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3M Pulp and Paper Sourcing Policy Progress Report

November 2015

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Welcome to the second semi-annual progress report on the implementation of the [3M Pulp and Paper Sourcing Policy](#), which formalizes our and our supply chain's responsibilities to comply with global regulations and further the causes of sustainable forestry and transparent, responsible supply chains. We appreciate your interest in this important work, and we are pleased to provide this update on the many actions 3M and our suppliers have taken in furtherance of our policy.

Our Policy

As a diverse global company and sustainability leader, 3M is well-positioned to positively influence practices throughout our paper supply chain. Because we do not own or manage forest land, we developed our Pulp and Paper Policy to set standards of excellence for our suppliers and their suppliers through all tiers of supply.

The policy is designed to assure that the virgin wood fiber used in our paper-based products and packaging is legally harvested and traceable to the forest source. We expect our suppliers to work to assure and verify that virgin fibers are also harvested in a manner that protects:

- high carbon stock forests, to avoid deforestation;
- high conservation values such as critical habitats, intact forest landscapes, and peatlands; and
- workers' and indigenous peoples' rights.

3M is committed to working with our suppliers to help them understand and apply the necessary measures to assure responsible paper sourcing and sustainable forest management.

Policy Implementation

We have established a due diligence management system approach for legal harvesting compliance and responsible sourcing of pulp and paper products, with the following elements:

- Establish strong management systems, including a policy, internal expertise and management support, supply chain controls, and supplier engagement
- Identify & assess risks in the supply chain
- Design & implement a strategy to respond to identified risks
- Audit supply chain due diligence
- Report on supply chain due diligence activities

We are partnering with TFT, a non-profit organization with a strong track record of assisting companies on the development and implementation of responsible pulp and paper sourcing policies and improved forest management across global supply chains. Together, we are engaging with our suppliers, to train them on the forestry issues addressed in the policy and support them as they trace 3M materials back through mills to the forest sources and apply their own responsible fiber sourcing programs. Through this collaboration under the framework of our policy, we are harnessing the power of our supply chain to promote responsible sourcing and sustainability in forest management around the world.

On 3M.com/suppliers, we have posted training presentations on our policy and on global legal harvesting laws, a Policy Guidance that provides more detail on key terms in the policy, as well as a template Due Diligence Management System document that our suppliers (or anyone) can use as a foundation for a responsible sourcing program. Two members of the 3M implementation team authored an article describing this Due Diligence Management System and its merits in responsible sourcing, which was published in the [2015 Insider Knowledge](#) report published by Environmental Leader in September 2015.

Leadership and Collaboration

Our policy demonstrates 3M's strong commitment to advancing sustainable forestry around the globe. At the same time, we know we can't do it alone. By collaborating with companies, associations, and other stakeholders, we collectively can make much more progress than any of us can on our own. We have been seeking out opportunities to connect with and learn from experienced sustainable forestry professionals, in order to better implement our policy requirements, and do what we can to promote common expectations for responsible forestry within pulp and paper supply chains.

3M is proud to be an associate member of the [World Business Council on Sustainable Development \(WBCSD\) Forest Solutions Group \(FSG\)](#), a global platform for strategic collaboration among value chain partners to bring more of the world's forest under sustainable management and expand markets for responsible forest products. As a condition of membership, companies involved in the FSG endorse a set of principles and responsibilities to demonstrate their shared commitment and leadership role in sustainability. 3M actively participates in FSG initiatives, including this year's update of the membership principles and a position statement on deforestation.

In October, 3M hosted a first-ever workshop put on by the World Resources Institute (WRI) and the WBCSD FSG, to promote the WRI & WBCSD [Sustainable Procurement Guide for Wood and Paper-based Products](#). This Guide is designed to help companies make informed choices on forest-based products and lays out 10 key challenges that underpin sustainable sourcing and provides solutions to

tackle them. WBCSD member companies participated in this workshop, along with 3M supplier representatives based primarily in the US and Europe. WRI and WBCSD representatives led the more than 30 participants through exercises and case studies highlighting the content of the Guide. 3M representatives also discussed our policy and implementation activities.



