact Stockholder Services, P.O. Box 612606, Dallas, Texas 75261-2606 or call (972) 281-1522 to obtain a copy of the Code of Conduct without charge.



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*Lead Director.* Mr. Decherd served as Lead Director in 2006. The Lead Director chairs executive session meetings of non-management directors and serves as Chairman of the Executive Committee, among other responsibilities. The non-management directors are scheduled to meet in executive session without the presence of management at least quarterly.

*Committee Authority to Retain Independent Advisors.* Each of the Audit, Management Development and Compensation, and Nominating and Corporate Governance Committees has the authority to retain independent advisors and consultants, with all fees and expenses to be paid by the Corporation.

*Whistleblower Procedures.* The Audit Committee has established procedures for (1) the receipt, retention and treatment of complaints we receive regarding accounting, internal accounting controls or auditing matters, and (2) the confidential and anonymous submission by our employees and others of concerns regarding questionable accounting or auditing matters. We also maintain a toll-free, around-the-clock Code of Conduct Line which allows our employees and others to voice their concerns anonymously. The whistleblower procedures and information on how to access the line is available in the Investors section of our website at [www.kimberly-clark.com](http://www.kimberly-clark.com).

*Chief Compliance Officer.* Ronald D. Mc Cray is the Senior Vice President Law and Government Affairs and Chief Compliance Officer, overseeing our compliance program. He reports to the Audit Committee on the program's effectiveness, provides periodic reports to the Board, and works closely with various compliance functions to provide coordination and sharing of best practices across the compliance groups.

*Disclosure Committee.* We have established a disclosure committee composed of members of management to assist in fulfilling our obligations to maintain disclosure controls and procedures, and to coordinate and oversee the process of preparing our periodic securities filings with the SEC.

*No Executive Loans.* We do not extend loans to our executive officers or directors and do not have any such loans outstanding.

*Stockholder Rights Plan.* The Board has adopted the following policy statement on stockholder rights plans:

Kimberly-Clark does not have a poison pill or stockholder rights plan. If Kimberly-Clark were to adopt a stockholder rights plan, the Board would seek prior stockholder approval of the plan unless, due to timing constraints or other reasons, a majority of independent directors of the Board determines that it would be in the best interests of stockholders to adopt a plan before obtaining stockholder approval. If a stockholder rights plan is adopted without prior stockholder approval, the plan must either be ratified by stockholders or must expire, without being renewed or replaced, within one year. The Nominating and Corporate Governance Committee shall review this policy statement periodically and report to the Board on any recommendations it may have concerning the policy.

*Annual Election of Directors.* The Board has recommended to stockholders that directors be elected on an annual basis instead of for staggered terms of three years each. To effect this change, a majority of the shares outstanding must vote in favor. See Proposal 3 below.

*Majority Voting for Election of Directors.* In September 2006, the Board amended the Corporation's By-Laws to provide that, in uncontested elections, directors will be elected by a majority vote rather than by a plurality. If an incumbent director does not receive a majority of votes, the director is required to tender his or her resignation for consideration by the Board. Our By-Laws are available in the Investors section of our website at [www.kimberly-clark.com](http://www.kimberly-clark.com).

*Charitable Contributions.* The Nominating and Corporate Governance Committee has adopted guidelines for review and approval of charitable contributions by us and any foundation we control to organizations or entities with which a member of the Board of Directors or an executive officer is or may be affiliated.

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**PART THREE  
PROPOSALS TO BE VOTED ON AT THE 2007 ANNUAL MEETING**

**PROPOSAL 1. ELECTION OF DIRECTORS**

**General Information**

The Board of Directors is divided into three classes, as required by our Restated Certificate of Incorporation (the Charter ). Directors of one class are elected each year for a term of three years. As of the date of this proxy statement, the Board of Directors consists of thirteen members, including James M. Jenness who was elected to the Board by the Board of Directors as of February 1, 2007. Five of the directors have terms which expire at this year's Annual Meeting (Class of 2007), four have terms which expire at the 2008 Annual Meeting (Class of 2008) and four have terms which expire at the 2009 Annual Meeting (Class of 2009).

Proposal 3 below sets forth the recommendation of the Board to have directors elected on an annual basis instead of for three-year terms. If that proposal is approved by stockholders, then beginning with the Annual Meeting in 2008, new directors, and incumbent directors whose terms are expiring, will be elected annually for one-year terms.

The three nominees for director set forth on the following pages are proposed to be elected at this year's Annual Meeting to serve for a term to expire at the 2010 Annual Meeting of Stockholders (Class of 2010) and until their successors are elected and have qualified. Should any nominee become unable to serve, proxies may be voted for another person designated by management. All nominees have advised us that they will serve if elected. The remaining eight directors will continue to serve as directors for the terms set forth on the following pages.

Both Pastora San Juan Cafferty and Claudio X. Gonzalez have announced that they do not intend to stand for re-election to the Board of Directors when their current terms expire at the Annual Meeting of Stockholders on April 26, 2007. Ms. Cafferty and Mr. Gonzalez will continue to serve as directors until the Annual Meeting.

**Certain Information Regarding Directors and Nominees**

The names of the nominees for the Class of 2010 and of the other directors continuing in office, their ages as of the date of the Annual Meeting, the year each first became a director, their principal occupations during at least the past five years, other directorships held by each as of February 28, 2007 and certain other biographical information are set forth on the following pages by Class, in the order of the next Class to stand for election.

**NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS**

**For a Three-Year Term Expiring at the  
2010 Annual Meeting of Stockholders  
(Class of 2010)**

**James M. Jenness**, 60, Director since February 2007

*Chairman of the Board, Kellogg Company*

Mr. Jenness was elected Chairman of the Board of Kellogg Company in 2005. He also served as Chief Executive Officer of Kellogg from 2004 through 2006. Mr. Jenness was Chief Executive Officer of Integrated Merchandising

Systems LLC, a market leader in outsource management for retail promotion and branded merchandising, from 1997 to 2004. He served in various positions of increasing responsibility at Leo Burnett Company, Kellogg's major advertising agency partner, from 1974 to 1997, including as Vice Chairman, Chief Operating Officer and Director. He is a member of the board of directors of Grocery Manufacturers of America, Children's Memorial Hospital and the Mercy Home for Boys and Girls. He also

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serves on the DePaul University College of Commerce Advisory Council, is a member of DePaul's Board of Trustees and is co-trustee of the W. K. Kellogg Foundation Trust.

**Linda Johnson Rice, 49, Director since 1995**

*President and Chief Executive Officer, Johnson Publishing Company, Inc.*

Mrs. Johnson Rice has been President and Chief Executive Officer of Johnson Publishing Company, Inc., a multi-media company, since 2002. She joined that company in 1980, became Vice President in 1985 and was elected President and Chief Operating Officer in 1987. Mrs. Johnson Rice is a director of Bausch & Lomb Incorporated, MoneyGram International, Inc. and Omnicom Group, Inc.

**Marc J. Shapiro, 59, Director since 2001**

*Retired Vice Chairman, J. P. Morgan Chase & Co.*

Mr. Shapiro retired in 2003 as Vice Chairman of J. P. Morgan Chase & Co., a financial services company. Before becoming Vice Chairman of J. P. Morgan Chase & Co. in 1997, Mr. Shapiro was Chairman, President and Chief Executive Officer of Chase Bank of Texas, a wholly-owned subsidiary of J. P. Morgan Chase & Co., from 1989 until 1997. He now serves as a consultant to J. P. Morgan Chase & Co. and as non-executive Chairman of its Texas operations. Mr. Shapiro is a member of the board of directors of Burlington Northern Santa Fe Corporation and The Mexico Fund, and a trustee of Weingarten Realty Investors. He also serves on the boards of M.D. Anderson Cancer Center, Baylor College of Medicine, Rice University and BioHouston.

**MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE**

**Term Expiring at the  
2008 Annual Meeting of Stockholders  
(Class of 2008)**

**John R. Alm, 61, Director since February 2006**

*Retired President and Chief Executive Officer, Coca-Cola Enterprises Inc.*

Mr. Alm retired as President and Chief Executive Officer of Coca-Cola Enterprises Inc., a beverage company, in December 2005. He had been Chief Executive Officer since January 2004 and President and Chief Operating Officer since January 2000. Mr. Alm joined Coca-Cola Enterprises Inc. in 1992 and held numerous other senior management positions until his retirement. He is a member of the board of directors of Washington Group International, Inc.

**John F. Bergstrom, 60, Director since 1987**

*Chairman and Chief Executive Officer, Bergstrom Corporation*

Mr. Bergstrom has served as Chairman and Chief Executive Officer of Bergstrom Corporation, Neenah, Wisconsin, for more than the past five years. Bergstrom Corporation owns and operates automobile sales and leasing businesses and a credit life insurance company in Wisconsin. Mr. Bergstrom is a director of Midwest Air Group, Inc., the Wisconsin Energy Corporation and its wholly-owned subsidiary Wisconsin Electric Power Company. He also is a member of the board of trustees of Marquette University and the Theda Clark Hospital Foundation, and a member of the board of directors and executive committee of Green Bay Packers, Inc.



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**Robert W. Decherd, 56, Director since 1996**

*Chairman of the Board, President and Chief Executive Officer, Belo Corp.*

Mr. Decherd has served as Chairman of the Board and Chief Executive Officer of Belo Corp., a broadcasting and publishing company, since 1987. Mr. Decherd became President of that company in 1994, and previously served as President from 1985 through 1986. He has been a director of Belo Corp. since 1976. Mr. Decherd is a member of the Advisory Council for the Harvard University Center for Ethics and the Board of Visitors of the Columbia Graduate School of Journalism. During the past decade, he has held appointments to Presidential and Federal Communications Commission commissions concerned with public policy matters related to the television industry.

**G. Craig Sullivan, 67, Director since 2004**

*Retired Chairman and Chief Executive Officer, The Clorox Company*

Mr. Sullivan retired as Chairman and Chief Executive Officer of The Clorox Company, a consumer products company, in December 2003. He joined The Clorox Company in 1971 and held a number of senior sales and management positions during his career, culminating in his election as Chief Executive Officer and Chairman of the Board in 1992. Mr. Sullivan serves as a director of Mattel, Inc., The Goodyear Tire & Rubber Company and The American Ireland Fund. He also serves on the capital campaign committee for St. Anthony's Foundation in San Francisco.

**Term Expiring at the  
2009 Annual Meeting of Stockholders  
(Class of 2009)**

**Dennis R. Beresford, 68, Director since 2002**

*Ernst & Young Executive Professor of Accounting, University of Georgia*

Mr. Beresford has served as Ernst & Young Executive Professor of Accounting at the J.M. Tull School of Accounting, Terry College of Business, University of Georgia since 1997. From 1987 to 1997, he served as the Chairman of the Financial Accounting Standards Board. Prior to that, Mr. Beresford held various positions at the accounting firm of Ernst & Young. He serves on the board of directors and audit committees of Legg Mason, Inc. and the Federal National Mortgage Association (Fannie Mae).

**Abelardo E. Bru, 58, Director since 2005**

*Retired Vice Chairman, PepsiCo, Inc.*

Mr. Bru retired as Vice Chairman of PepsiCo, a food and beverage company, in 2005. He joined PepsiCo in 1976. Mr. Bru served from 1999 to 2003 as President and Chief Executive Officer and in 2003 to 2004 as Chief Executive Officer and Chairman of Frito-Lay Inc., a division of PepsiCo. Prior to leading Frito-Lay, Mr. Bru led PepsiCo's largest international business, Sabritas Mexico, as President and General Manager from 1992 to 1999. Mr. Bru is a member of the board of directors of Office Depot, Inc. and the Education is Freedom Foundation.

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**Thomas J. Falk, 48, Director since 1999**

*Chairman of the Board and Chief Executive Officer*

Mr. Falk was elected Chairman of the Board and Chief Executive Officer of the Corporation in 2003 and President and Chief Executive Officer in 2002. Prior to that, he served as President and Chief Operating Officer since 1999. Mr. Falk previously had been elected Group President-Global Tissue, Pulp and Paper in 1998, where he was responsible for our global tissue businesses. Earlier in his career, Mr. Falk had responsibility for our North American Infant Care, Child Care and Wet Wipes businesses. Mr. Falk joined the Corporation in 1983 and has held other senior management positions in the Corporation. He also serves on the board of directors of Centex Corporation, Grocery Manufacturers of America, Inc. and the University of Wisconsin Foundation, and serves as a governor of the Boys & Girls Clubs of America.

**Mae C. Jemison, M.D., 50, Director since 2002**

*President, BioSentient Corporation*

Dr. Jemison is founder and President of The Jemison Group, Inc., a technology consulting company, and BioSentient Corporation, a medical devices company. She chairs The Earth We Share international science camp. Dr. Jemison served as a professor of Environmental Studies at Dartmouth College from 1995 to 2002. From 1987 to 1993, she served as a National Aeronautics and Space Administration (NASA) astronaut. Dr. Jemison serves on the board of directors of Scholastic Corporation, Valspar Corporation, Gen-Probe Incorporated and The Dorothy Jemison Foundation for Excellence and is a member of the National Academy of Sciences Institute of Medicine. She is also the Chair of the State of Texas Biotechnology and Life Science Cluster Report and the Presiding Officer of the State of Texas Product Development and Small Business Incubator Board.

## **Compensation of Directors**

Directors who are not officers or employees of the Corporation or any of its subsidiaries, affiliates or equity companies are Outside Directors for compensation purposes. Our Outside Directors are compensated for their services under our Outside Directors Compensation Plan which we adopted in 2003. Our objectives for outside director compensation are to remain competitive with the compensation paid to outside directors of comparable companies, to keep pace with changes in best corporate governance practices in director compensation, to attract qualified candidates for Board service, and to reinforce our practice of encouraging stock ownership by our directors. In 2004, to assist the Nominating and Corporate Governance Committee in assessing and determining appropriate, competitive outside director compensation, the Committee engaged Mercer Human Resource Consulting, an outside compensation consultant. Based on that assessment, in 2004 the Committee recommended to our Board, and our Board approved, the outside director compensation for 2005 and 2006.

### **2006 Compensation**

In 2006, each Outside Director received (1) an annual cash retainer of \$70,000 payable pro rata quarterly in advance and (2) a grant of 2,000 restricted share units. Outside Directors who join our Board during a calendar year receive a pro-rated portion of the annual retainer and grant of restricted share units. On January 2, 2006, Outside Directors who were also chairmen of the Audit Committee, Management Development and Compensation Committee or Nominating and Corporate Governance Committee each received an additional grant of 300 restricted share units, and the Lead Director received an additional grant of 500 restricted share units. In addition, we reimbursed Outside Directors for expenses incurred as a result of attending Board or committee meetings.



Restricted share units are not shares of our common stock. Rather, restricted share units represent the right to receive an amount, payable in shares of our common stock, equal to the value of a specified

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number of shares of our common stock within 90 days following the restricted period. The restricted period for the restricted share units begins on the date of grant and expires on the date the Outside Director retires from or otherwise terminates service on our Board. During the restricted period, restricted share units may not be sold, assigned, transferred or otherwise disposed of, or mortgaged, pledged or otherwise encumbered. Outside Directors also receive additional restricted share units equivalent in value to the dividends that would have been paid to them if the restricted share units granted to them were shares of our common stock.

**Outside Director Compensation**

The following table sets forth the compensation paid to each Outside Director in 2006:

Name(1)	Fees Earned or Paid in Cash(\$)	Stock Awards (\$)(2)(3)(4)	Total(\$)(5)(6)
John R. Alm	70,000	108,679	178,679
Dennis R. Beresford	70,000	137,195	207,195
John F. Bergstrom	70,000	119,300	189,300
Abelardo E. Bru	70,000	119,300	189,300
Pastora San Juan Cafferty	70,000	119,300	189,300
Robert W. Decherd	70,000	149,125	219,125
Mae C. Jemison	70,000	119,300	189,300
Linda Johnson Rice	70,000	137,195	207,195
Marc J. Shapiro	70,000	137,195	207,195
G. Craig Sullivan	70,000	119,300	189,300

- (1) James M. Jenness, who is an Outside Director, was elected to our Board as of February 1, 2007 and did not receive any compensation from us in 2006.
- (2) Amounts shown reflect what the Corporation recognized in 2006 for financial reporting purposes in accordance with Statement of Financial Accounting Standards, No. 123 (Revised 2004), Share-Based Payment ( FAS 123R ) for restricted share unit awards granted pursuant to our Outside Directors Compensation Plan. See Note 7 to our audited financial statements included in our 2006 Annual Report on Form 10-K for the assumptions used in valuing and expensing these restricted share units.
- (3) The 2006 restricted share unit awards were granted on January 2, 2006, except for John R. Alm, who joined the Board and received a grant on February 22, 2006. The number of restricted share units granted in 2006, and the grant date fair value of those grants, determined in accordance with FAS 123R, are set forth below.

Name	Restricted Share Units Granted in 2006(#)	Grant Date Fair Value(\$)
John R. Alm	1,833	108,679
Dennis R. Beresford	2,300	137,195

John F. Bergstrom	2,000	119,300
Abelardo E. Bru	2,000	119,300
Pastora San Juan Cafferty	2,000	119,300
Robert W. Decherd	2,500	149,125
Mae C. Jemison	2,000	119,300
Linda Johnson Rice	2,300	137,195
Marc J. Shapiro	2,300	137,195
G. Craig Sullivan	2,000	119,300

(4) As of December 31, 2006, our Outside Directors had the following stock awards outstanding:

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<b>Name</b>	<b>Restricted Shares(#)</b>	<b>Restricted Share Units(#)</b>	<b>Stock Options(#)</b>
John R. Alm	0	1,877	0
Dennis R. Beresford	0	8,082	5,084
John F. Bergstrom	3,000	7,459	8,032
Abelardo E. Bru	0	2,741	0
Pastora San Juan Cafferty(a)	3,000	8,105	8,337
Robert W. Decherd	3,000	8,828	8,236
Mae C. Jemison	0	7,459	5,084
Linda Johnson Rice	3,000	7,766	7,626
Marc J. Shapiro	0	8,082	17,924
G. Craig Sullivan	0	4,156	0

(a) Ms. Cafferty also had outstanding at December 31, 2006, 26,309 phantom stock credits accrued under our Deferred Compensation Plan for Outside Directors. These credits are accrued at the director's election in lieu of cash director fees, which are converted into phantom stock credits based on the number of shares of our common stock which would have been purchased with the cash fees on the date of payment. Additional stock credits are accrued based on the dividends paid on our common stock on the same dates and at the same rates as are paid to our stockholders. These credits will be settled 100 percent in cash.

(5) During 2006, Ms. Cafferty also received an additional 810 phantom stock credits pursuant to the Deferred Compensation Plan for Outside Directors. The additional credits, with a value of \$49,553, represent the dividends that would have been paid if the deferred compensation account was invested in our common stock.

