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3M Pulp and Paper Sourcing Policy Progress Report

May 2016

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Just over a year ago, 3M revised our [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. This semi-annual report describes our and our suppliers' progress on policy implementation.

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 Sourcing Policy to set standards of excellence for our suppliers and their suppliers through all tiers of supply.

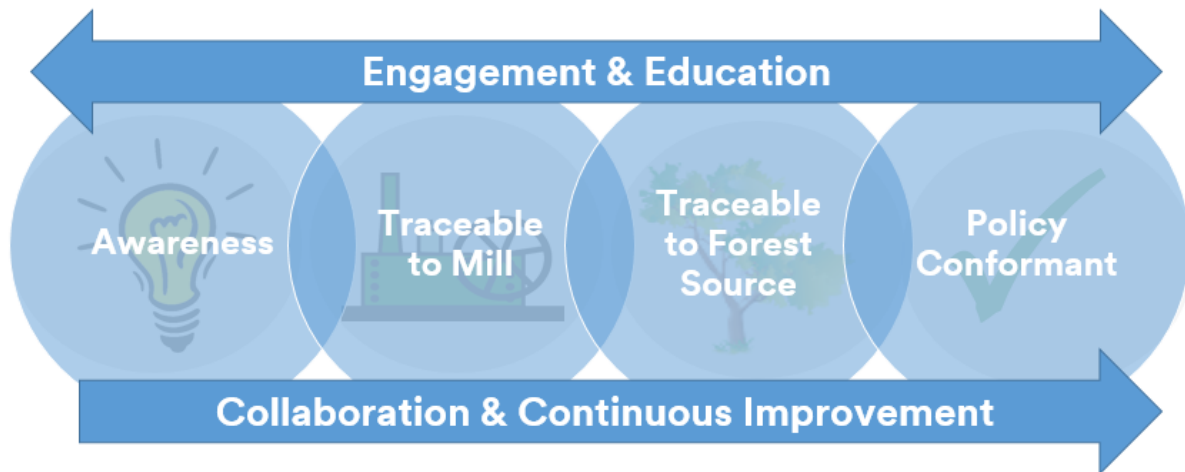
3M is committed to working with our suppliers to help them understand and apply the necessary measures to assure responsible paper sourcing and sustainable forest management. For more information about our policy and implementation program, we invite you to visit the [Pulp and Paper Sourcing page](#) on our suppliers website.

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 expertise in responsible sourcing policies and improved forest management practices 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.



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.

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 frequent committee conference calls and workgroups, and at least one in-person meeting each year. In April 2016, 3M's Chief Sustainability Officer, Jean Bennington Sweeney, attended the FSG meetings in Montreux, Switzerland.

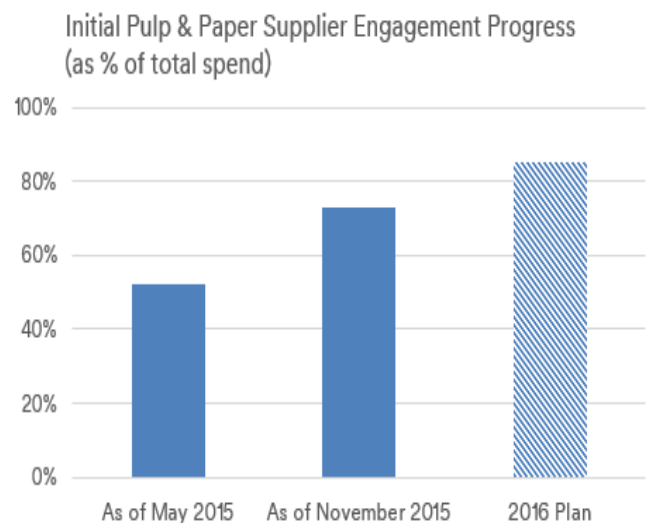
Also in April, Ms. Sweeney and other 3M professionals involved in responsible pulp and paper sourcing attended the [Innovation Forum Deforestation Conference in Washington, DC](#). This was 3M's second year attending this annual event, and Ms. Sweeney presented on two panels discussing the 3M Pulp and Paper Sourcing Policy and details of our implementation program. This event allows 3M to network and benchmark with paper suppliers, peer companies and non-governmental organizations (NGOs) on the challenges of combatting global deforestation.