WBCSD Sustainable Paper Procurement Workshop hosted by 3M, October 2015

For more than 20 years, 3M has been a sponsor of The Nature Conservancy (TNC), and its work in preserving global lands and educating communities about conservation and sustainability. Investments made by 3M over the last few years have directly helped protect critical forest areas in Indonesia, Brazil, Australia, and the US. In addition, TNC has helped connect 3M personnel with forestry experts in Indonesia, the US and Canada as part of our education in support of our policy implementation. For example, TNC connected 3M with the American Forest Foundation, and arranged for a visit in June 2015 to meet with several family forest owners in North Carolina to learn about the challenges facing smallholders of forests in the US.

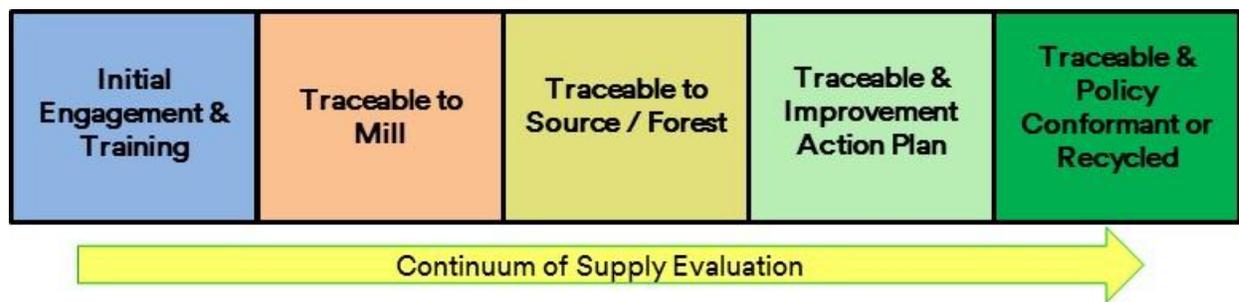


Visiting a smallholder harvest site in North Carolina, June 2015

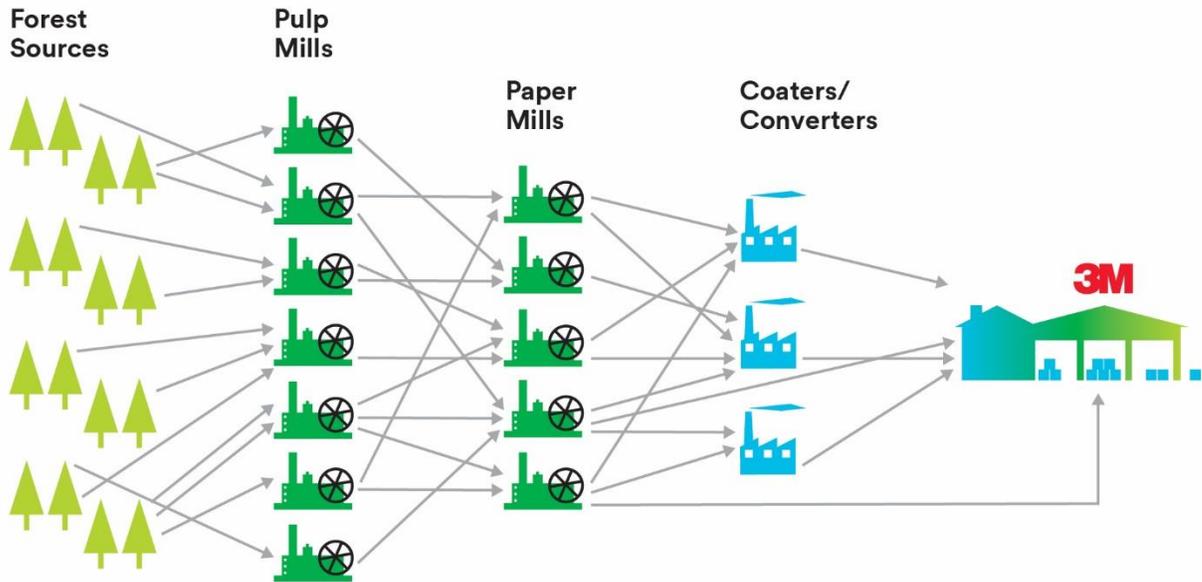
Our partnership with TFT is not only helping us implement our policy through facilitation of supplier education and training (also referred to as “capacity building”), supply chain risk analysis, and supplier field assessments. TFT is also identifying opportunities for 3M to advance our understanding of the history and science of sustainable forestry, conservation of sensitive species, and land rights. For example, in September 2015, 3M Sustainability and Sourcing representatives traveled to Canada to meet with several experts identified by TFT on Canadian Boreal Forest issues such as Woodland Caribou habitat and First Nations’ rights.