(6) During 2006, the Outside Directors received credit for cash dividends on restricted stock held by them. The dividends are credited to interest bearing accounts maintained by us on behalf of those Outside Directors with restricted stock. Earnings on those accounts are not included in the Outside Director Compensation Table because the earnings were not above market or preferential. Also in 2006, the Outside Directors received additional restricted share units with a value equal to the dividends paid during the year on our common stock on the restricted share units held by them. The dividends credited on restricted stock, and additional restricted share units credited, in 2006 were as follows:

<b>Name</b>	<b>Dividends Credited on Restricted Stock(\$)</b>	<b>Restricted Share Units Credited for Dividends in 2006(#)</b>	<b>Grant Date Fair Value of Restricted Share Units Credited(\$)</b>
John R. Alm	0	44.08	2,717
Dennis R. Beresford	0	231.68	14,197
John F. Bergstrom	5,760	214.73	13,156
Abelardo E. Bru	0	69.45	4,271
Pastora San Juan Cafferty	5,760	234.63	14,374
Robert W. Decherd	5,760	253.14	15,511

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Mae C. Jemison	0	214.73	13,156
Linda Johnson Rice	5,760	221.95	13,601
Marc J. Shapiro	0	231.68	14,197
G. Craig Sullivan	0	113.03	6,936

Other than the cash retainer, grants of restricted share units, and the other compensation described above, no Outside Director received any compensation or perquisites from us for services as a director in 2006.

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A director who is not an Outside Director does not receive any compensation for services as a member of our Board or any committee, but is reimbursed for expenses incurred as a result of the services.

**2007 Compensation**

In 2006, the Nominating and Corporate Governance Committee, with the assistance of Mercer Human Resource Consulting, evaluated Outside Director compensation to assess whether it still met the objectives set forth above. The Committee then recommended to the Board and the Board approved changes in compensation for Outside Directors. Beginning in 2007, Outside Directors receive (1) an annual cash retainer of \$80,000 payable pro rata quarterly in advance and (2) a grant of restricted share units with a grant date value of \$130,000 based on the closing price of the Corporation's common stock on the first business day of the year. The Chairmen of the Audit, Management Development and Compensation, and Nominating and Corporate Governance Committees each receive an additional grant of restricted share units with a grant date value of \$20,000, and the Lead Director receives an additional grant of restricted share units with a grant date value of \$30,000.

**The Board of Directors unanimously recommends a vote FOR the election of the three nominees for director.**

**PROPOSAL 2. APPROVAL OF AUDITORS**

The Audit Committee of the Board of Directors has selected Deloitte & Touche LLP as the independent registered public accounting firm to audit the financial statements of the Corporation for 2007, subject to ratification by the stockholders. If the stockholders do not approve the selection of Deloitte & Touche LLP, the selection of other independent auditors will be considered by the Audit Committee. Deloitte & Touche LLP have been our independent auditors since 1928.

Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so, and will be available to respond to questions.

**Principal Accounting Firm Fees**

The aggregate fees (excluding value added taxes) billed to the Corporation and its subsidiaries for the fiscal years ended December 31, 2006 and 2005 by our principal accounting firm, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively, Deloitte ), were:

	<b>2006</b>	<b>2005</b>
Audit Fees(a)	\$ 9,328,000	\$ 8,616,000
Audit-Related Fees(b)	945,000	769,000
Tax Fees(c)	1,922,000	2,502,000
All Other Fees	0	0

- (a) Includes fees for statutory audits, comfort letters, attest services, consents, assistance with and review of Securities and Exchange Commission filings and other related matters. These fees include an audit of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. Currency rates accounted for approximately \$440,000 of the increase in Audit Fees in 2006, as the dollar weakened primarily against the Euro and the British Pound.

- (b) 2005 and 2006 fees include work with respect to employee benefit plans, due diligence assistance and other matters.
- (c) Includes fees for expatriate tax compliance with respect to current and former employees of \$142,000 in 2006 and \$1,476,000 in 2005. During 2005, expatriate tax work with respect to current employees was transferred to another accounting firm. In 2006, Deloitte provided expatriate tax work only with respect to former or retired employees.

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**Audit Committee Approval of Audit and Non-Audit Services**

All audit and non-audit services provided by Deloitte to the Corporation must be pre-approved by the Audit Committee. The Audit Committee utilizes the following procedures in pre-approving all audit and non-audit services provided by Deloitte. At or before the first meeting of the Audit Committee each year, our Vice President and Controller prepares a detailed memorandum outlining the audit services to be provided by Deloitte together with the related fees. In addition, our business and staff units prepare individual requests for non-audit services to be provided by Deloitte during the year. These requests describe the services to be provided, the estimated cost of such services, why the requested service is not inconsistent with the independence rules of the Securities and Exchange Commission, and why it is appropriate to have Deloitte provide such services. Our Vice President and Controller reviews and summarizes the individual non-audit service requests and fees (separately describing audit-related services, tax services and other services) to be provided by Deloitte. Before each subsequent meeting of the Committee, the Vice President and Controller prepares an additional memorandum that includes updated information regarding approved services and highlights any new audit and non-audit services to be provided by Deloitte. All new non-audit services to be provided are described in individual requests for services. The Audit Committee reviews these memoranda and the individual requests for non-audit services and approves the services described therein if such services are acceptable to the Committee.

To ensure prompt handling of unexpected matters, the Committee delegates to the Chairman of the Audit Committee the authority to amend or modify the list of audit and non-audit services and fees; provided, however, that such additional or amended services may not affect Deloitte's independence under applicable Securities and Exchange Commission rules. The Chairman reports action taken to the Audit Committee at its next Committee meeting.

All Deloitte services and fees in 2006 were pre-approved by the Audit Committee.

**The Board of Directors unanimously recommends a vote FOR approval of this selection.**

**PROPOSAL 3. APPROVAL OF AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
TO ELIMINATE THE CLASSIFIED BOARD OF DIRECTORS  
AND TO MAKE CERTAIN TECHNICAL CHANGES**

Our Board of Directors is proposing, for approval by our stockholders, an Amended and Restated Certificate of Incorporation (the Proposed Certificate) that incorporates proposed amendments to certain provisions of our existing Restated Certificate of Incorporation (the Existing Certificate). A stockholder proposal to declassify the Board of Directors was included in the 2006 Proxy Statement and received favorable votes from a majority of the shares of the common stock outstanding and entitled to vote. The Nominating and Corporate Governance Committee of the Board of Directors and the full Board have carefully considered the advantages and disadvantages of maintaining a classified board structure and, as announced on September 14, 2006, have determined that it is an appropriate time to propose amendments to the Existing Certificate to declassify the Board as described below. The Board believes that annual election of directors will enhance accountability to our stockholders and further our goal of maintaining best practices in corporate governance. In conjunction with the proposal to declassify the Board, we also are proposing an amendment to eliminate the provision in the Existing Certificate that allows stockholders to remove directors only for cause and certain other technical changes.

**Declassification of Board of Directors**



Article VIII of the Existing Certificate provides that the Board is divided into three classes, as nearly equal in number as possible, with members of each class serving three-year terms. In addition, Article VIII provides that directors can be removed from the Board only for cause. In order to implement annual election of directors and to change the manner in which directors can be removed from the Board, the Existing Certificate must be amended. If stockholders approve the amendments, current directors,

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including those re-elected to three-year terms at the 2007 Annual Meeting, will continue to serve the remainder of their elected terms and, beginning with the first Annual Meeting following the stockholders' approval of the amendments, the 2008 Annual Meeting of Stockholders, directors will be elected annually so that by the 2010 Annual Meeting of Stockholders, all directors will be elected annually.

Under Delaware corporate law, stockholders may be limited to removing directors only for cause only if the corporation has a classified board structure. For Delaware corporations without a classified board, the holders of a majority of the voting stock are entitled to remove directors with or without cause. Accordingly, in conjunction with the proposal to declassify the Board, we also are proposing to amend the Existing Certificate to eliminate the provision that allows stockholders to remove directors only for cause. Under Delaware law, directors cannot be removed by other directors, and the proposed amendment will not change this.

The Board has unanimously adopted a resolution approving, subject to stockholder approval, and declaring the advisability of, an amendment to Article VIII of the Existing Certificate to declassify the Board and to allow for directors to be removed by the stockholders with or without cause. The amendment does not change the present number of directors, and the directors will retain the authority to change that number and to fill any vacancies or newly created directorships.

## **Additional Changes**

In connection with the proposed amendments to the Existing Certificate discussed above, the Board reviewed the Existing Certificate for other amendments that may be warranted at this time. As a result of this review, the Board is proposing amendments to the Existing Certificate to (i) change the deadline for receipt of stockholder nominations to conform with the deadline for stockholder proposals contained in the By-Laws of the Corporation, (ii) provide that the number of directors shall be authorized from time to time by the affirmative vote of a majority of the entire Board without specifying a minimum and maximum number of directors, (iii) eliminate references to the eliminated Series A Junior Participating Preferred Stock, and (iv) make certain other technical changes.

## **Proposed Certificate**

The full text of the Proposed Certificate is attached as Appendix A to this proxy statement, with additions indicated by underlining and deletions indicated by strikeout. All the proposed amendments, including the proposed technical changes, are included in the Proposed Certificate.

To be approved, the proposed amendments require an affirmative vote by the holders of the majority of our common stock outstanding and entitled to vote on the amendments. If approved, these amendments will become effective upon the filing of the Proposed Certificate with the Secretary of State of the State of Delaware, which we would do promptly after the Annual Meeting.

**The Board of Directors unanimously recommends a vote FOR approval of this proposal.**

### **PROPOSAL 4. STOCKHOLDER PROPOSAL REGARDING SUPERMAJORITY VOTING**

Mr. Nick Rossi, P.O. Box 249, Boonville, California 95415, owning 3,000 shares of our common stock, has given notice that he or his designee intends to present for action at the Annual Meeting the resolution set forth below. The Board of Directors opposes this stockholder proposal for the reasons set forth below the proposal.

Proxies solicited by management will be voted against the stockholder proposal below unless stockholders specify a contrary choice in their proxies.



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**Stockholder Proposal**

In accordance with applicable rules of the Securities and Exchange Commission, we have set forth Mr. Rossi's proposal below:

**4 Adopt Simple Majority Vote**

**RESOLVED:** Shareholders recommend adoption of a simple majority shareholder vote requirement applicable to the greatest number of shareholder voting issues possible. This proposal is focused on adoption of the lowest possible majority vote requirements to the fullest extent possible. This proposal is not intended to unnecessarily limit our Board's judgment in crafting the requested change to the fullest extent possible in accordance with applicable laws and existing governance documents.

Nick Rossi, P.O. Box 249, Boonville, Calif. 95415 sponsors this proposal.

**67% Yes-Vote**

This topic won a 67% yes-vote average at 19 major companies in 2006. The Council of Institutional Investors [www.cii.org](http://www.cii.org) formally recommends adoption of this proposal topic.

**End Potential Frustration of the Shareholder Majority**

Our current rule allows a small minority to frustrate the will of our shareholder majority. For example, in requiring an 80%-vote to make certain key governance changes at our company, if our vote is 79% yes and only 1% vote no, only 1% could force their will on our overwhelming 79% majority.

On September 14, 2006 our Board took important steps forward in higher standards for our corporate governance and this proposal is intended to continue this trend. Our Board amended our by-laws to implement a majority voting standard for the election of directors. Our Board also voted to submit a management proposal to shareholders that would establish annual election of each director.

Under the new majority vote standard, which will be used at our April 26, 2007 annual meeting, directors in uncontested elections will be elected by a majority of votes cast. Shareholders will vote at our 2007 Annual Meeting on a company proposal for annual election of each director.

Both of these higher governance standards were recommended in 2006 shareholder proposals by the Carpenters pension funds and Nick Rossi respectively. These proposals won 60% and 78% of the yes and no votes at our 2006 annual meeting.

Today's [September 14, 2006] actions provide shareholders with a stronger voice in the election of their directors, said Thomas J. Falk, Kimberly-Clark Chairman and Chief Executive Officer. These changes underscore the board's commitment to sound corporate governance principles and are in keeping with recent best practices.

To continue this trend of adopting recent best practices you are encouraged to vote yes for simple majority vote.

**Adopt Simple Majority Vote  
Yes on 4**

**Response of the Corporation to Stockholder Proposal**

The Board of Directors unanimously recommends a vote AGAINST this proposal for the reasons set forth below.

This proposal, which does not pertain to the election of directors, calls for the elimination of special provisions in the Corporation's Restated Certificate of Incorporation that require more than a simple majority vote for certain actions to be approved. While most proposals submitted to a vote of our stockholders can be adopted by a simple majority vote, certain actions require more than a simple majority vote, including: (i) a merger, consolidation or sale of all or substantially all assets of the

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Corporation; (ii) business combinations not approved by continuing directors or at a price not fair to our stockholders; (iii) amendments of the provisions in the Restated Certificate of Incorporation relating to actions of stockholders without a meeting and the calling of special meetings of stockholders; and (iv) removal of directors.

Recently, Kimberly-Clark has taken significant actions to continue its implementation of best corporate governance practices:

In November 2004, Kimberly-Clark terminated its shareholder rights plan.

In September 2006, the Board amended our By-Laws to adopt a true majority voting standard for the election of our directors.

At this year's Annual Meeting, stockholders will vote on a Board proposal for the annual election of our directors. See Proposal 3 above. Currently, the Board is divided into three classes with members of each class serving three-year terms. If Proposal 3 is approved, beginning in April 2008, directors will be elected for one-year terms as their current terms expire.

These actions clearly underscore the Board's commitment to responsible corporate governance principles and provide our stockholders with a strong voice in the governance of the Corporation and election of our directors. Still, the Board believes that it is in the best interests of the Corporation and its stockholders to maintain the supermajority voting requirements for certain important matters. When our stockholders adopted these supermajority voting provisions, a primary consideration was protecting all stockholders against self-interested actions by one or more large stockholders.

The Board is committed to act in the best interests of the Corporation and all its stockholders. These supermajority voting provisions encourage persons making a hostile takeover bid to negotiate with the Board and help assure terms that are in the best interests of all stockholders. For example, these supermajority voting provisions help provide protection for all stockholders in the event of a hostile bid by one or more large stockholders to take over the Corporation at a price the Board does not believe is fair.

Therefore, the Board believes it is prudent to maintain protections that require the approval of a substantial majority of stockholders before changing or eliminating important governance rules that serve the best interests of all Kimberly-Clark stockholders.

**The Board unanimously recommends that the stockholders vote AGAINST the adoption of this proposal.**

**PROPOSAL 5. STOCKHOLDER PROPOSAL REGARDING ADOPTION OF GLOBAL HUMAN RIGHTS STANDARDS BASED ON INTERNATIONAL LABOR CONVENTIONS**

The Comptroller of the City of New York, as custodian and trustee of the New York City Employees' Retirement System, the New York City Police Pension Fund, the New York City Fire Department Pension Fund, and the New York City Teachers' Retirement System and custodian of the New York City Board of Education Retirement System, 1 Centre Street, New York, New York 10007-2341 (the Funds), owning an aggregate amount of 1,476,456 shares of our common stock, has given notice that he intends to present for action at the Annual Meeting the resolution set forth below. The Board of Directors opposes this stockholder proposal for the reasons set forth below the proposal.

Proxies solicited by management will be voted against the stockholder proposal below unless stockholders specify a contrary choice in their proxies.



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**Stockholder Proposal**

In accordance with applicable rules of the Securities and Exchange Commission, we have set forth the Fund's proposal below:

**KIMBERLY-CLARK CORPORATION**

**GLOBAL HUMAN RIGHTS STANDARDS**

*Submitted by William C. Thompson, Jr., Comptroller, City of New York, on behalf of the Boards of Trustees of the New York City Pension Funds*

**Whereas, Kimberly-Clark Corporation** currently has overseas operations, and

**Whereas,** reports of human rights abuses in the overseas subsidiaries and suppliers of U.S.-based corporations has led to an increased public awareness of the problems of child labor, sweatshop conditions, and the denial of labor rights in U.S. corporate overseas operations, and

**Whereas,** corporate violations of human rights in these overseas operations can lead to negative publicity, public protests, and a loss of consumer confidence which can have a negative impact on shareholder value, and

**Whereas,** a number of corporations have implemented independent monitoring programs with respected human rights and religious organizations to strengthen compliance with international human rights norms in subsidiary and supplier factories, and

**Whereas,** many of these programs incorporate the conventions of the International Labor Organization (ILO) on workplace human rights, and the United Nations Norms on the Responsibilities of Transnational Corporations with Regard to Human Rights ( UN Norms ), which include the following principles:

1. All workers have the right to form and join trade unions and to Bargain collectively. (ILO Conventions 87 and 98; UN Norms, section D9).
2. Workers representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to enable them to carry out their representation functions. (ILO Convention 135; UN Norms, section D9).
3. There shall be no discrimination or intimidation in employment. Equality of opportunity and treatment shall be provided regardless of race, color, sex, religion, political opinion, age, nationality, social origin or other distinguishing characteristics. (ILO Conventions 100 and 111; UN Norms, section B2).
4. Employment shall be freely chosen. There shall be no use of force, including bonded or prison labor. (ILO Conventions 29 and 105; UN Norms, section D5).
5. There shall be no use of child labor. (ILO Convention 138; UN Norms, section D6), and,



**Whereas**, independent monitoring of corporate adherence to these internationally recognized principles is essential if consumer and investor confidence in our company's commitment to human rights is to be maintained,

**Therefore**, be it resolved that the shareholders request that the company commit itself to the implementation of a code of conduct based on the aforementioned ILO human rights standards and United Nations Norms on the Responsibilities of Transnational Corporations with Regard to Human Rights, by its international suppliers and in its own international production facilities, and commit to a program of outside, independent monitoring of compliance with these standards.

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**Response of the Corporation to Stockholder Proposal**

The Board of Directors unanimously recommends a vote AGAINST this proposal for the reasons set forth below.

Although the Board agrees with the principles expressed by the proponent relative to human rights in employment, the Board does not believe that adoption of this proposal is in the best interests of the Corporation and our stockholders. Stockholders may be interested to know that the Corporation has received a similar proposal for the past two years, which has received support from less than eight percent of the votes cast each year.

Kimberly-Clark has a long-standing and well-recognized record of support for the rights of our employees with emphasis placed on the importance of their health and safety. The Corporation unequivocally prohibits discrimination on the basis of race, color, sex, sexual orientation, age, religion, national origin, disability and other categories. We are committed to conducting business according to the highest ethical standards and in full compliance with applicable laws in every country in which we operate. We hold managers from all of our businesses worldwide responsible for overseeing the proper implementation of these policies, and for being knowledgeable about all laws and regulations related to employees' human rights. Suppliers, vendors and contractors of the Corporation are expected to meet similar standards.

