Just over two years 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 section of our Supplier Responsibility Expectations website.

Policy Implementation
We have established a due diligence management system approach for legal harvesting compliance and responsible sourcing of pulp and paper products, based on the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains:

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.

In April 2017, 3M professionals involved in responsible pulp and paper sourcing
once again attended the Innovation Forum (IF) Deforestation Conference in
Washington, DC, where we network and benchmark with paper suppliers, peer
companies and non-governmental organizations (NGOs) on the challenges of
combating global deforestation. This year we coordinated a well-attended and
lively breakout session to brainstorm discrete challenges we are facing in the fight
against deforestation and other forest sector risks. Our goal was to identify
specific ways that companies, NGOs, governments and other stakeholders might
be able to work together between now and the next IF Deforestation Conference
in 2018 to make progress on one or two of these key shared global challenges. We
are pleased to report that collaborative work is already underway as a result of this
session – stay tuned for updates later this year.

Results So Far

Supplier Engagement and Capacity Building

We continue to make significant progress in engaging with our tier 1 suppliers on
our responsible sourcing expectations.

As shown in this data, we have
increased our engagement of
suppliers each year since our policy
was issued. By the end of 2017 we
plan to have engaged nearly 100%
of spend with our product paper
suppliers, and 80% of spend for
our packaging paper suppliers.
This is a significant feat,
considering the global breadth of
our paper supply chain.

We have conducted numerous training and capacity building sessions on
responsible paper sourcing and sustainable forestry with 3M personnel and with
our suppliers. Outside of these more formal training sessions, we have had dozens
of one-on-one discussions with suppliers on our policy expectations for providing
information on mills and forest sources, and implementing a Due Diligence
Management System of their own to assure legal and responsible fiber sourcing.
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.
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.

We have currently traced almost 80% of our total annual spend to at least the paper or pulp mill level, and nearly 40% to the forest source. 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.

Based on the information our suppliers have provided to us on countries of harvest, we can see that 3M receives fiber from all over the world. This means that our Policy expectations extend through our tier 1 suppliers to all of these geographies, and through our outreach we and our tier 1 suppliers can make a positive difference in forests around the world.

Harvest Source Locations Disclosed by Our Suppliers as of May 2017

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**SupplyShift**

3M has been partnering with SupplyShift for about a year now on implementation of our Policy conformance survey in their highly secure online platform. Our suppliers can complete supply chain information all the way to the forest sources, or they can easily forward parts of the online survey to their suppliers for completion (paper or pulp mills, for example). SupplyShift makes it easy to collaborate with others within their organization by allowing the creation of accounts for coworkers or other
contributors. 3M and SupplyShift provide support as needed throughout the response process.

Here is a general depiction of 3M’s paper supply “web” in SupplyShift to date, showing the interconnected nodes in our supply base.

Utilizing the SupplyShift system is allowing us to analyze our paper supply chain much more efficiently and effectively. We continue to develop dashboards and reports to make the supply chain data even more powerful, while maintaining the security and anonymity of our supplier relationships.

We have had several conversations with our suppliers and with other peer companies on the value of increased transparency by building the paper supply chain information in an online platform like SupplyShift.

Throughout this first year of implementation, we have piloted the SupplyShift survey tool with several of our global suppliers – we appreciate the time and feedback they provided to help us improve the system. Overall our suppliers have positively received this tool, and we have worked with SupplyShift to implement improvements identified by our suppliers. Our goal by the end of 2017 is to completely replace our Excel-based supplier survey with the SupplyShift system.