Results So Far

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 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.

3M Pulp and Paper Sourcing Policy Training Sessions – 2015 and 2016 to date



3M and Supplier Policy Training in Japan, January 2016

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. We've also made informal visits to suppliers, mills and forests to better understand the pulp and paper industry and forest management principles on the ground.

Throughout this past year of policy implementation, we have seen several examples of marked improvements in responsible sourcing practices as a result of our engagement with suppliers. These include

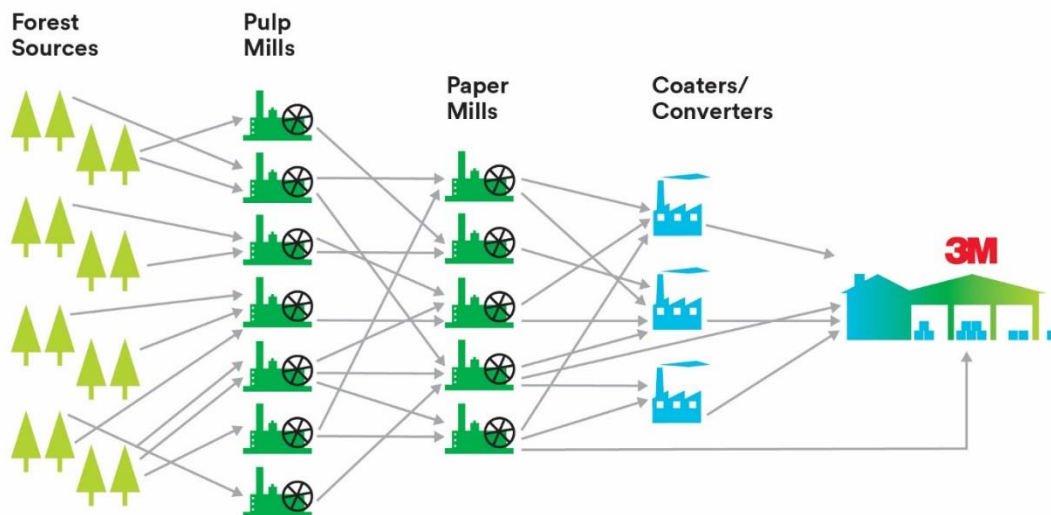
- meeting with suppliers' senior corporate executives on the importance of ensuring responsible and sustainable supply chains, and agreeing to collaborate on that goal;
- suppliers establishing new sustainability positions within their companies;
- significant increases in supply chain traceability and transparency;
- increased engagement by our suppliers with their upstream supply chain.

3M depends on our suppliers to take responsibility for policy conformance, and we are impressed with the leadership many of them are demonstrating. We are motivated to retain and grow business with our most responsible and responsive suppliers.

Traceability

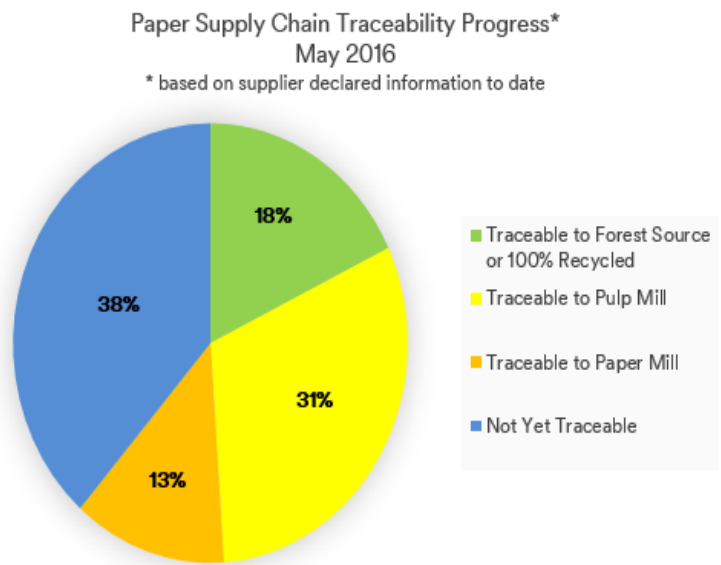
3M considers the traceability of the materials we purchase, from our direct supplier to the paper and pulp mills, and ultimately the forest sources, as fundamental information to our due diligence program. As such, we expect our direct suppliers to understand their supply chains, and conduct their own due diligence and risk mitigation.