Our Code of Conduct, as described above in Corporate Governance Other Corporate Governance Matters Code of Conduct, provides a uniform set of workplace standards and principles that apply to the worldwide operations of the Corporation and its affiliates. We have a Code of Conduct hotline for employees to report violations anonymously. We thoroughly investigate alleged violations.

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. We also hold these facilities 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. In the United States, approximately 19.5 percent of the work force is represented by unions. We believe that our relationship with our employees is excellent.

The Corporation's policies and procedures have consistently reflected our position on human rights in the workplace. Our purchase order terms and conditions require our suppliers to warrant that all services have been performed and that all goods shipped to the Corporation have been produced in compliance with all applicable laws, standards or codes. We will not knowingly conduct business with vendors that employ child, prison, indentured or bonded labor, or use corporal punishment or other forms of mental or physical coercion as a form of discipline in their operations.

The Board believes the Corporation's Code of Conduct and our business practices address the substantive areas covered by the proposal, and that our existing monitoring processes effectively ensure compliance with the business principles and human rights standards advocated by the proponent. In addition, the Corporation's compliance with applicable laws is periodically reviewed by federal, state and local government agencies that are empowered to perform reviews. The Board believes that third party monitoring of the Corporation and our suppliers would require expenditure beyond any benefit which reasonably could be expected, and is not in the best interests of our stockholders.

**The Board unanimously recommends that the stockholders vote AGAINST the adoption of this proposal.**



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**PROPOSAL 6. STOCKHOLDER PROPOSAL REQUESTING A REPORT ON THE  
FEASIBILITY OF PHASING OUT USE OF NON-FSC CERTIFIED FIBER**

The following stockholders have given notice that they intend to present for action at the Annual Meeting the resolution set forth below: Domini Social Investments, 536 Broadway, 7th Floor, New York, New York 10012-3915; The Basilian Fathers of Toronto, 15015 Piedmont, Detroit, Michigan 48223; Calvert Asset Management Company, Inc., 4550 Montgomery Avenue, Bethesda, Maryland 20814; the Camilla Madden Charitable Trust, 1257 East Siena Heights Drive, Adrian, Michigan 49221-1793; Green Century Capital Management, Inc., 114 State Street, Suite 200, Boston, Massachusetts 02109; the Milwaukee Province of the School Sisters of Notre Dame, 13105 Watertown Plank Road, Elm Grove, Wisconsin 53122-2291; and Vanderryn International Corporation and the Vanderryn Trading Corporation, 8112 Whittier Boulevard, Bethesda, Maryland 20817. These stockholders own shares of Kimberly-Clark common stock ranging from 55 to 107,664 shares for an aggregate amount of 212,236 shares. The Board of Directors opposes this stockholder proposal for the reasons set forth below the proposal.

Proxies solicited by management will be voted against the stockholder proposal below unless stockholders specify a contrary choice in their proxies.

**Stockholder Proposal**

In accordance with applicable rules of the Securities and Exchange Commission, we have set forth the stockholders proposal below:

**Sustainable Forestry**

**Whereas:**

Kimberly-Clark is a leader in the global forest products industry and the world's largest manufacturer of tissue products, using more than 3 million metric tons of virgin fiber, annually.

Kimberly-Clark sources 22% of its virgin wood pulp from Canada's Boreal forest, the largest remaining ancient forest left in North America. As one of the world's largest storehouses of carbon, preservation of the Boreal is critical to mitigating climate change. The Boreal is home to nearly 50% of North America's bird species and contains the largest remaining populations of woodland caribou and wolverines.

Our company has publicly stated that its corporate policy prohibits the use of wood fiber from virgin rainforests or from designated ecologically significant old growth areas, including ... temperate rainforests in coastal British Columbia. Greenpeace recently reported that our company sources fiber from the coastal temperate rainforests of British Columbia, in violation of this policy. In response, Kimberly-Clark now acknowledges that it has overstated its actual practices.

Kimberly-Clark can ensure access to a sustainable supply of fiber by requiring suppliers to adhere to the Forest Stewardship Council (FSC) certification system. FSC is the only independent forest certification system in the world accepted by the conservation, aboriginal and business communities. FSC is the world's largest and fastest growing certification system, by hectares.

One-half of the certified fiber procured by Kimberly-Clark is certified to the Sustainable Forest Initiative, developed by the American Forest & Paper Association, a forest industry trade association. Credibility is the most important

criterion for the selection of any certification scheme.

Our company required all of its global fiber suppliers to adhere to one of the five forest certification systems by the end of 2005, a goal it has yet to meet. By accepting virtually every available standard, our company fails to set any standard at all.

Major banks, including JP Morgan Chase and Bank of America, have policies limiting or prohibiting investment in companies that negatively impact ancient forests. JP Morgan Chase's environmental policy expresses a preference for FSC certification when financing forestry projects.

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**RESOLVED:** Shareholders request the Board to prepare a report, at reasonable cost and omitting proprietary information, by November 1, 2007, assessing the feasibility of phasing out our company's use of non-FSC certified fiber within 10 years.

### **Supporting Statement:**

Proponents believe that our company's current practices present serious risks to long-term shareholder value. Kimberly-Clark should develop policies to ensure a long-term sustainable supply of raw materials and mitigate reputational risks by procuring fiber certified using credible standards.

We believe a thorough feasibility study should discuss the Company's goals and timeframes with respect to:

Increasing the use of FSC-certified fiber with the goal of phasing out virgin fiber certified by less credible certification schemes; and

Increasing the use of recycled fiber in both consumer and commercial products as a means to reduce reliance on virgin materials.

The study should consider Kimberly-Clark's role in the marketplace, and assess the potential impact of Kimberly-Clark's purchasing practices on the availability of FSC-certified fiber.

### **Response of the Corporation to Stockholder Proposal**

The Board of Directors unanimously recommends a vote AGAINST this proposal for the reasons set forth below.

#### **Kimberly-Clark's Dedication to Sustainable Forestry**

Kimberly-Clark has a long history of responsible use of natural resources. We are committed to the promotion of sustainable forestry and frequently review our sustainable forestry policies and practices to improve our efforts to influence sustainable forestry practices on a global level. We highlight our dedication to sustainable forestry on our website, which includes our annual sustainability report, and we will continue to communicate with our stockholders and the public about our environmental conservation work.

#### **The Proposal Has Been Substantially Implemented**

The stockholder proposal requests our Board to prepare a report, at reasonable cost and omitting proprietary information, by November 1, 2007, assessing the feasibility of phasing out our use of fiber from sources not certified by the Forest Stewardship Council ( FSC ) within 10 years. The Corporation believes it has already substantially implemented this proposal. In December 2006, we engaged Hawkins Wright Ltd., an independent consulting firm and leading independent expert for market pulp supply data, to assess the availability of FSC-certified fiber in areas where we purchase our wood fiber, and the feasibility of phasing out our use of non-FSC certified fiber within 10 years. Once the study is complete, we will develop a report on the results of the study, including an assessment of the feasibility of phasing out our use of non-FSC certified fiber within 10 years, and make this report available to our stockholders, well ahead of the November 1, 2007 deadline included in the proposal.

The scope of the feasibility study will include:

- 1.

Pulp producers plans, by company and by region, for seeking or continuing FSC certification during the next 10 years. Where appropriate, Hawkins Wright will assess the likelihood of these plans being achieved and, consequently, the quantity of wood fiber, by grade and in the regions in which Kimberly-Clark currently purchases its wood fiber, that is likely to be FSC-certified and available for purchase by Kimberly-Clark for each of the next 10 years.

2. Factors which constrain the adoption of FSC certification in different regions, focusing specifically on the regions from which Kimberly-Clark currently sources its fiber.
3. A discussion of the ability of non-governmental organizations and other certifying bodies to influence the availability of FSC-certified fiber in the future.

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4. A discussion of the ability of a tissue manufacturer, comparable in size to Kimberly-Clark, to influence fiber market suppliers to increase the availability of FSC-certified fiber in the future.

### Availability and Use of FSC-Certified Fiber

The stockholder proposal recommends that Kimberly-Clark only use fiber certified by FSC and not fiber certified by any of the other forest certification systems recognized in our policy. This recommendation is not practical today and the feasibility study will help us assess its practicality in the future.

Our use of FSC-certified fiber depends on meeting the following requirements:

There must be sufficient FSC-certified fiber available;

Pulp made from FSC-certified fiber must be commercially available for purchase by us in locations where we source our fiber; and

Available FSC-certified fiber must meet our product performance and cost requirements.

We purchase FSC-certified fiber to the extent that it is available and meets our product performance and fiber cost requirements. However, the global supply of FSC-certified fiber currently is not sufficient to allow us to rely exclusively on FSC-certified fiber. Based on data from the United Nations Food and Agriculture Organization and publicly available forest certification data bases, as of October 2006, approximately 7.3 percent of the world's forests were certified, including approximately two percent certified by FSC. None of the internationally recognized forest certification systems has a dominant share of the market for certified fiber.

### Use of Recycled Fiber

The proposal also recommends increasing our use of recycled fiber in both consumer and commercial products as a means to reduce reliance on virgin materials. We have conducted extensive research regarding the various types of fiber, and we are a leader in the industry in the use of recycled fiber in our products. Recycled fiber currently accounts for approximately 29 percent of fiber use for Kimberly-Clark and its subsidiaries and equity affiliates.

All the leading premium consumer tissue brands in North America contain primarily virgin fiber. The main reason is consumer preference for certain product attributes, like strength and softness, which decline as the amount of recycled fiber increases. Consumers have voiced this preference through their purchases. Our studies show that consumer tissue products containing recycled fiber accounted for only 1.7 percent of all dollars spent on branded consumer tissue products in the United States in 2006.

Away-from-home tissue products often contain a higher percentage of recycled fiber. Some Kimberly-Clark away-from-home tissue products, including a line of Scott branded facial tissue, bath tissue and paper towel products, contain 100 percent recycled fiber. We continue to examine the use of recycled fiber in our products and to seek ways to reduce our need for virgin fiber.

### Stockholder Communication and Next Steps

Representatives of Kimberly-Clark met with representatives of the proponents of the proposal in November 2006 to discuss their concerns and share our sustainable forestry policies and practices and our plans to conduct the requested feasibility study.



When we receive the results of the feasibility study, we should have a clearer view of the expected availability of FSC-certified fiber to Kimberly-Clark over the next 10 years. The study should provide us an understanding of the extent to which we could increase our purchases of FSC-certified fiber over time. Following an analysis of the study results, we will develop a report that is communicated to our stockholders.

In summary, the Board believes the stockholder proposal has been substantially implemented. Therefore, additional action on this proposal is not necessary and not in the best interests of our stockholders.

**The Board unanimously recommends that the stockholders vote AGAINST the adoption of this proposal.**

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**PART FOUR  
OTHER IMPORTANT INFORMATION**

**SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS**

The following table sets forth information as of December 31, 2006, unless otherwise indicated, regarding the number of shares of our common stock beneficially owned by each director and nominee, by each executive officer named in Executive Compensation below (collectively, the named executive officers), and by all directors, nominees and executive officers as a group.

<b>Name of Individual or Identity of Group</b>	<b>Amount and Nature of Beneficial Ownership(1)(2)(3)(4)(5)</b>
Robert E. Abernathy	669,164(6)
John R. Alm	1,877
Dennis R. Beresford	14,667(6)
John F. Bergstrom	31,492(6)(7)
Abelardo E. Bru	2,742
Mark A. Buthman	334,440(6)
Pastora San Juan Cafferty	21,202(6)(8)
Robert W. Decherd	46,314(6)(9)
Thomas J. Falk	1,896,619(6)(10)
Claudio X. Gonzalez	200,142
Mae C. Jemison, M.D.	12,674(6)
James M. Jenness	1,715(11)
Steven R. Kalmanson	594,727(6)
Ronald D. Mc Cray	271,375(6)
Linda Johnson Rice	20,693(6)(12)
Marc J. Shapiro	27,007(6)
G. Craig Sullivan	6,157(13)
All directors, nominees and executive officers as a group	4,465,613(6)(14)

- (1) Except as otherwise noted, the directors, nominees and named executive officers, and the directors, nominees and executive officers as a group, have sole voting and investment power with respect to the shares listed.
- (2) Each director, nominee and named executive officer, and all directors, nominees and executive officers as a group, own less than one percent of the outstanding shares of our common stock.
- (3) A portion of the shares owned by certain executive officers and directors are held in margin accounts at brokerage firms. Under the terms of the margin account agreements, stocks and other assets held in the account may be pledged to secure margin obligations under the account. As of the date of this proxy statement, none of the executive officers and directors have any outstanding margin obligations under any such accounts.
- (4) For each named executive officer, share amounts include the restricted share units and shares of restricted stock granted under the 2001 Equity Participation Plan as indicated below. See Executive Compensation

Outstanding Equity Awards for additional information regarding these grants:

Name of Individual	Time-Based Restricted Share	Performance-Based Restricted Share	Shares of Restricted Stock(#)
	Units(#)	Units(#)	
Robert E. Abernathy	30,122	30,122	7,000
Mark A. Buthman	26,900	26,900	10,000
Thomas J. Falk	125,931	125,931	75,000
Steven R. Kalmanson	31,140	31,140	7,000
Ronald D. Mc Cray	25,790	25,790	10,000
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- (5) For each director who is not an officer or employee of the Corporation or any of its subsidiaries or equity companies, share amounts include the following restricted share units and shares of restricted stock granted under the Outside Directors Compensation Plan:

Name of Individual	Restricted Share Units(#)(a)	Shares of Restricted Stock(#)(a)
John R. Alm	1,877	0
Dennis R. Beresford	8,082	0
John F. Bergstrom	7,459	3,000
Abelardo E. Bru	2,741	0
Pastora San Juan Cafferty	8,105	3,000
Robert W. Decherd	8,828	3,000
Mae C. Jemison, M.D.	7,459	0
James M. Jenness(b)	1,715	0
Linda Johnson Rice	7,766	3,000
Marc J. Shapiro	8,082	0
G. Craig Sullivan	4,156	0

(a) Such awards are restricted and may not be transferred or sold until the Outside Director retires from or otherwise terminates service on the Board.

(b) Represents restricted share units granted to Mr. Jenness on February 1, 2007, the effective date of his election to the Board of Directors.

- (6) Includes shares of common stock held by the trustee of our Incentive Investment Plan for the benefit of, and which are attributable to the accounts in the plan of, the named executive officers. Also includes the following shares which could be acquired within 60 days of December 31, 2006 by:

Name of Individual	Number of Shares That Could be Acquired Within 60 Days of December 31, 2006
Robert E. Abernathy	514,533
Dennis R. Beresford	5,084
John F. Bergstrom	8,032
Mark A. Buthman	247,461
Pastora San Juan Cafferty	8,337
Robert W. Decherd	8,236
Thomas J. Falk	1,430,293
Mae C. Jemison, M.D.	5,084
Steven R. Kalmanson	430,613
Ronald D. Mc Cray	177,469
Linda Johnson Rice	7,626
Marc J. Shapiro	17,924

- (7) Includes 5,000 shares held by Bergstrom Investments L.P., a partnership of which Mr. Bergstrom and his brother are general partners and their respective children are limited partners, and of which Mr. Bergstrom shares voting control.
- (8) Ms. Cafferty also has 26,309 phantom stock credits allocated to her deferred compensation account as of December 31, 2006 under our deferred compensation plan for directors. The account reflects the election by Ms. Cafferty to defer into stock credits compensation previously earned by her as a director of the Corporation. Although Ms. Cafferty is fully at risk as to the price of our common stock represented by stock credits, the stock credits are not shares of stock and Ms. Cafferty does not have any rights as a holder of common stock with respect to the stock credits.

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- (9) Voting and investment power with respect to 25,000 of the shares is shared with Mr. Decherd's wife.
- (10) Includes 18,077 shares held by TKM, Ltd. and 110,833 shares held by TKM II, Ltd. TKM is a limited partnership of which an entity owned by Mr. Falk and his wife is the general partner and trusts for the benefit of family members are the limited partners. TKM II, Ltd. is a limited partnership of which an entity owned by Mr. Falk and his wife is the general partner, and Mr. Falk and his wife are the limited partners. Mr. Falk shares voting control over the shares held by TKM, Ltd. and TKM II, Ltd. TKM, Ltd. also has the right to acquire 173,873 shares within 60 days of December 31, 2006. These 173,873 shares are included in the 1,430,293 shares listed for Mr. Falk in footnote 6 above.
- (11) Represents restricted share units granted to Mr. Jenness on February 1, 2007, the effective date of his election to the Board of Directors. These shares are not included in the total of shares held by all directors, nominees and executive officers as a group.
- (12) Includes 300 shares held by a trust for the benefit of Mrs. Johnson Rice's daughter and for which Mrs. Johnson Rice serves as a co-trustee and shares voting and investment power.
- (13) Includes 2,000 shares held by a trust for the benefit of Mr. Sullivan's children and for which Mr. Sullivan serves as the sole trustee.
- (14) Voting and investment power with respect to 333,083 of the shares is shared.

To further align management's financial interests with those of the stockholders, the Corporation maintains stock ownership guidelines for approximately 400 key managers, including the named executive officers (see Part Four Executive Compensation Compensation Discussion and Analysis Target Stock Ownership Guidelines ).

The following table sets forth the information, as of December 31, 2006, regarding persons or groups known to us to be beneficial owners of more than five percent of our common stock.

Name and Address of Beneficial Owner	Number of Common Shares Beneficially Owned	Percentage of Common Stock Outstanding on December 31, 2006
Barclays Global Investors, NA(1) 45 Fremont Street San Francisco, CA 94105	29,948,859	6.6
Wellington Management Company, LLP(2) 75 State Street Boston, MA 02109	24,768,318	5.4

- (1) The address and number of shares of our common stock beneficially owned by Barclays Global Investors, NA and certain of its affiliates are based on the Schedule 13G filed by Barclays Global Investors, NA and its

affiliates with the Securities and Exchange Commission on January 23, 2007. In addition to Barclays Global Investors, NA, affiliates on the filing are Barclays Global Fund Advisors, Barclays Global Investors, Ltd, Barclays Global Investors Japan Trust and Banking Company Limited, and Barclays Global Investors Japan Limited. According to the filing, the reporting entities do not affirm the existence of a group, and the reporting entities, taken as a whole, had sole voting power with respect to 25,956,887 shares and sole dispositive power with respect to 29,948,859 shares, and did not have shared voting or dispositive power as to any shares.