**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 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.

Of the suppliers that have disclosed supply chain certification information to us so far, about 40% of them have said they are using material from certified forests in the products provided to 3M.
The majority of forestland in the world is not certified, and often smallholder forest owners do not maintain a forest certification due to the administrative and monetary burden. Smallholders are an important part of the 3M supply chain, and we recognize that they can sustainably manage their land in conformance to the expectations of our policy without certification. We also know that smallholders can face challenges in operating sustainably. In May 2017, 3M, along with the American Forest Foundation (AFF), International Paper, and Procter & Gamble (P&G), formed the Carolinas Working Forest Conservation Collaborative, a joint initiative in the Coastal Carolinas Plain to educate and engage family woodland owners in sustainable forestry, forest certification, the enhancement of habitat for at-risk species, and the conservation of bottomland hardwood forests. See this press release for more information.

Supplier Assessments

As part of our Due Diligence Management System, 3M and TFT conduct an annual desktop risk assessment (DRA) based on our most current supply chain data. The overall purpose of the DRA is to identify social and environmental risks associated with wood fiber in 3M’s current paper and packaging supply chain, and to prioritize further engagement with suppliers, including field assessments where relevant, to directly evaluate policy conformance.

3M and TFT conduct three main types of supplier assessments:

- Corporate-level reviews, which may or may not involve mill or forest source visits. These reviews focus on our tier 1 supplier’s Due Diligence systems for assuring legal and responsible fiber sourcing, whether within their own operations or from third-party suppliers, including their operational and supplier policies, and specific risk mitigation practices.

- Assessments of converters and paper mills, primarily in the Asia region where complete transparency to forest sources remains particularly challenging. These assessments aim to verify that our suppliers have adequate systems in place for transparency and traceability that will allow 3M visibility to the sources of fiber and assess them against the policy. The social and environmental performance of the supplier facility is also evaluated.

- Assessments of pulp mills, which usually include a review of the management of forest areas from which the mills source fiber. Generally these assessments are conducted on tier 2 suppliers (mills within our tier 1 suppliers’ supply chains), 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 risk factors related to our policy expectations. We invite and expect participation from one of our tier 1 suppliers who source from the target mill, and we share a summary of the assessment results with all tier 1 suppliers that have disclosed to us that the target mill is in their supply chain. We expect our
Pulp and Paper Field Assessments to Date

The pulp mill field assessments we have completed to date have included in their scope over 12 million hectares of forest land on three continents supplying pulp mills in the 3M supply chain. These assessments have resulted in corrective action plans that will enhance the sustainability of these forests over time. Our planned assessments in the next 18 months will increase this impact.

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.
3M and TFT have been developing a model to evaluate our suppliers on their policy conformance status. This evaluation would be performed using a combination of information provided by our suppliers through our policy conformance surveys, independent research conducted by 3M and TFT, and any information from direct assessments (as described above). Here is a representation of a possible output of that model:

Results of this evaluation, including information that provided the basis for it, will be shared with each of our suppliers. Our goal will be to have an open dialog with each supplier on their target performance in each category (recognizing that not all suppliers may need to achieve 100% in every category, depending on the risk in their supply chain and other factors), and how to achieve that target performance over time. Suppliers who have demonstrated sustainable target performance, as well as those who are committed to a reasonable, time-bound plan to achieve target performance, would be considered conforming to the spirit of our Pulp and Paper Sourcing Policy.

**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 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
In the two years since 3M expanded our Pulp and Paper Sourcing Policy and Due Diligence program, we and our suppliers have made impressive strides together to help assure responsible and sustainable wood fiber supply chains. Those shared supply chains are broad and deep, and policy implementation across the globe is still a work in progress. We are committed to continuous improvement, and collaborating with our suppliers and other like-minded companies on this critically-important work. We will continue to:

- increase engagement with our global paper suppliers, with a goal of nearly 100% coverage of our product paper spend by year’s end.
- increase the utilization of SupplyShift to solicit, organize and analyze supply chain and policy conformance data from our suppliers.
- work with TFT to focus our due diligence program on the areas of highest potential risk and greatest potential benefit in our global supply chain.
- seek out and act on opportunities to collaborate with other companies (including other TFT members) looking to improve the sustainability of their forest products supply chains.

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.