Many suppliers need to go through several layers of their supply chain to get more information on source of harvest. Depending on factors such as location and language barriers, their position in the supply chain, and current knowledge of their upstream operations, this can be a challenging and lengthy process. We have had continuing discussions with our suppliers to educate them on the importance of responsible sourcing and forestry practices and understanding their supply chains as well as setting reasonable goals. These discussions have led to stronger partnerships, engagement and responses.



As a result of our extensive training and discussions with suppliers, and based on our suppliers' efforts, we have seen our suppliers make substantial progress on traceability. Numerous suppliers who were initially hesitant in providing information have now provided us full traceability to the source of harvest. These suppliers have demonstrated their commitment to responsible pulp and paper sourcing and to our Policy and will continue to be valued for their partnership.

We have currently traced over 60% of our total annual spend to at least the paper or pulp mill level. Most of our direct suppliers utilize many unique supply chains; we assign traceability status to the lowest disclosed supply chain level, so in fact the traceability progress shown is conservative. Given the sheer number of individual forest sources contributing to the global paper supply chain, traceability to forest source 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 majority of our suppliers are diligently working through their supply chains to not only ensure responsible sources are used but also to provide transparency to 3M to conform to our Policy. For suppliers that have not yet met these expectations, we will continue discussions and additional training, and escalate where needed until full traceability is met.

For several months, we have been reviewing various options for facilitating data gathering from our suppliers, to make the process of sharing supply chain pulp and paper traceability data more efficient and effective for all involved. Beginning this summer, we will be piloting an online supply chain traceability system called SupplyShift. SupplyShift will allow our suppliers to provide policy conformance evidence, including supply chain traceability information, to 3M in a more straightforward way. In addition, it will allow them to delegate various parts of the 3M supply chain survey to upstream suppliers, as appropriate. The system will make it easier for our suppliers to keep information updated, and to share supply chain traceability information with other customers without duplicative efforts. We are hopeful that implementation of the SupplyShift system will allow us and our suppliers to make a step-change improvement in our data gathering and analysis capabilities.

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. 3M has also taken steps to further our own understanding of the complex world of forest management and chain of custody certifications through conversations with our suppliers and peer companies, and our partnership with TFT.

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 our last policy implementation update, we have received more information about our supply chains at the forest level, including applicable forest certifications. Of the suppliers that have disclosed supply chain certification information to us so far, about 30% of them have said they are using material from certified forests in the products provided to 3M.

Since most fiber in the global 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 2015, 3M and TFT conducted four field assessments of converters and paper mills, three in China and one in Taiwan. 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.

3M is preparing to conduct additional field assessments in 2016 in each major region of the world (North America, South America, Europe, and Asia-Pacific). These assessments are planned to be conducted on significant paper or pulp mills in our overall supply chain located in areas that may contain high conservation values, may source from lands owned, occupied or used by indigenous peoples, and/or may have other factors related to our policy expectations. We also plan some visits to forests from which the mills source fiber, to better understand how those forests are managed and how well they meet the 3M policy.