- (2) The address and number of shares of our common stock beneficially owned by Wellington Management Company, LLP ( Wellington ) are based on the Schedule 13G filed by Wellington with the Securities and Exchange Commission on February 14, 2007. According to the filing, Wellington in its capacity as an investment advisor may be deemed to beneficially own shares of our common stock held of record by its clients. The filing states that Wellington has shared power to vote or to direct the vote of 12,127,845 shares, shared power to dispose or to direct the disposition of 24,768,318 shares, and does not have sole power to vote or dispose of any shares.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

This Compensation Discussion and Analysis is intended to provide investors with an understanding of our compensation policies and decisions regarding our named executive officers for 2006. Our named executive officers are our Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers. We will discuss and analyze the following topics in this Compensation Discussion and Analysis:

Executive Compensation Objectives and Policies

Peer Groups For Executive Compensation Purposes

Total Compensation

Annual Cash Compensation

Base Salary

Annual Incentives

Long-Term Equity Incentive Compensation

Restricted Share Unit Awards

Stock Option Awards

Timing of Long-Term Equity Grants

Retirement Benefits

Other Compensation

Severance Benefits

Policy on Incentive Compensation Claw-back

Executive Compensation for 2007

Target Stock Ownership Guidelines

Tax Deduction for Executive Compensation

**Executive Compensation Objectives and Policies**

Our Management Development and Compensation Committee (the Committee) is responsible for establishing and administering our policies governing the compensation of our elected officers, including our named executive officers. For a description of the Committee's charter and the processes and procedures it follows in considering and



determining executive compensation, including the use of compensation consultants, see Part Two Corporate Governance Information Management Development and Compensation Committee of this proxy statement. The Committee is composed entirely of Independent Directors.

In accordance with its charter, the Committee has adopted executive compensation policies that are designed to achieve the following four objectives:

- (1) Attract and retain executives whose abilities are considered essential to our long-term success and competitiveness;
- (2) Support a performance-oriented environment that rewards achievement of our financial and non-financial goals and recognizes company performance compared to the performance of our peer groups;

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- (3) Reward executives for long-term strategic management and enhancement of stockholder value; and
- (4) Align the long-term financial interest of our executives with those of stockholders.

To effect these policies, the Committee has authorized compensation programs that provide for the following elements, each of which is discussed in more detail below:

annual cash compensation, including both base salary and incentive compensation tied to performance objectives

long-term equity incentive compensation, including a portion that is tied to performance objectives

post-employment benefits

certain perquisites

As previously discussed in this proxy statement, the Committee engaged The Delves Group as its independent consultant to assist it in determining the appropriate executive officer compensation in 2006 pursuant to the above-described compensation policies. The Delves Group had no other business relationship with the Corporation and received no payments from us other than fees for services to the Committee. See Part Two Corporate Governance Management Development and Compensation Committee for information about our use of compensation consultants.

**Peer Groups For Executive Compensation Purposes**

To ensure that our compensation programs are reasonable and competitive in the marketplace, we compare our programs to those at other companies. To facilitate this comparison, we have developed two peer groups. Both peer groups consist of companies that are similar in size to us and against which we believe we compete for executive talent. We develop our peer groups without consideration of individual company compensation practices, and no company has been included or excluded from our peer groups because they are known to pay above average or below average compensation.

Our two peer groups consist of consumer goods companies (the Consumer Goods Peer Group ) and general industry companies (the General Industry Peer Group ). In 2006, our Consumer Goods Peer Group consisted of 18 companies. The median annual revenues for this peer group was \$16.9 billion, with individual company annual revenues ranging from \$4 billion to \$67 billion, at the time our 2006 compensation and performance objectives were determined. Also in 2006, our General Industry Peer Group consisted of 37 companies. The median annual revenues for this group was \$15.4 billion, with individual company annual revenues ranging from \$10 billion to \$22 billion, at the time our 2006 compensation and performance objectives were determined.

The Committee believes these are appropriate peer groups to evaluate our executive compensation against because they consist of similar global organizations, against whom we compete for executive talent. The peer groups are reviewed periodically by us, the Committee, and the compensation consultants retained by us and the Committee and revised as appropriate to ensure that they continue to represent similar global organizations with which we compete for executive talent in the marketplace. Benchmarking our executive compensation programs against these peer groups helps us and the Committee assess whether the compensation we pay is reasonable and competitive in the marketplace.



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The following companies were included in our 2006 groups:

**Consumer Goods Peer Group:**

Avon Products, Inc.	ConAgra Foods, Inc.	Newell Rubbermaid Inc.
Bristol-Myers Squibb Company	General Mills, Inc.	PepsiCo, Inc.
Campbell Soup Company	Georgia Pacific Corporation	The Procter & Gamble Company
The Clorox Company	H.J. Heinz Company	Sara Lee Corporation
The Coca-Cola Company	Johnson & Johnson	Unilever Group
Colgate-Palmolive Company	Kellogg Company	
	Kraft Foods, Inc.	

**General Industry Peer Group:**

3M Company	Exelon Corporation	Sun Microsystems, Inc.
Aetna Inc.	General Dynamics Corporation	Texas Instruments Incorporated
Amerada Hess Corporation	General Mills, Inc.	Textron Inc.
American Electric Power	Halliburton Company	The Hartford Financial Services Group, Inc.
Anheuser-Busch Corporation	Illinois Tool Works Inc.	U.S. Bancorp
Cendant Corporation	Masco Corporation	Union Pacific Railroad Co.
CIGNA Corporation	McDonald's Corporation	Washington Mutual, Inc.
Coca-Cola Enterprises, Inc.	NIKE, Inc.	Waste Management, Inc.
Colgate-Palmolive Company	The Progressive Corporation	Wellpoint, Inc.
Deere & Company	Qwest Communications	Wyeth
Eastman Kodak Company	Raytheon Company	Xerox Corporation
Eli Lilly and Company	Sara Lee Corporation	
Emerson Electric Co.		
Express Scripts, Inc.		

**Total Compensation**

In setting compensation for our executive officers, including our Chief Executive Officer, the Committee focuses on total annual compensation. For this purpose, total annual compensation consists of annual cash compensation, which as described below includes base salary and an annual performance based bonus, and long-term equity incentive compensation. In setting the total annual compensation of our executive officers, the Committee evaluates both market data provided by the compensation consultants and information on the performance of each executive officer for prior years. In order to remain competitive in the marketplace for executive talent, the target levels for the total annual compensation of our executive officers, including our Chief Executive Officer, are set at or near the median of the peer group comparisons described above. In order to reinforce a pay for performance culture, targets for individual executive officers may be set above or below the median depending on the individual's performance in prior years. The Committee believes that setting target levels at the median, permitting adjustments to targets based on past performance, and providing incentive compensation opportunities that will enable executives to earn above target compensation if they perform well, is consistent with the objectives of our compensation policies described above. In particular, the Committee believes that this approach enables us to attract and retain skilled and talented executives to guide and lead our businesses and supports a pay for performance culture.

In setting compensation for executive officers who join us from other companies, the Committee evaluates both market data for the position to be filled as well as the officer candidate's compensation history at other companies. The Committee recognizes that in order to be able to successfully recruit the candidate to leave his or her current position and to join us, the candidate's compensation package will likely have to exceed their current compensation and may put that executive's compensation above the median of the peer groups.

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Consistent with its approach to total annual compensation, the Committee established 2006 total annual compensation targets for each of our executive officers after evaluating the market data provided by the compensation consultants and the performance of each of the executives in prior years. The Committee believes that the 2006 target amounts it established were appropriate and consistent with our compensation objectives. The 2006 total annual compensation targets established by the Committee were:

Name	2006 Total Annual Compensation Target
Thomas J. Falk	10,335,000
Mark A. Buthman	2,627,040
Robert E. Abernathy	2,954,083
Steven R. Kalmanson	2,923,200
Ronald D. Mc Cray	2,473,054

These target amounts formed the basis for the Committee's compensation decisions in 2006. The 2006 target amounts differ from the amounts set forth in the Summary Compensation Table below because:

- (i) base salaries are adjusted on April 1 of each year while the Summary Compensation Table includes salaries for the calendar year;
- (ii) annual incentive cash compensation is included at the target level, whereas the Summary Compensation Table reflects the actual amount earned in 2006;
- (iii) annual stock awards are valued at full grant date value instead of the amount required to be included in the Summary Compensation Table;
- (iv) as described below under Long-Term Equity Incentive Compensation Stock Option Awards, for compensation purposes the Committee values stock options differently than the way they are required to be reflected in the Summary Compensation Table; and
- (v) in setting total annual compensation targets, the Committee does not include increases in pension or deferred compensation earnings or other compensation, while those amounts are required to be included in the Summary Compensation Table.

Consistent with other companies in the peer group comparisons, the target total annual compensation is comprised of annual cash compensation, which generally represents 25 to 45 percent of target total annual compensation, and long-term equity compensation, which generally represents 55 to 75 percent of target total annual compensation. As described in more detail below, the Committee considers annual cash and long-term equity incentive compensation separately and as a package to help ensure that our compensation objectives are met.

As described in the preceding paragraph, long-term incentive equity compensation generally represents the majority of the named executive officer's total annual compensation. The long-term incentive equity compensation is an estimated economic value on the date of grant of the stock options and restricted share unit awards. The actual value of the long-term incentive equity compensation depends on the performance of the Company over the next several years as described below in Long-Term Equity Incentive Compensation.

Our Chief Executive Officer makes a recommendation to the Committee each year on the appropriate target total annual compensation to be paid to our executive officers, excluding himself. The Committee makes the final determination of the target total annual compensation to be awarded to each executive officer, including the Chief Executive Officer, based on the Committee's determination of how that compensation will aid in achieving the objectives of our compensation policies. None of our executive officers are present during the portion of the Committee's meetings when compensation for executive officers is set.

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**Annual Cash Compensation**

In order to attract and retain high caliber executives, we pay our executives an annual cash amount that is considered by the Committee to be competitive in the marketplace. The cash compensation is divided between base salary and an annual performance-based incentive payment.

*Base Salary.* Salary ranges and individual salaries for executive officers are reviewed annually, and salary adjustments are generally effective on April 1 of each year. In determining individual salaries, the Committee considers the market levels of similar positions at our peer group companies, the individual executive's performance and experience in the position, and our salary increase guidelines. These guidelines currently permit annual salary increases from zero to ten percent depending on the executive's individual performance during the prior year against results-based objectives established at the beginning of each year, and the executive's leadership performance as measured against the following six leadership attributes:

visionary

inspirational

innovative

decisive

collaborative

building talent

In addition, executives and other employees may receive an additional increase if warranted because of promotion, retention concerns, or market conditions. In general, an experienced executive who is performing at a satisfactory level will receive a base salary at or around the median of the peer companies. Executives may be paid above or below the median depending on their experience and performance. The base salaries paid to our named executive officers in 2006 can be found below in the Summary Compensation Table.

*Annual Incentives.* Our Executive Officer Achievement Award Program, which was approved by stockholders in 2002, is the cash bonus plan pursuant to which annual cash incentive payments are made to our executive officers. The target level for these annual payments is a percentage of the executive's base salary, and, subject to adjustments as described above under Total Compensation, that percentage is set at or near the median of the peer group comparison described above. This program is consistent with our compensation objective to support a performance-oriented environment. As a result of this program, a significant percentage of annual cash compensation is dependent on performance measured against corporate goals and business unit or function goals established by the Committee at the beginning of each year. These performance goals, which are communicated to our executives at the beginning of each year, are derived from the financial and strategic goals stated in our global business plan. These performance goals and target levels represent an exercise of discretion by the Committee under this program to limit the amount of the incentive payments. Under the program, in the absence of this exercise of discretion, each of the executives would be entitled to an award equal to 0.3 percent of the Corporation's adjusted earnings. This program was established in 2002 to ensure that the tax deductibility limitations of Section 162(m) of the Internal Revenue Code would not apply to our incentive cash payments.



For 2006, the Committee established key financial goals at the corporate level that focused on increasing net sales, increasing adjusted earnings per share for compensation purposes ( Adjusted EPS ), and improving our adjusted return on invested capital ( Adjusted ROIC ). Adjusted EPS consists of diluted net income per share which is then adjusted to eliminate the effect of items or events that the

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Committee determines in its discretion should be excluded for compensation purposes. In 2006, the following adjustments were made to diluted net income per share to determine Adjusted EPS:

Diluted Net Income Per Share	3.25
Adjustments For:	
Add Charges for Strategic Cost Reduction Plan	.75
Subtract Gain on sale of Equity Affiliates Business, net of reduction in income as a result of sale	(.09)
Subtract Benefit from tax credits for synthetic fuel investments	(.04)
Adjusted EPS	3.87

Return on invested capital is a measure of the return we earn on the capital invested in our businesses. For purposes of determining annual cash incentive amounts, we calculate Adjusted ROIC using our reported financial results, adjusted for the same items described above in determining Adjusted EPS. The formula we use to calculate ROIC is described in detail under Additional Information Non-GAAP Financial Measures in our Annual Report for 2006.

The Committee also established other financial and non-financial strategic performance goals which are discussed below. The financial and non-financial goals established by the Committee are intended to challenge our executives and to incentivize them to stretch to exceed our long-term objectives.

Depending upon the performance for the year, actual amounts earned may range from zero to 240 percent of the target payment amount established by the Committee. This range of possible payouts was determined based on competitive factors and the goal of encouraging a performance-oriented environment. Target payment amounts currently are established at 120 percent of base salary for our Chief Executive Officer and 80 percent of base salary for our other named executive officers. These targets were set based on the Committee's market assessment of annual incentive levels at peer group companies.

For the Chief Executive Officer, 2006 performance was measured against our corporate objectives. For all other named executive officers, 2006 performance was measured 70 percent on corporate performance and 30 percent on the performance of the business unit or function for which the executive was responsible. The Committee has established this 70/30 split to strike an appropriate balance between aligning the executives with our overall corporate objectives and with individual performance accountability for each executive's area of responsibility. The Committee determines each year the appropriate split between corporate and business unit or function objectives based on its assessment of the appropriate balance. For 2007, the Committee has determined to adjust this split for certain executive officers. See Executive Compensation for 2007 below for a discussion of this change.

*Committee Assessment of 2006 Performance.* In 2006, the key financial goals at the corporate level, the potential payouts for achieving those goals, and the actual 2006 results as determined by the Committee were as follows:

Goal	Potential Payout as a % of Target			Actual
	50%	100%	200%	
Net Sales (percentage increase)	3%	5%	8%	5.3%
Adjusted EPS	\$3.80	\$3.88	\$4.00	\$3.87
Adjusted ROIC (basis point (bps) improvement)	0 bps	20 bps	50 bps	10 bps

Based on these results, the Committee determined that the payout percentage for achieving the key financial goals should be 91.7 percent.

The Committee also assessed performance against the other financial and strategic performance goals established at the beginning of 2006. These goals, which were intended to further align compensation with achieving the goals of our Global Business Plan, included:

sustaining growth in our consumer products businesses

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extending market positions of our healthcare businesses outside of North America

extending market position of our professional-workplace businesses

sustaining investment in innovation

increasing brand equity of certain key brands

improving cycle time on product innovations

successfully implementing strategic cost reduction initiatives

realizing cost savings and working capital improvement

successfully recruiting new chief strategy and chief marketing officers

With respect to these goals, the Committee determined that most were successfully achieved or exceeded, and that some progress was made on the other goals. On balance, the Committee determined that the payout percentage for achieving these other financial and strategic goals should be 110 percent.

*Corporate Objectives Assessment.* Based on the Committee's assessment of our performance measured against our corporate objectives, the Committee approved a payout percentage for corporate performance at 97 percent. This payout percentage reflects the Committee's determination of the appropriate payout based on the combination of 91.7 percent and 110 percent for achieving key financial goals and our other financial and strategic goals, respectively. The annual incentive payment for our Chief Executive Officer set forth in the Summary Compensation Table below reflects this percentage multiplied by his target annual cash incentive payment.

*Unit or Function Objectives Assessment.* Our Chief Executive Officer provides the Committee with an assessment of each individual business unit's or function's performance against the objectives for those business units or functions. Based on that assessment, the Committee approved payout percentages for business unit or function performance that ranged from 80 percent to 150 percent of target, depending on the performance of the business unit or function.

*2006 Payouts.* The 2006 annual incentive payments for each named executive officer, other than the Chief Executive Officer, reflect the combination of the 70 percent/30 percent weighting of the payout percentages for performance against the corporate and business unit objectives. As a result of this weighting and the Committee's determination of performance, our executive officers earned incentive payments for 2006 that ranged from 95 percent to 105 percent of their target amounts. The incentive payments were paid to the executives in February 2007, and are quantified below in the Summary Compensation Table.

**Long-Term Equity Incentive Compensation**

We award long-term equity incentive grants to executive officers as part of our overall compensation package. These awards are consistent with our policies of offering competitive compensation packages, supporting our performance-oriented environment and aligning our senior leaders with the financial interests of our stockholders. When determining the amount of long-term equity incentive plan awards to be granted to executives, the Committee considered the following factors, among others: the specific responsibilities and performance of the executive, our business performance, our stock price performance and other market factors. The 2006 long-term equity incentive awards were granted in April 2006 based on an assessment of those factors at that time. Because these awards are part

of our annual compensation program that targets total annual compensation at or near the median of our peer group comparison, subject to adjustment as described under Total Compensation, grants from prior years were not considered when setting 2006 targets or granting awards.

Executive officers may receive long-term incentive awards of stock options, restricted stock or restricted share units, or a combination of stock options, restricted stock and restricted share units under an equity participation plan that was approved by stockholders in 2001 (the 2001 Plan ). The 2001 Plan

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provides the Committee with discretion to require performance-based standards to be met before awards vest.

Prior to 2004, our primary long-term incentive program consisted of stock option awards. Restricted stock had been used on a periodic basis, primarily for retention of key individuals. Beginning in 2004, we changed the mix of long-term equity incentive grants for key executives to consist of a combination of time-vested restricted share units, performance-based restricted share units, and stock options. The Committee made this change to better align our program with market practices and to put greater emphasis on performance-based compensation.

For 2006, the Committee set the long-term equity incentive compensation grant value for each executive based on the goal of first targeting total annual compensation at the median of the peer groups, subject to adjustment as described above under **Total Compensation**, and then adjusting that target to reflect the performance of the executive officer. The grant date value was then divided into three separate grants each with a value equal to one-third of the target level established by the Committee. These grants which consist of time-based restricted share units, performance-based restricted share units, and stock options, are described below.

*Restricted Share Unit Awards.* The Committee determines the number of restricted share units to be granted to executives and the time period and conditions for vesting. During the restricted period, an executive who is awarded restricted share units will not be entitled to vote the units but receives cash equal to dividends paid on our common stock. Upon expiration of the restricted period, payment of restricted share units will be made in shares of our common stock.