Results So Far

Since we issued our new policy in March 2015 (and even before), we have been working to engage and understand the many tiers of our global forest products supply chain. For each supplier and supplied material, we are gathering detailed information to evaluate legality, traceability, third-party certification status, and overall policy conformance. Although complex and time-consuming, this supplier inquiry process provides 3M important information about our supply chain, and helps us identify opportunities for collaboration and improvements to advance sustainable forestry. We see this process as a continuum on which we are engaging and evaluating our supply chain against our policy expectations (see figure below).



We have found that gathering the necessary supply chain information to review policy conformance status can be very challenging, for a variety of reasons. 3M purchases many types of specialty papers with unique characteristics to meet our customers’ needs, which means our pulp and paper supply chain is very complex. Our direct suppliers fall into a variety of categories from coaters/converters to integrated paper makers to paper makers that purchase their pulp from a variety of sources, so getting information about pulp sources is often not straightforward. And then, finally, we rely on pulp mills to understand their forest sources and confirm conformance to our policy requirements on protecting environmental and social values at the forest level.



Woven into this complexity is the fact that our supply chain is global, so issues like language barriers, lack of understanding or appreciation for responsible sourcing and forestry practices, and differences in laws and certification systems impact our work. Despite these challenges, we remain committed to driving our policy expectations throughout our pulp and paper supply chains, and are collaborating with our direct suppliers to enlist their ownership in achieving policy conformance.

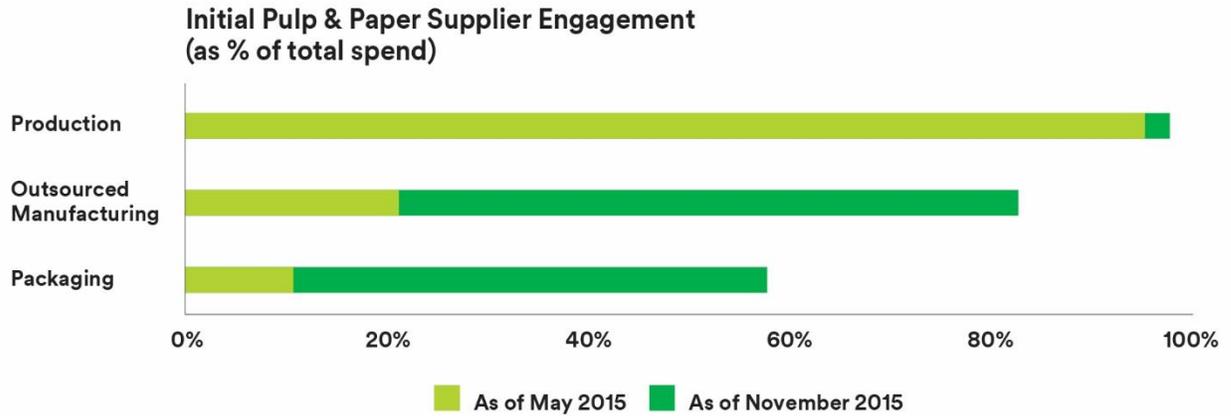
Initial Engagement and Training

We continue to make significant progress in engaging with our direct (tier 1) suppliers on our responsible sourcing expectations. For each supplier, this engagement typically involves several steps:

1. Ensuring the supplier has reviewed our new policy, and the other information on our pulp and paper supplier website
2. Contacting the supplier directly to explain our process for gathering policy conformance information
3. Sending the supplier our Policy Conformance Declaration workbook
4. Addressing any questions from the supplier as they are completing our information request
5. Providing detailed training to the supplier as needed or requested

We track our program metrics by commodity category:

- Production: suppliers of pulp or paper purchased for use as a raw material in 3M manufacturing operations.
- Outsourced Manufacturing: other companies that purchase paper to make a finished product on our behalf.
- Packaging: suppliers from whom we purchase paper-based packaging components.