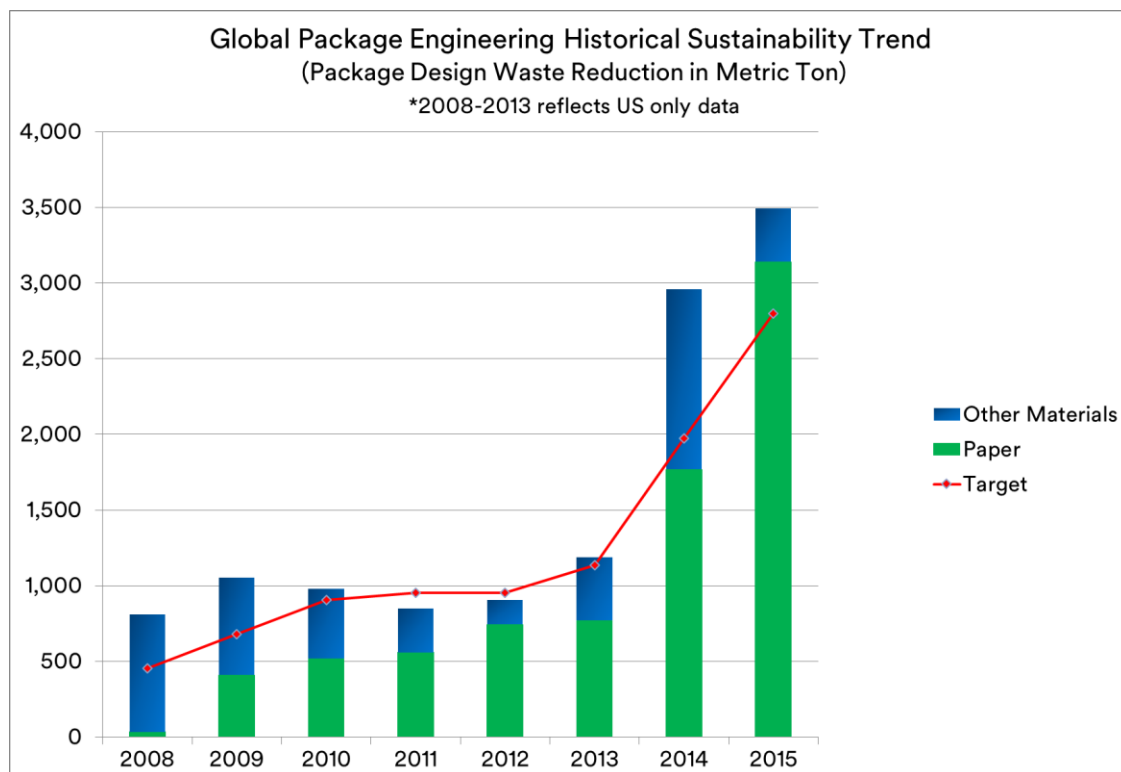
Overall Policy Conformance

In our past and ongoing research in support of our policy expectations, 3M continues to appreciate that evaluating responsible sourcing and sustainable forestry practices is complex and evolving. The ultimate goal of our policy implementation work is to determine that our sources of pulp and paper are policy conformant (responsibly sourced), or are implementing improvements to obtain such status in a reasonable timeframe. Along with TFT, 3M continues to collaborate with our suppliers and benchmark with other leaders in sustainable forestry and responsible forest products sourcing to evaluate the appropriate actions, measures, and assurances that we will use to determine policy conformance status. Among these are strong due diligence management system (including risk evaluation and mitigation), certain forest management certification programs and controls (or their equivalent), and willingness to share information across supply chains.

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, which celebrated its 40th anniversary last year) throughout our company is just one example of our 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. The chart below shows the impressive progress our global Package Engineering specialists have made over the past several years, working with our suppliers to reduce package design waste, especially for paper-based packaging.



More to Come

3M's expanded Pulp and Paper Sourcing Policy was issued just over a year ago, and in that time we and our suppliers have made important strides together to evaluate our supply chains' conformance to policy expectations.

- We have directly engaged with suppliers representing three-quarters of our total pulp and paper purchases on our policy conformance expectations.
- We have held one-on-one and group education sessions in every region of the world, and with suppliers operating in dozens of countries.
- Over 60% of our pulp and paper supply chain is traced to the mill or forest source.
- We are working on partnerships with industry leaders to drive sustainable forestry practices.

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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