In 2006, executives received awards of both time-vested and performance-based restricted share units with a value equal to one-third each of the target grant date value for long-term equity incentive compensation. For this purpose, time-based and performance-based restricted share units are valued on the basis that one unit has the same value as one share of our common stock on the date of grant. For the performance-based restricted share unit awards, the actual number of shares to be received by the executives will range from zero to 150 percent of the target levels established by the Committee for each executive, depending on the degree to which the performance objective is met. The performance objective for the 2006 awards is based on the average ROIC for the period January 1, 2006 through December 31, 2008, as follows:

<b>Goal</b>	<b>Potential Payout as a Percentage of Target</b>			
	<b>0%</b>	<b>50%</b>	<b>100%</b>	<b>150%</b>
ROIC	14.8%	15.3%	15.8%	16.3%

This goal is based on an improvement over our 2005 ROIC of 15.2% and is consistent with our global business plan objective to improve ROIC 40 to 50 basis points per year during this period. Information regarding restricted share unit awards granted to our named executive officers can be found below under **Summary Compensation Table**, **Grants of Plan Based Awards** and **Discussion of Summary Compensation and Plan-Based Awards Tables**.

*Stock Option Awards.* In 2006, executive officers also received awards of stock options with a value equal to one-third of the target grant date value for long-term equity incentive compensation. For this purpose, stock options are valued on the basis that one option has the same value as 25% of one share of the Company's common stock on the date of grant. The value we use for this purpose is higher than the value we use for financial statement purposes. The Committee believes that this value is an appropriate way to determine the number of options to be granted under the 2001 Plan because it provides more consistent application and is not subject to the volatility inherent in the Black-Scholes valuation method used for financial statement purposes. Information regarding stock options granted to our named executive officers can be found below under **Summary Compensation Table**, **Grants of Plan-Based**

Awards, and Discussion of Summary Compensation and Plan-Based Awards Tables.

*Timing of Long-Term Equity Grants.* Our policies and stock option plans require options to be granted at no less than the closing price of our common stock on the date of grant. Our practice has been to

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award options at our February or, more recently, April Committee meeting. Committee meeting dates are set by the Committee at least one year in advance. The February Committee meeting is typically three to four weeks after our earnings release for the prior quarter, and the April Committee meeting is typically three to four days after our first quarter earnings release.

Beginning in 2004, the Committee began to award executive officers restricted share units at the April Committee meeting, the same time as it was granting stock options as part of the annual long-term incentive compensation awards described above. Prior to 2004, restricted stock was awarded at various meetings of the Committee for retention purposes. Our executives are not permitted to choose the grant date for their individual restricted stock or restricted share unit awards.

The Committee administers our equity plans, which were approved by our stockholders in 1992 and 2001. Two categories of stock options have been granted under our equity plans: annual grants and recruiting and retention grants. Annual grants are made each year at a meeting of the Committee, as described above. Annual grants have accounted for more than 99.5 percent of all options granted under these plans since 1993. Our executives are not permitted to choose the grant date for their individual stock option grants.

Our Chief Executive Officer has limited authority to grant employee stock options, restricted stock and restricted share units in connection with recruiting and special employee recognition and retention matters. These recruiting and retention grants may not exceed 200,000 stock options, restricted stock or restricted share units, in the aggregate, in any calendar year. Our Chief Executive Officer is not permitted to make any recruiting and retention grants to any of our executive officers. These recruiting and retention grants are made on regularly scheduled dates during each quarter.

## **Retirement Benefits**

We maintain a funded, tax-qualified, non-contributing defined benefit pension plan that covers certain employees, including our named executive officers. We also maintain supplemental pension plans that provide benefits to the participants in the pension plan as are necessary to fulfill the intent of our pension plan without regard to the limitations imposed by the Internal Revenue Code of 1986, as amended (the Internal Revenue Code ) on qualified pension plans. The supplemental pension plans are unfunded and non-qualified. The benefits payable to our named executive officers under our pension and supplemental plans depends on the participants' years of service under our plan and their monthly average earnings over the last 60 months of service or, if higher, the monthly average earnings for the five calendar years in their last fifteen years of service for which earnings were the highest. For pension calculation purposes, earnings include annual cash compensation described above and do not include long-term equity compensation. For a more detailed explanation of our pension plans, and the present value of the accumulated benefits of our named executive officers, see Pension Benefits below.

For employees who joined the Company on or after January 1, 1997, or for those employees who elected to opt out of continuing participation in our pension plans, we also maintain two qualified defined contribution plans, the Incentive Investment Plan ( IIP ) and the Retirement Contribution Plan ( RCP ). The IIP is a contributing plan and we match contributions made by our employees in the IIP up to the limit set by the Committee from time to time, which was \$6,600 in 2006. The RCP is a non-contributing plan under which we make contributions to accounts established for the participants that vary depending on their compensation level and age. We also maintain an Excess Benefit Program ( EBP ), which is a non-qualified, non-contributing defined contribution plan. We provide benefits under the EBP to the extent necessary to fulfill the intent of the RCP without regard to the limitations imposed by the Internal Revenue Code on qualified defined contribution plans. For each executive officer who participates in the RCP, the benefit accrues to the officer's account each month based on a formula that varies depending on the officer's age at the end of the year and a percentage of the officer's base and excess earnings. For a more detailed explanation of our RCP,



and the current balance of amounts paid to our named executive officer who participates in that plan, see Nonqualified Deferred Compensation below.

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We and the Committee believe that the retirement benefit and contribution plans described above are important parts of our compensation program. These plans are consistent with those maintained by our peer companies and are therefore necessary in order to remain competitive with them for recruiting and retaining executive talent. Additionally, these plans help encourage retention of our senior executives because their retirement benefits under these plans increase for each year they remain employed by us.

## Other Compensation

We provide all of our executive officers with the following perquisites: personal financial planning services provided by an independent firm; and an executive health screening program where executives may receive comprehensive physical examinations from an independent health care provider. The personal financial planning program is designed to provide executives with access to knowledgeable resources that understand our compensation and benefit plans and can assist our executives in efficiently and effectively managing their financial and tax planning issues. Beginning in 2007, our Chief Executive Officer will no longer receive personal financial planning services pursuant to our program. The executive health screening program provides executives with additional services that help maintain their overall health. We encourage our executives to take advantage of this service.

The Board of Directors has approved an executive security program for our Chief Executive Officer. Under this program, our Chief Executive Officer is required to use our corporate aircraft for all business and personal travel, and security services are provided for him at all times, including at his office, other company locations and his residence. Periodically, a security assessment is conducted by an independent security consultant, and the program is reviewed by our Board, to ensure that security measures provided by us are appropriate. The Board considers these security arrangements to be appropriate and reasonable in light of the security risks identified in the independent security assessment. The incremental cost to us of providing security services at Mr. Falk's residence and his personal travel on our corporate aircraft, and the related tax reimbursements and gross-ups, are included in All Other Compensation in the Summary Compensation Table below. We calculate the incremental cost of his personal travel on our corporate aircraft based on our variable cost per hour of operating the aircraft multiplied by the number of hours of personal travel.

## Severance Benefits

We maintain several severance plans for our executive officers, depending on the circumstances that resulted in their termination. These severance plans are described below under Executive Officer Severance Plans. An executive officer may not receive severance under more than one severance plan.

We believe that our severance plans are consistent with those maintained by our peer companies and therefore are important for attracting and retaining executives who are critical to our long-term success and competitiveness. Two of our severance pay plans are specifically designed to ensure that executive officers are incentivized to stay with us during periods of uncertainty. One of those plans relates to the implementation of our Global Business Plan and the related Strategic Costs Reduction program, including the announced reduction in workforce. At the time this plan was established, there was uncertainty regarding which employees would be affected by the workforce reductions. The other plan relates to potential changes in control, and the resulting uncertainty of continued employment following any such change in control.

## Policy on Incentive Compensation Claw-back

As described above, a significant percentage of our executive officer compensation is incentive-based. This is an important aspect of our pay for performance culture. The determination of the extent to which the incentive objectives

are achieved is based in part on the Committee's discretion and in part on our published financial results. The Committee has the right to reassess its determination of the performance awards if the financial statements on which it relied are restated. The Committee has the right to direct the Corporation to seek to recover from any executive officer any amounts determined to have been

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inappropriately received by the individual executive officer. In addition, the Sarbanes-Oxley Act of 2002 mandates that the chief executive officer and the chief financial officer reimburse us for any bonus or other incentive-based or equity-based compensation paid to them in a year following the issuance of financial statements that are later required to be restated as a result of misconduct.

**Executive Compensation for 2007**

On February 20, 2007, the Committee established objectives for 2007 annual cash incentives payable in 2008 to our executive officers. Incentive payments for 2007 will be based on the Committee's judgment regarding our corporate and the executive officers' performance in 2007 against those objectives. The corporate objectives include both key financial and other financial and strategic goals. The key financial goals for 2007 are aligned with our long-term global business plan objectives and include growth in net sales, growth in adjusted earnings per share and improvement in adjusted ROIC. Non-financial goals for 2007 include various qualitative and quantitative measures that are intended to further align compensation with achieving our global business plan, including:

net sales growth in specific businesses

net sales growth in specific markets

net sales targets from new products

brand equity improvement in target brands

implementation of certain competitive improvement initiatives and business support delivery initiatives

In addition, goals have been established for each executive officer, other than the Chief Executive Officer, relating to their specific function or business unit. Depending on actual performance in 2007 against the financial and non-financial goals, 2007 incentive payments could range from zero to 240 percent of each executive officer's target payment. As discussed above in Annual Cash Compensation Annual Incentives, the Committee sets the appropriate split between corporate and business unit or function objectives each year. For 2007, the Committee determined that the appropriate split for those executive officers who have business unit responsibilities should be 50 percent corporate objectives and 50 percent business unit objectives. For executive officers with responsibilities for staff functions, the Committee determined that the appropriate split for 2007 would again be 70 percent corporate objectives and 30 percent function objectives.

Also on February 20, 2007, the Committee approved the following base salaries for our named executive officers, effective on April 1, 2007:

Name	Base Salary(\$)
Thomas J. Falk	1,225,000
Mark A. Buthman	600,000
Robert E. Abernathy	550,000
Steven R. Kalmanson	645,000
Ronald D. Mc Cray	500,000

**Target Stock Ownership Guidelines**

We strongly believe that the financial interests of our executives should be aligned with those of our stockholders. Accordingly, we maintain stock ownership guidelines for approximately 400 key managers, including the named executive officers. All executive officers are expected to own our common stock in an amount equivalent to three times their annual base salary. The Chief Executive Officer is expected to own an amount of our common stock which is six times his annual base salary. These guidelines have been met or exceeded by each of the named executive officers. Failure to attain targeted stock ownership levels within three years can result in a reduction in future long-term incentive awards granted to the executive.

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In determining whether our stock ownership guidelines have been met, restricted shares and time-based restricted share units are considered as being owned and performance-based restricted share units are excluded until they vest.

We have a policy that mandates that all executive officers must review transactions involving our common stock or other securities related to our common stock with our legal department prior to entering into the transactions. Although we do not have a formal policy that prohibits transactions that hedge an executive officer's economic risk of owning shares of our common stock, none of our executive officers have engaged in any such hedging transactions in 2006. Any shares that an employee may own subject to a market put or call option are excluded for purposes of determining compliance with our stock ownership guidelines.

**Tax Deduction for Executive Compensation**

The United States income tax laws generally limit the deductibility of compensation paid to each named executive officer to \$1,000,000 per annum. An exception to this general rule exists for performance-based compensation that meets certain Internal Revenue Service requirements. The annual incentive payments and option grants to executive officers are designed to meet these requirements for deductibility. The other long-term incentive awards described above may be subject to the \$1,000,000 deductibility limit.

Although deductibility of compensation is preferred, tax deductibility is not a primary objective of our compensation programs. In our view and the view of the Committee, meeting the compensation objectives set forth above is more important than the benefit of being able to deduct the compensation for tax purposes.

**Management Development and Compensation Committee Report**

In accordance with its written charter adopted by our Board, the Management Development and Compensation Committee has oversight of compensation policies designed to align compensation with our overall business strategy, values and management initiatives. In discharging its oversight responsibility, the Committee has retained an independent compensation consultant to advise the Committee regarding market and general compensation trends.

The Committee has reviewed and discussed the Compensation Discussion and Analysis with our management, which has the responsibility for preparing the Compensation Discussion and Analysis. Based upon this review and discussion, the Committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2006.

**MANAGEMENT DEVELOPMENT AND  
COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

Marc J. Shapiro, Chairman  
Abelardo E. Bru  
Pastora San Juan Cafferty  
James M. Jenness  
G. Craig Sullivan

**Table of Contents****Summary Compensation Table**

The following table sets forth information concerning compensation awarded to, earned by, or paid to our named executive officers in the last three years. Our named executive officers include our Chief Executive Officer, Chief Financial Officer and our three other most highly compensated executive officers serving as of December 31, 2006.

Name and Principal Position	Year	Salary(\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation(\$)(3)	Change in Pension Value and Nonqualified Deferred	All Other Compensation (\$)(5)	Total(\$)
						Earnings (\$)(4)		
Thomas J. Falk Chairman of the Board and Chief Executive Officer	2006	1,175,000	5,695,857	1,477,498	1,367,700	851,286	118,565	10,685,906
	2005	1,150,000	3,370,194	2,139,305	1,269,000	1,254,762	75,491	9,258,752
	2004	1,075,000	2,016,388	2,747,683	2,386,500	1,214,294	87,004	9,526,869
Mark A. Buthman Senior Vice President and Chief Financial Officer	2006	507,517	1,139,698	318,604	405,425	154,541	78,881	2,604,666
	2005	468,750	613,871	455,358	372,480	213,624	91,926	2,216,009
	2004	420,000	369,291	526,301	621,600	210,404	55,855	2,203,451
Robert E. Abernathy Group President Developing and Emerging Markets	2006	521,285	1,290,421	349,006	437,394	331,644	14,608	2,944,358
	2005	490,000	718,275	493,789	352,440	484,093	7,102	2,545,699
	2004	475,000	435,737	707,314	703,000	517,240	14,150	2,852,441
Steven R. Kalmanson Group President North Atlantic Consumer Products	2006	618,000	1,899,423	489,581	476,362	573,202	10,858	4,067,426
	2005	578,750	909,304	551,225	424,800	746,432	12,561	3,223,072
	2004	515,000	474,825	727,729	762,200	687,172	6,150	3,173,076
Ronald D. Mc Cray Senior Vice President Law & Government Affairs and Chief Compliance Officer	2006	477,523	1,109,914	304,134	391,516	269,963	14,600	2,567,650
	2005	446,250	635,217	443,666	338,520	330,367	6,300	2,200,320
	2004	420,000	360,933	526,963	621,600	313,922	11,861	2,255,279

(1) Amounts shown reflect the dollar value of restricted share unit awards granted pursuant to our stockholder approved 2001 Equity Participation Plan (the 2001 Plan ), including awards that vest based on time and awards that vest based on the achievement of performance-based standards. The amount for each year represents the

portion of the grants, including those made in prior years, which are expensed in that year pursuant to Statement of Financial Accounting Standards, No. 123 (Revised 2004), Share-Based Payment ( FAS 123R ). The grant date value, determined in accordance with FAS 123R, for the 2006 grant is reflected in the Grant of Plan Based Awards table below. See Note 7 to our audited financial statements included in our 2006 Annual Report on Form 10-K for the assumptions we used in valuing and expensing these restricted share units in accordance with FAS 123R. See Discussion of Summary Compensation and Plan-Based Awards Tables below for information regarding the terms and conditions of these awards.

- (2) Amounts shown reflect the dollar value of stock options granted pursuant to the 2001 Plan. The amount for each year represents the portion of the grants, including those made in prior years, which are expensed in that year pursuant to FAS 123R. The grant date value, determined in accordance with FAS 123R, for the 2006 grant is reflected in the Grant of Plan Based Awards table below. See Note 7 to our audited financial statements included in our 2006 Annual Report on Form 10-K for the assumptions we used in valuing and expensing these stock options in accordance with FAS 123R. See Discussion of Summary Compensation and Plan-Based Awards Tables below for information regarding the terms and conditions of these options.
- (3) Amounts in this column are the annual performance-based incentive payments described above in the Compensation Discussion and Analysis section of this proxy statement. These amounts were earned during the years indicated and were paid to the executive officers in February of the following year.



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- (4) Amounts shown reflect the aggregate change during the year in actuarial present value of accumulated benefit under all defined benefit and actuarial plans (including supplemental plans). We describe the assumptions we used in determining the amounts and provide additional information about these plans in Pension Benefits below.

Messrs. Falk, Abernathy and Kalmanson each have deferred compensation in prior years pursuant to a deferred compensation plan. Earnings on that deferred compensation are not included in the Summary Compensation Table because the earnings were not above-market or preferential. Mr. Buthman also participates in a non-qualified defined contribution plan. Earnings on that plan are not included in the Summary Compensation Table because the earnings were not above-market or preferential. See Nonqualified Deferred Compensation below for a discussion of these plans and Messrs. Falk s, Buthman s, Abernathy s and Kalmanson s earnings under those plans in 2006.

- (5) All Other Compensation consists of the following:

Name	Year	Perquisites \$(a)	Defined Contribution Plan	Tax	Total \$(d)
			Payments \$(b)	Gross-Ups \$(c)	
Thomas J. Falk	2006	102,491	6,600	9,474	118,565
	2005	60,761	6,300	8,430	75,491
	2004	67,043	6,150	13,811	87,004
Mark A. Buthman	2006	7,694	71,187	0	78,881
	2005	5,200	86,726	0	91,926
	2004	8,000	47,271	584	55,855
Robert E. Abernathy	2006	5,500	6,600	2,508	14,608
	2005	802	6,300	0	7,102
	2004	8,000	6,150	0	14,150
Steven R. Kalmanson	2006	3,175	6,600	1,083	10,858
	2005	6,261	6,300	0	12,561
	2004	0	6,150	0	6,150
Ronald D. Mc Cray	2006	8,000	6,600	0	14,600
	2005	0	6,300	0	6,300
	2004	4,900	6,150	811	11,861

- (a) *Perquisites*. For a description of the perquisites we provide executive officers, and the reasons why, see Compensation Discussion and Analysis Other Compensation above.

Except with respect to Mr. Falk, amounts shown as perquisites consist solely of amounts paid pursuant to our Executive Financial Counseling Program and our executive health screening program. Perquisites for Mr. Falk included the following:

**Executive**

**Executive**

<b>Year</b>	<b>Financial Counseling Program (\$)</b>	<b>Personal Use of Corporate Aircraft \$(ii)</b>	<b>Security Services \$(iii)</b>	<b>Health Screening Program (\$)</b>	<b>Total (\$)</b>
2006	12,000	40,416	48,345	1,730	102,491
2005(i)	12,000	8,938	39,823	0	60,761
2004(i)	12,000	18,970	36,073	0	67,043

- (i) Excludes amounts for perquisites that constitute less than 10 percent of the total perquisites, including amounts relating to personal use of sporting event and other entertainment tickets when not being used for business purposes.
- (ii) Our Chief Executive Officer is required to use our corporate aircraft for personal travel pursuant to an executive security program established by our Board. The amount shown for personal use of our aircraft by Mr. Falk is our incremental cost of operating the aircraft. The incremental cost of his personal travel on our corporate aircraft is based on our variable cost per hour of operating the aircraft multiplied by the number of hours of personal travel.