We have conducted numerous training and capacity building sessions on responsible paper sourcing and sustainable forestry with 3M personnel and with our suppliers. These trainings have been focused on North America, where the majority of our paper-based spend is centered, and the Asia-Pacific (APAC) region, which includes high-risk areas for deforestation and other unsustainable forestry practices. All training is conducted in the local language, and in most cases local TFT personnel have participated in or led the sessions, to provide expert perspectives specific to the region.

In APAC, we have held policy training sessions for 3M Sourcing personnel in China, Taiwan, Korea, Singapore and India, with Japan scheduled for early 2016. Supplier policy training sessions have been conducted in China (Shanghai) and Taiwan, with 41 participants from 17 supplier companies.



3M and Supplier Policy Training in Taiwan, August 2015

In October, following the WRI/WBCSD workshop discussed above, 3M hosted a separate meeting with our suppliers to review policy expectations, discuss strategies for sharing supply chain information on mills and forest sources, and identify opportunities for collaboration on achieving our policy expectations. The 3M supplier representatives, based primarily in the US and Europe, represented more than 60 percent of 3M’s global production paper spend, and more than 25 percent of our global packaging spend.

3M Pulp and Paper Sourcing Policy Training Sessions in 2015



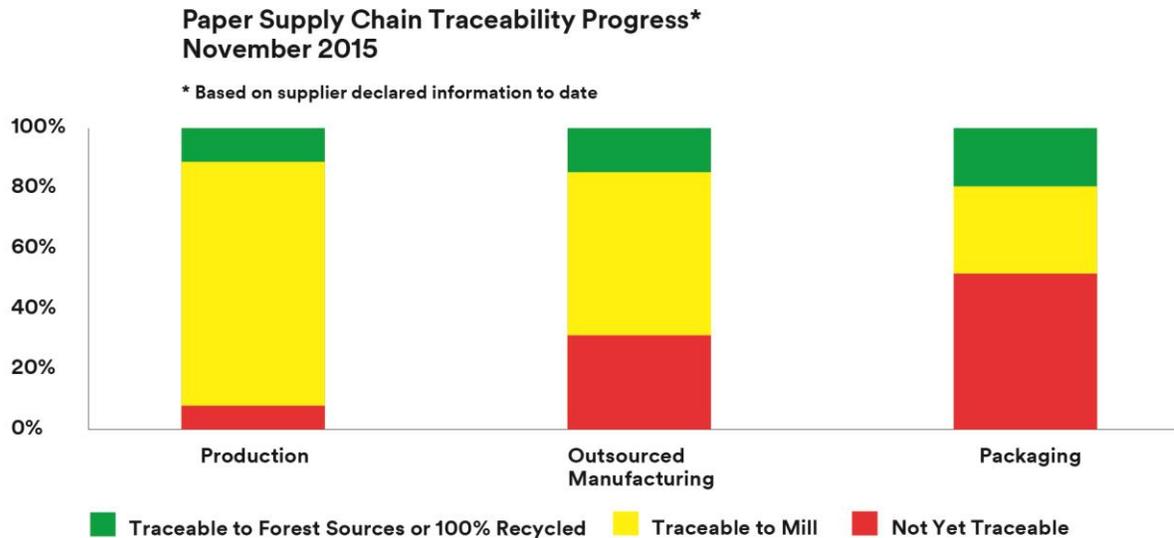
Outside of these more formal training sessions, we have had dozens of one-on-one discussions with suppliers on our policy expectations, particularly in the area of traceability, to come to common understanding of our policy expectations on providing information on mills and forest sources.

Traceability

As indicated in the continuum of supply evaluation above, we are gathering information from our suppliers on the pulp and paper processing mills used to make the paper-based products 3M purchases from them, all the way up to the original forest sources of the material. Also as described above, due to the complexity and number of tiers in 3M’s supply chain, gathering supply chain data is a challenging task. However, through active collaboration with our direct suppliers, we are making excellent progress.

As can be seen in the chart below, we have traced over 50 percent of our annual spend in each commodity category to at least the paper or pulp mill level, and we continue to work with suppliers to gather forest source information. Given the

sheer number of individual forest sources contributing to the global paper supply chain, this remains the most challenging information to obtain, but also the most important to verify that 3M’s suppliers are meeting our policy’s environmental and social expectations. The key to success on this endeavor is the continuing education of our suppliers on the importance of knowing their ultimate forest sources and our policy expectations, in order to mitigate supply chain risks and drive sustainable forestry.



Certification

An important part of our due diligence process is that our suppliers provide information on the certifications used within our forest products supply chain. We know that many of our suppliers are dedicated to obtaining and maintaining forest product certifications through the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC), and other related schemes.

Just as the complexity of our supply chain makes traceability a daunting challenge, determining the certification status of suppliers and virgin fiber in the 3M supply chain is not straightforward. We depend on our suppliers to disclose the certifications they maintain that apply to the material 3M purchases. These include certifications at the forest level and at the facility level (“chain of custody” certificates). As part of our due diligence process, we verify the validity and scope of certifications using public global databases whenever possible.

We support our suppliers' dedication to certification, and recognize that it may be an indication that a supplier is striving to understand and control their operations and their supply chains. Fiber that is derived from sources certified at the forest level should have controls in place that provide assurances of meeting certain aspects of the 3M policy. Therefore, in our supply chain risk analysis, fiber from certified forests is generally deemed to be lower risk for policy nonconformance as compared to uncertified material.

Since most fiber in the supply chain is not from a certified forest, we then further analyze the risk of policy nonconformance by evaluating the species, country or region of harvest (especially in countries where risk varies by region), and the policies and management systems of our Tier 1 suppliers to mitigate risks in their own supply chain. We couple this analysis with other factors such as amount of spend to determine prioritization for further policy conformance engagement, which could include field assessments at the converter, mill, or forest source level.

Field Assessments

In the summer of 2015, 3M and TFT conducted three field assessments in China, two paper converters and one paper mill. Supplier assessments at the paper mill or converter level aim to verify that there are adequate systems in place for transparency and traceability that allow 3M to know the sources of the fiber and assess them against the policy. The social and environmental performance of the supplier facility is also evaluated.

Overall the field assessments found acceptable environmental and social performance at the supplier facilities, and adequate to strong in-facility traceability of materials from procurement to product. Of note, one facility was found to have made significant improvements to their traceability systems after attending the 3M policy training provided in Shanghai (described above).



3M and TFT on a field audit in China, June 2015

A common area of improvement identified in each assessment was the need to adopt or strengthen the supplier's policy for sourcing legal and responsible fiber. 3M will look for our suppliers to enact more advanced responsible fiber sourcing policies, in line with our own policy expectations, in the coming months.

Another assessment of a supplier in Taiwan is planned for December 2015. With TFT's assistance, we are in the process of updating our supply chain risk assessment based on updated data disclosures from our suppliers, in order to

prioritize 2016 field assessments. We plan to conduct at least one assessment in each major region of the world.

Footprint Reduction

Although 3M supports the use of forest products as a sustainable and renewable resource, we recognize that all raw material use should be carefully considered, and that recycling, reuse and reduction are good for business and the planet. 3M's strong history of implementing Pollution Prevention Pays (3P – celebrating its 40th anniversary this year) throughout our company is just one example of our company's commitment to resource conservation and environmental footprint reduction.

Our Package Engineering organization operates with resource conservation at its core. 3M's Package Engineers around the world strive to reduce packaging weight through their development efforts and to increase the number of packages with recycled content that we purchase each year. For example, in 2015, 3M Package Engineers in China completed a comprehensive corrugated shipper consolidation project, impacting more than 5,000 product items. The project eliminated approximately 900 packaging items, reducing our use of corrugated packaging in the region by an estimated 300 metric tons per year.

More to Come

3M's expanded Pulp and Paper Sourcing Policy was issued less than a year ago, and in that time we and our suppliers have made great strides together to evaluate our supply chains' conformance to policy expectations. Our pulp and paper supply chain is broad and deep, and policy implementation will take time. We are committed to continuous improvement, and working with our suppliers so that they take ownership and integrate these expectations into their own policies and programs. We will continue to issue progress reports semi-annually, and encourage you to check back with us on our progress. We are excited to be on this endeavor of collaboration with our suppliers, customers, and other stakeholders, to drive meaningful and lasting advancements in responsible paper sourcing and sustainable forestry around the world.



Questions?

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