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- (iii) Personal security services provided as required by our chief executive officer security program.
- (b) *Defined Contribution Plan Payments.* Matching contributions were made under the IIP for all named executive officers. Value for Mr. Buthman also includes amounts contributed or allocated to the RCP and the EBP. Mr. Buthman is the only named executive officer who participates in the RCP and the EBP, which are described above under Compensation Discussion and Analysis Retirement Benefits.
- (c) *Tax Gross-ups.* Amounts reflect tax reimbursement and related gross-up with respect to certain business and personal use of our corporate aircraft.
- (d) The named executive officers also receive dividends on restricted shares and restricted share units held by them at the same rate and on the same dates as dividends were paid to our stockholders. Because we factor the value of the right to receive dividends into the grant date fair value of the restricted shares and restricted share units awards, the dividends received by our named executive officers are not included in the Summary Compensation Table. The named executive officers received the following dividends on the restricted share and restricted share units held by them:

Name	Year	Dividends Received (\$)
Thomas J. Falk	2006	544,879
	2005	352,699
	2004	227,200
Mark A. Buthman	2006	110,116
	2005	70,037
	2004	44,920
Robert E. Abernathy	2006	119,289
	2005	76,598
	2004	51,120
Steven R. Kalmanson	2006	125,332
	2005	81,833
	2004	53,040
Ronald D. Mc Cray	2006	108,841
	2005	69,111
	2004	44,120

**Table of Contents****Grants of Plan-Based Awards**

The following table is intended to supplement our Summary Compensation Table by providing additional information on the equity and incentive compensation awards granted to our named executive officers in 2006.

**Grants of Plan-Based Awards in 2006**

Name	Grant Date(3)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)(4)	All Other Option Awards: Number of Securities Underlying Options (#)(5)	Exercise or Base Price of Option Awards (\$/Sh)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
Clark		0	1,410,000	3,384,000						
	4/26/06				0	43,987	65,981			
	4/26/06							43,987		
Herman	4/26/06								175,946	58.73
	4/26/06	0	412,018	988,842	0	9,649	14,474	9,649		
	4/26/06								38,595	58.73
Bernathy	4/26/06	0	424,037	1,017,688	0	11,351	17,027			
	4/26/06							11,351		
	4/26/06								45,406	58.73
Malmanson	4/26/06	0	499,200	1,198,080	0	10,216	15,324			
	4/26/06							10,216		
	4/26/06								40,865	58.73
Mc Cray	4/26/06	0	388,024	931,258	0	9,081	13,622			
	4/26/06							9,081		
	4/26/06								36,324	58.73

(1) Represents the potential annual performance-based incentive cash payments each executive could earn in 2006. These awards were granted under our Executive Officer Achievement Plan approved by Stockholders in 2002. Actual amounts earned in 2006 were based on the 2006 objectives established by the Management Development and Compensation Committee at its February 8, 2006 meeting. See Compensation Discussion and Analysis Annual Compensation Annual Incentives above. At the time of the grant, the incentive payment could range from the threshold amount to the maximum amount depending on whether the 2006 objectives were met or

exceeded. The actual amounts paid in 2007 based on the 2006 objectives are set forth in the Summary Compensation Table above under the column entitled Non-Equity Incentive Plan Compensation.

- (2) On April 26, 2006, each executive officer received long-term equity grants under our 2001 Plan. As described above in Compensation Discussion and Analysis Long-Term Equity Incentive Compensation, these awards consist of performance-based restricted share units, reported in this column, time-based restricted share units, reported under the column entitled All Other Stock Awards: Number of Shares of Stock or Units and time-based stock option awards, reported under the column entitled All Other Option Awards: Number of Securities Underlying Options. The number of performance-based restricted share units granted in 2006 that will ultimately vest on April 26, 2009 could range from the threshold number to the maximum number depending on whether the ROIC performance objectives for those awards are met or exceeded.
- (3) The grant date for each award is the same date that the Committee took action to grant the awards.

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- (4) Time-based restricted share unit awards vest in three annual equal installments, beginning on April 26, 2009.
- (5) Time-based stock option awards vest in three annual installments of 30 percent, 30 percent and 40 percent of the options granted, beginning on April 26, 2007.
- (6) Grant date fair value is determined in accordance with FAS 123R. This grant date fair value is expensed over the vesting period of the awards under FAS 123R, and is reflected in the Summary Compensation Table in the year it is expensed. See Note 7 of our audited financial statements included in our 2006 Annual Report on Form 10-K for the assumptions used in valuing and expensing these stock and option awards in accordance with FAS 123R.

**Discussion of Summary Compensation and Plan-Based Awards Tables**

Our executive compensation policies and practices, pursuant to which the compensation set forth in the Summary Compensation Table and the Grants of Plan-Based Awards in 2006 table was paid or awarded, are described above under Compensation Discussion and Analysis.

None of our named executive officers has any employment agreement with us, other than the executive severance plans described below.

Each named executive officer received grants of stock options and restricted share units under the 2001 Plan in 2006. The number of restricted share units were split equally between time-vested share units and performance-based share units. The vesting schedule for the time-based restricted share unit awards consists of three annual equal installments beginning on April 26, 2009. Performance-based restricted share unit awards vest three years following grant in a range from zero to 150 percent of the target levels established based on our ROIC performance during the three years. Dividend equivalents are paid on the target number of restricted share units at the same rate paid to all our stockholders. As of December 31, 2006, the performance-based restricted share units granted in 2006, 2005 and 2004 were on pace to vest at the following levels: 100% for the 2006 award; 130% for the 2005 award; and 110% for the 2004 award.

The 2001 Plan provides that the option price per share shall be no less than the market value per share of our common stock at the grant date. The term of any option is no more than ten years from the grant date. Options granted in 2006 become exercisable in three annual installments of 30 percent, 30 percent and 40 percent, beginning April 26, 2007; provided, however, that all of the options become exercisable for three years upon death or total or permanent disability, and for five years upon the retirement of the officer. In addition, options generally become exercisable upon a termination of employment following a change in control, and options granted to the named executive officers are subject to our Executive Severance Plan described below under Executive Officer Severance Plans Executive Severance Plan. The options may be transferred by the officers to family members or certain entities in which family members have interests.

**Table of Contents****Outstanding Equity Awards**

The following table sets forth information concerning outstanding equity awards for our named executive officers at December 31, 2006. Option awards were granted for ten-year terms, ending on the option expiration date set forth in the table. Stock awards were granted as indicated in the footnotes to the table.

**Outstanding Equity Awards as of December 31, 2006(1)**

Name	Grant Date	Option Awards(2)(3)				Stock Awards			Equity Incentive Awards:
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)(4)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(5)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(6)	Equity Incentive Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)(7)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(8)
Thomas J. Falk	4/26/06	0	175,946	58.73	4/26/16				
	4/26/06					43,987	2,988,917		
	4/26/06							43,987	2,988,917
	4/28/05	50,332	117,444	61.59	4/28/15				
	4/28/05					41,944	2,850,095		
	4/28/05							41,944	2,850,095
	4/28/04	73,218	48,813	63.14	4/28/14				
	4/28/04					40,000	2,718,000		
	4/28/04							40,000	2,718,000
	2/17/03	406,770	0	43.80	2/17/13				
	9/12/02					75,000	5,096,250		
	2/18/02	305,077	0	59.97	2/18/12				
	2/22/01	228,807(9)	0	68.59	2/22/11				
	2/21/00	203,384(10)	0	52.00	2/21/10				
	2/24/99	101,692(11)	0	47.51	2/24/09				
	2/26/98	61,013(12)	0	55.01	2/26/08				

Mark A.  
Buthman

4/26/06	0	38,595	58.73	4/26/16				
4/26/06					9,649	655,650		
4/26/06							9,649	655,650
4/28/05	11,040	25,763	61.59	4/28/15				
4/28/05					9,201	625,208		
4/28/05							9,201	625,208
4/28/04	14,734	9,824	63.14	4/28/14				
4/28/04					8,050	546,998		
4/28/04							8,050	546,998
2/17/03	91,523	0	43.80	2/17/13				
2/17/03					10,000	679,500		
2/18/02	40,677	0	59.97	2/18/12				
2/22/01	30,507	0	68.59	2/22/11				
2/21/00	22,372	0	52.00	2/21/10				
2/24/99	24,406	0	47.51	2/24/09				
2/26/98	12,202	0	55.01	2/26/08				



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Name	Grant Date	Option Awards <sup>(2)(3)</sup>				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$) <sup>(4)</sup>	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(5)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(6)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not	Vested (\$) <sup>(8)</sup>
Robert E. Abernathy	4/26/06	0	45,406	58.73	4/26/16				
	4/26/06					11,351	771,300		
	4/26/06							11,351	771,300
	4/28/05	11,365	26,520	61.59	4/28/15				
	4/28/05					9,471	643,554		
	4/28/05							9,471	643,554
	4/28/04	17,083	11,390	63.14	4/28/14				
	4/28/04					9,300	631,935		
	4/28/04							9,300	631,935
	2/17/03	91,523	0	43.80	2/17/13				
	2/17/03					7,000	475,650		
	2/18/02	101,692	0	59.97	2/18/12				
	2/22/01	61,014	0	68.59	2/22/11				
	2/21/00	71,184	0	52.00	2/21/10				
	2/24/99	71,184	0	47.51	2/24/09				
2/26/98	48,811	0	55.01	2/26/08					
2/20/97	40,677	0	49.17	2/20/07					
Steven R. Kalmanson	4/26/06	0	40,865	58.73	4/26/16				
	4/26/06					10,216	694,177		
	4/26/06							10,216	694,177
	4/28/05	12,989	30,308	61.59	4/28/15				
	4/28/05					10,824	735,491		
	4/28/05							10,824	
	4/28/04	18,914	12,610	63.14	4/28/14				735,491
4/28/04					10,100	686,295			

	4/28/04							10,100	686,295
	2/17/03	91,523	0	43.80	2/17/13				
	2/17/03					7,000	475,650		
	2/18/02	101,692	0	59.97	2/18/12				
	2/22/01	61,014	0	68.59	2/22/11				
	2/21/00	71,184	0	52.00	2/21/10				
	2/24/99	55,930	0	47.51	2/24/09				
	2/26/98	17,367	0	55.01	2/26/08				
Ronald D. Mc Cray									
	4/26/06	0	36,324	58.73	4/26/16				
	4/26/06					9,081	617,054		
	4/26/06							9,081	617,054
	4/28/05	10,391	24,247	61.59	4/28/15				
	4/28/05					8,659	588,379		
	4/28/05							8,659	588,379
	4/28/04	14,734	9,824	63.14	4/28/14				
	4/28/04					8,050	546,998		
	4/28/04							8,050	546,998
	2/17/03	60,519	0	43.80	2/17/13				
	2/17/03					10,000	679,500		
	2/18/02	40,677	0	59.97	2/18/12				
	2/22/01	36,608	0	68.59	2/22/11				
	2/21/00	10,000	0	52.00	2/21/10				
	2/26/98	4,540	0	55.01	2/26/08				

(1) The amounts shown reflect outstanding equity awards granted under our 1992 Equity Participation Plan, as amended (the 1992 Plan ) or the 2001 Plan (together, the Equity Plans ). Under the Equity Plans, an executive officer may receive awards of stock options, restricted stock or restricted share units, or a combination of stock options, restricted stock and restricted share units. Only stock option awards are currently outstanding under the 1992 Plan. Stock options, restricted stock, time-based

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restricted share unit and performance-based restricted share unit awards are currently outstanding under the 2001 Plan.

- (2) Number and exercise price of stock options granted prior to December 1, 2004 include mandatory adjustments to reflect the change in capitalization due to the Neenah Paper, Inc. spin-off.
- (3) Stock options granted under the Equity Plans become exercisable in three annual installments of 30 percent, 30 percent and 40 percent, beginning the first anniversary of the grant date; provided that all of the options become exercisable for three years upon death or total or permanent disability, and for five years upon the retirement of the officer. In addition, options generally become exercisable upon a termination of employment following a change in control and options granted to the named executive officers are subject to our Executive Severance Plan described below under *Executive Officer Severance Plans* *Executive Severance Plan*. The options may be transferred by the officers to family members or certain entities in which family members have interests. The following table shows the vesting of the options listed:

If option expiration date is:	Then options vest as follows:		
	1st 30%	2nd 30%	40%
4/26/16	4/26/07	4/26/08	4/26/09
4/28/15	4/28/06	4/28/07	4/28/08
4/28/14	4/28/05	4/28/06	4/28/07
2/17/13	2/17/04	2/17/05	2/17/06
2/18/12	2/18/03	2/18/04	2/18/05
2/22/11	2/22/02	2/22/03	2/22/04
2/21/10	2/21/01	2/21/02	2/21/03
2/24/09	2/24/00	2/24/01	2/24/02
2/26/08	2/26/99	2/26/00	2/26/01
2/20/07	2/20/98	2/20/99	2/20/00

- (4) The Equity Plans provide that the option price per share shall be no less than 100 percent of the closing price per share of our common stock on the date of grant.
- (5) The amounts shown represent awards of time-based restricted share units granted to each named executive officer in April 2004, 2005, and 2006, and restricted stock granted to each named executive officer other than Mr. Falk in February 2003. Mr. Falk received a grant of restricted stock in September 2002.

*Time-Based Restricted Share Units.* The vesting schedule for time-based restricted share unit awards is as follows: 33 percent after three years following the grant, an additional 33 percent after the fourth year and the remaining 34 percent after the fifth year. Dividends are paid in cash on the number of restricted share units at the same rate and on the same day as paid to all our stockholders.

*Restricted Stock Awards.* Restricted stock awards vest on the fifth anniversary of the date of grant. Dividends on the number of restricted shares are paid in cash at the same rate and on the same day as paid to all our stockholders.

- (6) The values shown in this column are based on our December 29, 2006 closing stock price of \$67.95 per share.
- (7)

Amounts shown represent awards of performance-based restricted share units granted to each named executive officer in April 2004, 2005 and 2006. Performance-based restricted share unit awards granted in 2004, 2005, and 2006 vest on April 27, 2007, April 28, 2008, and April 26, 2009, respectively, in a range from zero to 150 percent of the target levels indicated based on the achievement of specific performance goals. Dividends are paid in cash on the target number of restricted share units at the same rate paid and on the same day as to all our stockholders.

- (8) Values are based on the target number of restricted share units and our December 29, 2006 closing stock price of \$67.95 per share.
- (9) Includes 33,775 options transferred to TKM, Ltd., a family partnership established by Mr. Falk and his spouse ( TKM ).
- (10) Includes 61,015 options transferred to TKM.

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(11) Includes 50,846 options transferred to TKM.

(12) Includes 28,237 options transferred to TKM.

**Option Exercises and Stock Vested**

The following table sets forth information concerning stock options exercised and stock awards vested during 2006 for our named executive officers:

**Option Exercises and Stock Vested in 2006**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise\$(1)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting\$(2)
Thomas J. Falk	61,014	587,370	0	0
Mark A. Buthman	9,762	90,328	3,000	197,970
Robert E. Abernathy	24,406	455,382	6,000	395,940
Steven R. Kalmanson	36,609	380,463	6,000	395,940
Ronald D. Mc Cray	15,750	271,251	4,000	263,960

(1) The value realized on exercise was the number of shares exercised times the difference between our closing stock price on the exercise date and the exercise price of the options.

(2) The value realized on vesting was our closing stock price on the vesting date times the number of shares vested.

**Pension Benefits**

The table below sets forth information as of December 31, 2006 concerning potential payments to our named executive officers under our pension plan and supplemental plans described above in Compensation Discussion and Analysis Retirement Benefits.

**2006 Pension Benefits**

Name	Plan Name	Number of Years Credited Service(#)	Present Value of Accumulated Benefit(\$)
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Thomas J. Falk	Pension Plan	23.5	419,918
	Supplemental Plans	23.5	4,629,028
Mark A. Buthman	Pension Plan	15.2(1)	237,328
	Supplemental Plans	15.2	660,282
Robert E. Abernathy	Pension Plan	25.0	550,483
	Supplemental Plans	25.0	2,027,242
Steven R. Kalmanson	Pension Plan	29.5	735,353
	Supplemental Plans	29.5	3,087,281
Ronald D. Mc Cray	Pension Plan	20.0	377,149
	Supplemental Plans	20.0	998,456

(1) Mr. Buthman has 24.6 years of actual service. As described below under Nonqualified Deferred Compensation, in 1997 he elected to participate in our defined contribution plans instead of accruing additional years of service under our defined benefit plans. This election reduces his benefits under our defined benefit plans and increases his benefits under our defined contribution plans, in accordance with the terms of those plans.

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The compensation covered by our defined benefit plans includes the salary and non-equity incentive payments set forth above in the Summary Compensation Table. Under our pension plan, an employee is entitled to receive an annual standard benefit based on years of benefit service and integrated with social security benefits. The Internal Revenue Code generally places limits on the amount of pension benefits that may be paid from the tax qualified defined benefit plan. However, we will pay any participant in our supplemental plans the amount of the benefit payable under the pension plan that is limited by the Internal Revenue Code.

Retirement benefits for participants in the pension plan who have at least five years of service may begin on a reduced basis at age 55, or on an unreduced basis at the normal retirement age of 65. Unreduced benefits also are available (i) for participants with 10 years of service at age 62 or as early as age 60 with 30 years of service and (ii) as described below, for certain involuntary terminations related to our global business plan. None of our named executive officers currently is eligible for early retirement under our defined benefits plans.

The normal form of benefit is a single-life annuity payable monthly and other optional forms of benefit are available including a joint and survivor benefit. Accrued benefits prior to 2005 under our supplemental plans will, at the participant's option, either be paid as monthly payments in the same form as the retirement payments from the pension plan or as an actuarially determined lump sum payment upon retirement after age 55. Accrued benefits in 2005 or later years will only be payable as an actuarially determined lump sum payment six months after termination of employment.

For a discussion of how we value these obligations and the assumptions we use in that valuation, see Note 8 to our financial statements included in our 2006 Annual Report on Form 10-K. For purposes of determining the present value of accumulated benefits, we have used the potential earlier retirement ages as described above rather than the normal retirement age under the plans, which is 65.

Under the supplemental plans, in the event of a change of control of the Corporation or a reduction in our long-term credit rating below investment grade, participants would have the option of receiving the present value of their accrued benefits prior to 2005 in the supplemental plans in a lump sum, reduced by 10 percent and 5 percent for active and former employees, respectively. While the supplemental plans remain unfunded, in 1994 our Board approved the establishment of a trust and authorized us to make contributions to this trust in order to provide a source of funds to assist us in meeting our liabilities under our defined benefit plans.

**Nonqualified Deferred Compensation**

The following table sets forth information concerning nonqualified defined contribution and deferred compensation plans for our named executive officers during 2006.

**2006 Nonqualified Deferred Compensation**

Name	Aggregate Earnings in 2006(\$)(1)	Aggregate Balance at December 31, 2006(\$)
Thomas J. Falk	146,262	1,804,914
Mark A. Buthman	16,387	214,715
Robert E. Abernathy	2,508	14,923
Steven R. Kalmanson	225,141	1,521,962

Ronald D. Mc Cray

0

0

(1) Aggregate earnings are not included in the Summary Compensation Table because the earnings are not above-market or preferential.



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Amounts shown for Messrs. Falk, Abernathy and Kalmanson represent compensation deferred in prior years under our Deferred Compensation Plan and accumulated earnings. Effective in 2005, no further amounts may be deferred under such plan.

The amounts shown for Mr. Buthman reflect 2006 earnings and year-end balance of his account under our Excess Benefit Program (the EBP). The EBP is a supplemental plan to our Retirement Contribution Plan (the RCP), which is a qualified defined contribution plan. In 1997, pursuant to a broad-based election offered certain employees, Mr. Buthman elected to no longer accrue any additional years of benefit service under our defined benefit retirement plans and instead to participate in the RCP. Under the RCP, we provide monthly contributions to a retirement contribution account based on the participant's age and eligible earnings, as shown in the following schedule:

**Retirement Contribution Schedule**

<b>Age (At Plan Year End)</b>	<b>Percent of Base Earnings(a)</b>	<b>Percent of Excess Earnings(b)</b>
Under 25	3.50%	5.75%
25 - 29	3.75%	6.00%
30 - 34	4.00%	6.25%
35 - 39	4.25%	6.50%
40 - 44	4.50%	6.75%
45 - 49	5.25%	7.50%
50 - 54	6.00%	8.25%
55 and over	6.50%	8.75%

(a) Under the RCP, Base Earnings are the amount of eligible earnings up to two-thirds of the taxable wages of an employee used for purposes of calculating FICA taxes. Eligible earnings include salary, bonus and incentive compensation.

(b) Under the RCP, Excess Earnings are the amount of eligible earnings above the Base Earnings.

Contributions are invested in certain designated investment options selected by the participant. Distributions of the participant's account balance are only available after termination of employment. The Internal Revenue Code limits the amount of contributions that may be made to our qualified RCP. Participants in the RCP, including Mr. Buthman, receive credit under our EBP to the extent contributions to the RCP are limited by Internal Revenue Code requirements. Mr. Buthman is the only named executive officer who is a participant in the RCP and the EBP.

**Executive Officer Severance Plans**

We maintain several severance plans for our executive officers, depending on the circumstances that result in their termination. Those plans include the Executive Severance Plan (the Executive Severance Plan), which is applicable when an executive officer is terminated following a change in control, and two severance pay plans, which are applicable in the event of certain other involuntary terminations. An executive officer may not receive severance under more than one of the plans described below.

Executive Severance Plan.

We have agreements under our Executive Severance Plan with each named executive officer. The agreements provide that in the event of a Qualified Termination of Employment (as described below), the participant will receive a cash payment in an amount equal to the sum of (1) three times annual base salary and the target incentive payment which would be payable as if the performance goals established at the beginning of each year were met under the Executive Officer Achievement Award Program, (2) the value, based on our stock price at the date of the participant's termination, of forfeited restricted stock and

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restricted share units and certain unvested incentive stock options, (3) the value of three additional years of service and compensation under the pension plan and the supplemental plans, and (4) three years of COBRA premiums for medical and dental coverage. In addition, nonqualified stock options and certain incentive stock options will vest and be exercisable within the earlier of five years from the participant's termination or the remaining term of the option. The Executive Severance Plan also provides that in certain circumstances if the participant incurs excise tax due to the application of Section 280G of the Internal Revenue Code, the participant is entitled to an additional cash payment so that the participant will be in the same position as if the excise tax was not applicable.

Qualified Termination of Employment is defined in this Plan to mean termination of employment within two years following a change of control of the Corporation (as defined in this Plan) either involuntarily without cause or by the participant with good reason. In addition, any involuntary termination without cause within one year before a change of control will also be determined to be a Qualified Termination of Employment if it is in connection with, or in anticipation of, a change of control. Our Board has determined the eligibility criteria for participation in this Plan. Each agreement expires three years from its date of execution, unless extended by our Board. The current agreements with our named executive officers were entered into in December 2005 and expire on December 31, 2008, unless extended by our Board.

Had a Qualified Termination of Employment under the Executive Severance Plan occurred on December 31, 2006 with respect to each named executive officer, the approximate value of the severance benefits under this Plan for each such officer, based on our closing stock price of \$67.95 on December 29, 2006, would have been as follows:

Name	Severance Benefit upon Qualified Termination of Employment(\$)
Thomas J. Falk	22,245,153
Mark A. Buthman	6,495,679
Robert E. Abernathy	5,247,014
Steven R. Kalmanson	5,953,835
Ronald D. Mc Cray	6,251,746

Each named executive officer's agreement under the Executive Severance Plan provides that the executive will retain in confidence any confidential information known to the executive concerning the Corporation and its business so long as such information is not publicly disclosed.

#### Severance Pay Plans.

Our severance pay plans generally provide eligible employees (including the named executive officers) severance payments and benefits in the event of certain involuntary terminations. If such termination is related to our global business plan, the named executive officer would receive either (1) a lump sum severance payment of two weeks pay for each year of employment with a minimum severance payment of 26 weeks pay, a pro-rated portion of their annual cash incentive award for the year, six months of COBRA medical coverage and outplacement services or (2) if the named executive officer is retirement eligible, the plans allow the eligible employee to elect an unreduced pension benefit and a severance payment of \$10,000 in lieu of other severance benefits under the plans. In the event a named executive officer's termination is not related to our global business plan, the named executive officer would receive a lump sum severance payment of one week's pay for each year of employment with a minimum severance payment of six weeks pay and a maximum of 26 weeks pay.

A named executive officer must execute a full and final release of claims against us within a specified period of time following termination to receive severance benefits under our severance pay plans. If the release has been timely executed, severance benefits are payable as a lump sum cash payment as soon as practicable following the participant's termination date, but no later than the earlier of (i) 90 days following the termination date or (ii) the date that is 21/2 months from the end of the year in which the participant is terminated.

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The approximate value of the severance benefits payable under the above-described plans to the named executive officers if they had been terminated on December 31, 2006 would have been as follows:

Name	Value if Termination Related to Global Business Plan\$(1)	Value if Termination Not Related to Global Business Plan(\$)
Thomas J. Falk	2,445,719	531,010
Mark A. Buthman	908,715	243,645
Robert E. Abernathy	963,054	254,830
Steven R. Kalmanson	1,200,362	312,000
Ronald D. Mc Cray	780,616	186,555

(1) None of the named executive officers were retirement eligible on December 31, 2006, so none could elect to take an unreduced pension benefit plus \$10,000 in lieu of the amount set forth in this column.

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and any person owning more than 10 percent of a class of our stock to file reports with the Securities and Exchange Commission regarding their ownership of our stock and any changes in ownership. The Corporation maintains a compliance program to assist our directors and executive officers in making these filings. With one exception noted below, we believe that our executive officers and directors timely complied with their filing requirements for 2006.

On November 12, 2006, a portion of a restricted stock grant awarded in November 2001 to Ms. Joanne B. Bauer, the President of the Corporation's Healthcare business, and her spouse, Timothy Painter, vested and 974 and 163 shares of the vested restricted stock were automatically deducted from Ms. Bauer's and Mr. Painter's grants, respectively, in order to satisfy tax withholding obligations. The report reflecting this automatic deduction, which was due to be filed on November 14, 2006, was filed on November 15, 2006.

### **TRANSACTIONS WITH RELATED PERSONS**

#### *Policies and Procedures for Review, Approval or Ratification of Related Person Transactions.*

Our Audit Committee, pursuant to the Audit Committee Charter approved by our Board, has oversight for related person transactions and compliance with our Code of Conduct. The Audit Committee receives periodic reports from management with respect to related person transactions and reviews potential conflict of interest situations where appropriate. Our Code of Conduct governs related person transactions for Kimberly-Clark employees and requires potential conflicts of interest to be reported to management or the Legal Department. The Audit Committee reviews periodic reports from our Senior Vice President, Law and Government Affairs and Chief Compliance Officer and our internal audit executive regarding compliance with our Code of Conduct.

Any related person transaction involving a director is reviewed annually by the Nominating and Corporate Governance Committee and our Board in determining the independence of our directors, pursuant to our Corporate Governance Policies, SEC rules and the NYSE listing standards.

#### *2006 Related Person Transactions.*

We share aircraft hanger space, pilots and related services with Bergstrom Corporation, an entity which is majority owned by Mr. Bergstrom. During 2006, Bergstrom Corporation paid us \$191,000 for its share of the costs associated with these services.

In 2006, we purchased advertising totaling \$343,000 from entities owned directly or indirectly by Johnson Publishing Company, where Ms. Johnson Rice is President and Chief Executive Officer. This

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advertising was placed in accordance with our advertising agencies' independent recommendations and was not directed by the Corporation.

**2008 STOCKHOLDER PROPOSALS**

Proposals by stockholders for inclusion in our 2008 proxy statement and form of proxy for the Annual Meeting of Stockholders to be held in 2008 should be addressed to the Secretary, Kimberly-Clark Corporation, P.O. Box 619100, Dallas, Texas 75261-9100, and must be received at this address no later than November 14, 2007. Upon receipt of a proposal, we will determine whether or not to include the proposal in the proxy statement and proxy in accordance with applicable law. It is suggested that proposals be forwarded by certified mail - return receipt requested.

**ANNUAL MEETING ADVANCE NOTICE REQUIREMENTS**

Our By-Laws require advance notice for any business to be brought before a meeting of stockholders. In general, for business to properly be brought before an Annual Meeting by a stockholder (other than in connection with the election of directors; see Part Two Corporate Governance Information Stockholder Nominations for Directors above), written notice of the stockholder proposal must be received by the Secretary of the Corporation not less than 75 days nor more than 100 days prior to the first anniversary of the preceding year's Annual Meeting. Certain other notice periods are provided if the date of the Annual Meeting is advanced by more than 30 days or delayed by more than 60 days from the anniversary date. The stockholder's notice to the Secretary must contain a brief description of the business to be brought before the meeting and the reasons for conducting such business at the meeting, as well as certain other information. Additional information concerning the advance notice requirement and a copy of our By-Laws may be obtained from the Secretary of the Corporation at the address provided below.

**AUDIT COMMITTEE REPORT**

In accordance with its written charter adopted by the Board of Directors, the Audit Committee of the Board assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting practices of the Corporation.

In discharging its oversight responsibility as to the audit process, the Audit Committee obtained from the independent registered public accounting firm (the auditors) a formal written statement describing all relationships between the auditors and the Corporation that might bear on the auditors' independence, as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as adopted by the Public Company Accounting Oversight Board, discussed with the auditors any relationships that may impact their objectivity and independence and satisfied itself as to the auditors' independence. The Audit Committee also discussed with management, the internal auditors, and the auditors the quality and adequacy of the Corporation's internal controls and the internal audit function's organization, responsibilities, and budget and staffing. The Audit Committee reviewed with both the auditors and the internal auditors their audit plans, audit scope and identification of audit risks.

The Audit Committee discussed and reviewed with the auditors all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, Communication with Audit Committees, as adopted by the Public Company Accounting Oversight Board, and, with and without management present, discussed and reviewed the results of the auditors' examination of the financial statements. The Committee also discussed the results of the internal audit examinations.

The Audit Committee reviewed the audited financial statements of the Corporation as of and for the fiscal year ended December 31, 2006, with management and the auditors. The Audit Committee also reviewed management's assessment of the effectiveness of internal controls as of December 31, 2006 and the auditors' report thereon.

Management has the responsibility for the preparation of the



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Corporation's financial statements, and the auditors have the responsibility for the examination of those statements.

Based on the above-mentioned review and discussions with management and the auditors, the Audit Committee recommended to the Board that the Corporation's audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2006, for filing with the Securities and Exchange Commission. The Audit Committee also has selected and recommended to stockholders for approval the reappointment of Deloitte & Touche LLP as the independent registered public accounting firm to audit the consolidated financial statements of the Corporation for 2007.

**AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

Dennis R. Beresford, Chairman  
John R. Alm  
John F. Bergstrom  
Mae C. Jemison, M.D.

**OTHER MATTERS**

Our management does not know of any other matters to be presented at the meeting. Should any other matter requiring a vote of the stockholders arise at the meeting, the persons named in the proxy will vote the proxies in accordance with their best judgment.

By Order of the Board of Directors.

Timothy C. Everett  
Vice President and Secretary

KIMBERLY-CLARK CORPORATION  
P.O. Box 619100  
Dallas, Texas 75261-9100  
Telephone (972) 281-1200

March 14, 2007

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Appendix A

**AMENDED AND  
RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
KIMBERLY-CLARK CORPORATION**

~~JUNE 12, 1997~~  
April 26, 2007

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**AMENDED AND  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
KIMBERLY-CLARK CORPORATION**

The date of filing of the original ~~certificate~~  
**Certificate**  
of ~~incorporation~~  
**Incorporation**  
of this Corporation with the Secretary of State  
**of the State of Delaware**  
was June 29, 1928.

ARTICLE I

The name of this Corporation is KIMBERLY-CLARK CORPORATION.

ARTICLE II

Its registered office in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name and address of its registered agent is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the

**Delaware**

General Corporation Law of ~~Delaware~~

**(the DGCL )**

. The Corporation shall possess and may exercise all powers and privileges necessary or convenient to effect such purpose and all powers and privileges now or hereafter conferred by the laws of

**the State of**

Delaware upon corporations formed under the ~~General Corporation Law of Delaware~~

**DGCL**

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ARTICLE IV

The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is one billion, two hundred and twenty million (1,220,000,000) shares which shall be divided into two classes as follows:

(a) Twenty million (20,000,000) shares of Preferred Stock without par value; and

(b) One billion, two hundred million (1,200,000,000) shares of Common Stock of the par value of One Dollar and Twenty-five Cents (\$1.25) per Share.

ARTICLE V

A statement of the voting powers and of the designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of each class of stock of the Corporation, is as follows:

(1) *In General*

No holders of shares of this Corporation of any class, or of bonds, debentures or other securities convertible into stock of any class, shall be entitled as of right to subscribe for, purchase, or receive any stock of any class whether now or hereafter authorized, or any bonds, debentures or other securities whether now or hereafter authorized, convertible into stock of any class, or any stock into which said bonds, debentures or other securities may be convertible, and all such additional shares of stock, debentures or other securities, together with the stock into which the same may be converted, may be issued and disposed of by the Board of Directors to such persons and on such terms and for such consideration (as far as may be permitted by law) as the Board of Directors in their absolute discretion may deem advisable.

All persons who shall acquire stock in the Corporation shall acquire the same subject to the provisions of this Certificate of Incorporation.

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*(2) Preferred Stock*

The Preferred Stock may be issued from time to time in one or more series, with such distinctive serial designations as may be stated or expressed in the resolution or resolutions providing for the issue of such stock adopted from time to time by the Board of Directors; and in such resolution or resolutions providing for the issue of shares of each particular series, the Board of Directors is also expressly authorized to fix: the consideration for which the shares of such series are to be issued; the number of shares constituting such series; the rate of dividends upon which and the times at which dividends on shares of such series shall be payable and the preference, if any, which such dividends shall have relative to dividends on shares of any other class or classes or any other series of stock of the Corporation; whether such dividends shall be cumulative or noncumulative, and if cumulative, the date or dates from which dividends on shares of such series shall be cumulative; the voting rights, if any, to be provided for shares of such series; the rights, if any, which the holders of shares of such series shall have in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation; the rights, if any, which the holders of shares of such series shall have to convert such shares into or exchange such shares for shares of any other class or classes or any other series of stock of the Corporation and the terms and conditions, including price and rate of exchange, of such conversion or exchange; the redemption price or prices and other terms of redemption, if any, for shares of such series; and any and all other preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof pertaining to shares of such series.

*(3) Common Stock*

(a) Subject to preferences and rights to which holders of stock other than the Common Stock may have become entitled by resolution or resolutions of the Board of Directors as hereinbefore provided, such dividends (payable in cash, stock, or otherwise) as may be determined by the Board of Directors may be declared and paid out of funds legally available therefor upon the Common Stock from time to time.

(b) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, the holders of the Common Stock shall be entitled to share ratably in all assets available for distribution to the shareholders, subject to preferences and rights to which the holders of stock other than the Common Stock may have become entitled by resolution or resolutions of the Board of Directors as hereinbefore provided.

(c) The holders of Common Stock shall be entitled to one vote for each of the shares held by them of record at the time for determining holders thereof entitled to vote.

~~*(4) Series A Junior Participating Preferred Stock*~~

~~Pursuant to authority conferred by this Article V upon the Board of Directors of the Corporation, the Board of Directors created a series of 2,000,000 shares of Preferred Stock designated as Series A Junior Participating Preferred Stock by filing an Amended Certificate of Designations of the Corporation with the Secretary of State of the State of Delaware on July 12, 1995, and the voting powers, designations, preferences and relative, participating and other special rights, and the qualifications, limitations and restrictions thereof of the Series A Junior Participating Preferred Stock of the Corporation are as set forth in Annex I hereto and are incorporated herein by reference.~~

ARTICLE VI

(1) The following corporate action shall require the approval, given at a stockholders meeting or by consent in writing, of the holders of at least **sixty-six and**

two-thirds  
**percent (66<sup>2</sup>/<sub>3</sub>%)**  
of the ~~stock issued and~~  
**voting power of the**  
outstanding ~~and~~  
**shares of capital stock of the Corporation then**  
entitled to vote thereon:

- (a) the dissolution of the Corporation, or
- (b) the sale, lease, exchange or conveyance of all or substantially all of the property and assets of the Corporation, or

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(c) the adoption of an agreement of merger or consolidation, but no stockholder approval shall be required for any merger or consolidation which, under the ~~Laws~~laws

**laws of the State**

of Delaware, need not be approved by the stockholders of the Corporation.

(2) The number of authorized shares of any class or classes of stock may be increased or decreased by the approval of the holders of a majority of all of the stock of the Corporation entitled to vote thereon, except to the extent that, in the resolution or resolutions providing for the issuance of a class or series of stock, the Board of Directors shall specify that approval of the holders of one or more classes or series of stock shall be required to increase or decrease the number of authorized shares of one or more classes or series of stock.

(3) Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders, except for stockholder approvals required by Section (1) of this Article VI.

(4) Meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by the affirmative vote of a majority of the entire Board of Directors, by the Chairman of the Board, or by the Chief Executive Officer.

ARTICLE VII

The private property of the stockholders of the Corporation shall not be subject to the payment of corporate debts to any extent whatever.

ARTICLE VIII

(1) *Power of the Board of Directors.* The business and affairs of the Corporation shall be managed under the direction of its Board of Directors. In furtherance, and not in limitation, of the powers conferred by the ~~Laws~~laws

of the State of Delaware, the Board of Directors is expressly authorized:

(a) to make, alter, amend or repeal the By-Laws of the Corporation; *provided*, however, that no By-Laws hereafter adopted shall invalidate any prior act of the Directors that would have been valid if such By-Laws had not been adopted;

(b) to determine the rights, powers, duties, rules and procedures that affect the power of the Board of Directors to direct the business and affairs of the Corporation, including the power to designate and empower committees of the Board of Directors, to elect, appoint and empower the officers and other agents of the Corporation, and to determine the time and place of, and the notice requirements for, Board meetings, as well as quorum and voting requirements (except as otherwise provided in this Certificate of Incorporation) for, and the manner of taking, Board action; and

(c) to exercise all such powers and do all such acts as may be exercised by the Corporation, subject to the provisions of the laws of the State of Delaware, this Certificate of Incorporation, and any By-Laws of the Corporation.

(2) *Number of Directors.* The number of Directors constituting the entire Board of Directors shall be ~~not less than 11 nor more than 25. The specific number of Directors constituting the entire Board of Directors shall be~~ as authorized from time to time exclusively by the affirmative vote of a majority of the entire Board of Directors. As used in this Certificate of Incorporation, the term "entire Board of Directors" means the total authorized number of Directors that the

Corporation would have if there were no vacancies.

~~(3) *Classified Board.* At the 1986 Annual Meeting of Stockholders, the Directors shall be divided into three classes, with respect to the time that they severally hold office, as nearly equal in number as possible, with the initial term of office of the first class of Directors to expire at the 1987 Annual Meeting of Stockholders, the initial term of office of the second class of Directors to expire at the 1988 Annual Meeting >~~

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~~of Stockholders and the initial term of office of the third class of Directors to expire at the 1989 Annual Meeting of Stockholders. Commencing with the 1987 Annual Meeting of Stockholders, Directors elected to succeed those Directors whose terms have thereupon expired shall be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after their election, and upon the election and qualification of their successors. A person elected as a Director shall be deemed a Director as of the time of such election. If the number of Directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain or attain, if possible, an equal number of Directors in each class, but in no case will a decrease in the number of Directors shorten the term of any incumbent Director. If such equality is not possible, the increase or decrease shall be apportioned among the classes in such a way that the difference in the number of Directors in any two classes shall not exceed one.~~

**(3) Terms of Directors.** At the 2008 annual meeting of stockholders of the Corporation, the successors of the Directors whose terms expire at that meeting shall be elected for a term expiring at the 2009 annual meeting of stockholders of the Corporation; at the 2009 annual meeting of stockholders of the Corporation, the successors of the Directors whose terms expire at that meeting shall be elected for a term expiring at the 2010 annual meeting of stockholders of the Corporation; and at each annual meeting of stockholders of the Corporation thereafter, the Directors shall be elected for terms expiring at the next succeeding annual meeting of stockholders of the Corporation, with each Director to hold office until his or her successor shall have been duly elected and qualified.

(4) *Nominations.* Subject to the rights of holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, nominations for the election of Directors may be made by the affirmative vote of a majority of the entire Board of Directors or by any stockholder of record entitled to vote generally in the election of Directors. However, any stockholder of record entitled to vote generally in the election of Directors may nominate one or more persons for election as Directors at a meeting only if a written notice of such stockholder's intent to make such nomination or nominations, meeting the requirements described below, has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation, and received by the Corporation, not less than ~~50~~

~~75~~

days nor more than ~~75~~

~~100~~

days prior to the meeting; *provided, however,* that in the event that less than ~~60~~

~~75~~

days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of meeting was mailed or such public disclosure was made, whichever first occurs. Each such notice to the Secretary shall set forth: (i) the name and address of record of the stockholder who intends to make the nomination; (ii) a representation that the stockholder is a holder of record of shares of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) the name, age, business and residence addresses, and principal occupation or employment of each nominee; (iv) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (v) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and (vi) the consent of each nominee to serve as a Director of the Corporation if so elected. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a Director of the Corporation. The presiding officer of the meeting may, if the facts warrant, determine that a nomination was not made in accordance

with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

(5) *Vacancies.* Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, any vacancies in the Board of Directors for any reason and any newly created Directorships resulting by reason of any increase in the number of Directors may, ~~if occurring prior to the expiration of the term of office of the class >~~

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~~in which such vacancy or increase occurs~~, be filled only by the Board of Directors, acting by the affirmative vote of a majority of the remaining Directors then in office ~~, although less than a quorum, and any Directors so~~ . **Any Director** elected

**or appointed to fill a vacancy**

shall hold office until the next election of ~~the class for which such Directors have been elected~~ and until ~~their successors are~~

**his or her successor is**

elected and qualified.

(6) *Removal of Directors.* Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, ~~(i)~~ any Director, or the entire Board of Directors, may be removed from office at any time prior to the expiration of his

, **her**

or their term of office, ~~but only for~~

**with or without**

cause ~~and only~~

,  
by the affirmative vote of the holders of record of ~~outstanding shares representing~~ at least ~~eighty~~

**sixty-six and two-thirds**

percent ( ~~80~~

**662/3**

%) of the voting power of ~~all of the~~

**the outstanding**

shares of capital stock of the Corporation then entitled to vote generally in the election of Directors, voting together as a single class ~~, and (ii) any Director may be removed from office ; provided, however, if a Director s term was scheduled at the time of its commencement to extend beyond the next succeeding annual meeting of stockholders of the Corporation, such Director may only be removed for cause and only~~ by the affirmative vote of a majority of the entire Board of Directors, at any time prior to the expiration of his term of office, ~~but only for cause~~

**the holders of record of at least sixty-six and two-thirds percent (662/3%) of the voting power of the outstanding shares of capital stock of the Corporation then entitled to vote generally in the election of Directors, voting together as a single class**

ARTICLE IX

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of ~~section~~

**Section**

291 of ~~Title 8 of the Delaware Code~~

**DGCL**

or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of ~~section~~

**Section**

279 of ~~Title 8 of the Delaware Code~~

**DGCL,**

order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said Court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the Court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

#### ARTICLE X

(1) *Certain Definitions.* For the purposes of this Article X and the second proviso of Article XI:

A. Business Combination means:

(i) any merger or consolidation of the Corporation or any Subsidiary with (a) an Interested Stockholder or (b) any other Person (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with, or proposed by or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of not less than one

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percent (1%) of the total assets of the Corporation as reported in the consolidated balance sheet of the Corporation as of the end of the most recent quarter with respect to which such balance sheet has been prepared; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to, or proposed by or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of not less than one percent (1%) of the total assets of the Corporation as reported in the consolidated balance sheet of the Corporation as of the end of the most recent quarter with respect to which such balance sheet has been prepared; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation, or any spin-off or split-up of any kind of the Corporation or any Subsidiary, proposed by or on behalf of an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the percentage of the outstanding shares of (a) any class of equity securities of the Corporation or any Subsidiary or (b) any class of securities of the Corporation or any Subsidiary convertible into equity securities of the Corporation or any Subsidiary, represented by securities of such class which are directly or indirectly owned by an Interested Stockholder and all of its Affiliates and Associates; or

(vi) any agreement, contract or other arrangement providing for anyone or more of the actions specified in clauses (i) through (v) of this Section (1) A.

B. **Affiliate** or **Associate** have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the **Exchange Act** ), as in effect on January 1, 1986.

C. **Beneficial Owner** has the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on January 1, 1986.

D. **Continuing Director** means: (i) any member of the Board of Directors of the Corporation who (a) is neither the Interested Stockholder involved in the Business Combination as to which a vote of Continuing Directors is provided hereunder, nor an Affiliate, Associate, employee, agent, or nominee of such Interested Stockholder, or the relative of any of the foregoing, and (b) was a member of the Board of Directors of the Corporation prior to the time that such Interested Stockholder became an Interested Stockholder; and (ii) any successor of a Continuing Director described in clause (i) who is recommended or elected to succeed a Continuing Director by the affirmative vote of a majority of Continuing Directors then on the Board of Directors of the Corporation.

E. **Fair Market Value** means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not reported on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Exchange Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any similar interdealer quotation system then in use, or, if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (ii) in the case of property other than

cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors in good faith.

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F. Interested Stockholder means any Person (other than the Corporation or any Subsidiary, any employee benefit plan maintained by the Company or any Subsidiary or any trustee or fiduciary with respect to any such plan when acting in such capacity) who or which:

(i) is, or was at any time within the two-year period immediately prior to the date in question, the Beneficial Owner of five percent (5%) or more of the voting power of the then outstanding Voting Stock of the Corporation; or

(ii) is an assignee of, or has otherwise succeeded to, any shares of Voting Stock of the Corporation of which an Interested Stockholder was the Beneficial Owner at any time within the two-year period immediately prior to the date in question, if such assignment or succession shall have occurred in the course of a transaction, or series of transactions, not involving a public offering within the meaning of the Securities Act of 1933, as amended.

For the purpose of determining whether a Person is an Interested Stockholder, the outstanding Voting Stock of the Corporation shall include unissued shares of Voting Stock of the Corporation of which the Interested Stockholder is the Beneficial Owner but shall not include any other shares of Voting Stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the Interested Stockholder.

G. A Person means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group deemed to be a person under Section 14 (d) (2) of the Exchange Act.

H. Subsidiary means any corporation of which the Corporation owns, directly or indirectly, (i) a majority of the outstanding shares of equity securities of such corporation, or (ii) shares having a majority of the voting power represented by all of the outstanding shares of Voting Stock of such corporation. For the purpose of determining whether a corporation is a Subsidiary, the outstanding Voting Stock and shares of equity securities thereof shall include unissued shares of which the Corporation is the Beneficial Owner but shall not include any other shares of Voting Stock of the corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the corporation.

I. Voting Stock means outstanding shares of capital stock of the relevant corporation entitled to vote generally in the election of Directors.

(2) *Higher Vote for Business Combinations.* In addition to any affirmative vote required by law or by this Certificate of Incorporation, and except as otherwise expressly provided in Section (3) of this Article, any Business Combination shall require the affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of the then outstanding shares of the Voting Stock of the Corporation, voting together as a single class, voting at a stockholders meeting and not by consent in writing. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

(3) *When Higher Vote Is Not Required.* The provisions of Section (2) of this Article shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, of the stockholders as is required by law and any other provision of this Certificate of Incorporation, if the conditions specified in either of the following paragraphs A and B are met.

A. *Approval by Continuing Directors.* The Business Combination shall have been approved by the affirmative vote of a majority of the Continuing Directors, even if the Continuing Directors do not constitute a quorum of the entire Board of Directors.





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*B. Form of Consideration, Price and Procedure Requirements.* All of the following conditions shall have been met:

(i) With respect to each share of each class of Voting Stock of the Corporation (including Common Stock), the holder thereof shall be entitled to receive on or before the date of the consummation of the Business Combination (the

Consummation Date ), consideration, in the form specified in subsection (3) (B) (ii) hereof, with an aggregate Fair Market Value as of the Consummation Date at least equal to the highest of the following:

(a) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers fees) paid by the Interested Stockholder to which the Business Combination relates, or by any Affiliate or Associate of such Interested Stockholder, for any shares of such class of Voting Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the Announcement Date ) or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(b) the Fair Market Value per share of such class of Voting Stock of the Corporation on the Announcement Date; and

(c) the highest preferential amount per share, if any, to which the holders of shares of such class of Voting Stock of the Corporation are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

(ii) The consideration to be received by holders of a particular class of outstanding Voting Stock of the Corporation (including Common Stock) as described in subsection (3)(B)(i) hereof shall be in cash or if the consideration previously paid by or on behalf of the Interested Stockholder in connection with its acquisition of beneficial ownership of shares of such class of Voting Stock consisted in whole or in part of consideration other than cash, then in the same form as such consideration. If such payment for shares of any class of Voting Stock of the Corporation has been made in varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the beneficial ownership of the largest number of shares of such class of Voting Stock previously acquired by the Interested Stockholder.

(iii) After such Interested Stockholder has become an Interested Stockholder and prior to the Consummation Date:

(a) except as approved by the affirmative vote of a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock of the Corporation, if any; (b) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock of the Corporation (except as necessary to reflect any subdivision of the Common Stock), except as approved by the affirmative vote of a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of Common Stock, unless the failure so to increase such annual rate is approved by the affirmative vote of a majority of the Continuing Directors; and (c) such Interested Stockholder shall not have become the Beneficial Owner of any additional shares of Voting Stock of the Corporation except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(iv) After such Interested Stockholder has become an Interested Stockholder, neither such Interested Stockholder nor any Affiliate or Associate thereof shall have received the benefit, directly or indirectly (except proportionately as a stockholder of the Corporation), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation.

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(v) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Exchange Act and the General Rules and Regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to the stockholders of the Corporation at least 45 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions thereof).

(4) *Powers of Continuing Directors.* A majority of the Continuing Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article, including, without limitation, (A) whether a Person is an Interested Stockholder, (B) the number of shares of Voting Stock of the Corporation beneficially owned by any Person, (C) whether a Person is an Affiliate or Associate of another, (D) whether the requirements of paragraph B of Section (3) have been met with respect to any Business Combination, and (E) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of not less than one percent (1%) of the total assets of the Corporation as reported in the consolidated balance sheet of the Corporation as of the end of the most recent quarter with respect to which such balance sheet has been prepared; and the good faith determination of a majority of the Continuing Directors on such matters shall be conclusive and binding for all the purposes of this Article.

(5) *No Effect on Fiduciary Obligations.*

A. Nothing contained in this Article shall be construed to relieve the members of the Board of Directors or an Interested Stockholder from any fiduciary obligation imposed by law.

B. The fact that any Business Combination complies with the provisions of Section (3) of this Article shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the stockholders of the Corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

(6) *Effect on Other Provisions.* The provisions of this Article X are in addition to, and shall not alter or amend, the provisions of Section (1) of Article VI of this Certificate of Incorporation.

ARTICLE XI

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on stockholders, directors and officers are subject to this reserved power; *provided that*, notwithstanding the fact that a lesser percentage may be specified by the ~~General Corporation Law of Delaware~~

**DGCL**

, the affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of all of the shares of capital stock of the Corporation then entitled to vote generally in the election of Directors, voting together as a single class, shall be required to amend, alter, change, repeal, or adopt any provision or provisions inconsistent with, Section (2) of Article V, Sections (3) and (4) of Article VI, and ~~Articles VIII and~~  
**Article**

XI (except for the second proviso of this Article XI) of this Certificate of Incorporation unless such amendment, alteration, change, repeal or adoption of any inconsistent provision or provisions is declared advisable by the Board of Directors by the affirmative vote of at least seventy-five percent (75%) of the entire Board of Directors; *and provided further that*, notwithstanding the fact that a lesser percentage may be specified by the ~~General Corporation Law of~~

~~Delaware~~

**DGCL**

, the affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of all the outstanding Voting Stock of the Corporation, voting together as a ~~Single~~

**single**

class, shall be required to amend, alter or repeal, or adopt any provision or provisions inconsistent with, any provision of Article X or this proviso of this Article XI, unless such amendment, alteration, repeal, or adoption of any inconsistent provision or provisions is declared

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advisable by the Board of Directors by the affirmative vote of at least seventy-five percent (75%) of the entire Board of Directors and by a majority of the Continuing Directors.

ARTICLE XII

No Director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such Director as a Director. Notwithstanding the foregoing, a Director shall be liable to the extent provided by applicable law (i) for breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the ~~General Corporation Law of the State of Delaware~~

**DGCL**

or (iv) for any transaction from which the Director derived an improper personal benefit. No amendment to or repeal of these provisions shall apply to or have any effect on the liability or alleged liability of any Director of the Corporation for or with respect to any acts or omissions of such Director occurring prior to such amendment or repeal.

[Amended Certificate of Designation of Series A Junior Participating Preferred Stock is Deleted in its entirety].

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Invitation to Stockholders

Notice of 2007 Annual Meeting

Proxy Statement

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Proxy Kimberly-Clark Corporation It s a win-win solution! Reduce paper flow to your home and help the environment, too! If you have access to the Internet, we encourage you to consider receiving Kimberly-Clark s future Annual Reports and Proxy Statements in electronic format rather than in printed form. In electing to do so, you conserve natural resources and save your company money! To sign up for electronic delivery service, registered holders may go to our transfer agent s website at <http://www.computershare.com/us/ecomms> at any time and follow the instructions. Plan participants may sign up for electronic delivery service by going to our transfer agent s website at <http://www.econsent.com/kmb> at any time and follow the instructions. Act Now! 3 IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. 3 Proxy/Voting Instructions for the Annual Meeting of Stockholders April 26, 2007 + Solicited on Behalf of the Board of Directors Thomas J. Falk, Ronald D. Mc Cray and Timothy C. Everett, or any of them, with full power of substitution to each, hereby are appointed proxies and are authorized to vote, as specified on the reverse side of this card, all shares of common stock that the undersigned is entitled to vote at the Annual Meeting of Stockholders of Kimberly-Clark Corporation, to be held at the Dallas Marriott Las Colinas, 223 West Las Colinas Boulevard, Irving, Texas on April 26, 2007 at 11:00 a.m. and at any adjournment thereof. In their discretion, the proxies are authorized to vote on such other business as may properly come before the meeting. IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2 AND 3 AND AGAINST PROPOSALS 4, 5 AND 6. IF YOU PREFER TO VOTE SEPARATELY ON INDIVIDUAL ISSUES YOU MAY DO SO BY MARKING THE APPROPRIATE BOXES ON THE REVERSE SIDE. This card also constitutes voting instructions to the trustees of the Corporation s employee benefits and stock purchase plans to vote whole shares attributable to accounts the undersigned may hold under such plans. If no voting instructions are provided, the respective plan committees, which are composed of management personnel, will direct the trustees to vote the shares. IMPORTANT: TO BE SIGNED AND DATED BELOW PLEASE RETURN THIS CARD IN THE SELF-ADDRESSED ENVELOPE PROVIDED. D Non-Voting Items Change of Address Please print new address below. Meeting Attendance Mark box to the right if you plan to attend the Annual Meeting. E Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title. Date (mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box. IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A E ON BOTH SIDES OF THIS CARD. +