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# 3M Pulp and Paper Sourcing Policy Progress Report

November 2017



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In March 2015, 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 3M's 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.

## Our Global Team

Our supplier engagement and collaboration depends on the relationships established by our Sourcing category managers around the world, led by global Team Managers for Paper, Packaging and Outsourced Manufacturing. Each team is applying common expectations and addressing unique challenges on this policy implementation journey. In our November 2016 report, we introduced our category team manager for production papers. Here, we highlight outsourced manufacturing and packaging.



Hello, I'm Greg, and I am the Manager for Outsourced Manufacturing in 3M's Global Sourcing organization. My role on this team is to identify and help engage vendors from which we buy purchased finished goods that contain wood pulp or paper materials.

This vendor category can be challenging to work with on policy conformance since they are usually even farther removed than our direct suppliers from the mills and forest sources we want to know more about. In addition, some of our supply partners produce similar constructions, and are sensitive to the information they are being asked to disclose. We continue to develop new strategies to engage with these suppliers, and help them recognize how important it is that we both understand our shared supply chains, including the environmental and social risks that we might need to mitigate together.



Hi, Kevin here. I manage 3M's Packaging Supplies team in Global Sourcing. Because we purchase many packaging materials made from paper, 3M's Pulp and Paper Sourcing Policy impacts my team, too. One big way we contribute to this overall program is to use paper packaging material comprised of recycled content whenever possible. We recognize that recycled paper does not always mean more sustainable or responsible, but optimal recycled content can often meet our performance needs while decreasing our dependence on virgin fiber.

Our biggest challenge in this category area is the number of global paper packaging suppliers we have, since buying packaging local to our manufacturing operations is generally preferred (to minimize cost and transportation impacts). So my team and I need to prioritize our supplier engagement to maximize our impact, and influence our global packaging suppliers' sustainability actions through communication and education.

3M partners with [The Forest Trust](#) for their expertise in responsible sourcing policies and improving forest management practices across global supply chains. We work with global TFT experts, coordinated by our Project Manager in North America.



Hi, my name is Liz and I'm a Project Manager at TFT, focusing on responsible sourcing of pulp and paper in North America. I am the lead manager for our relationship with 3M, coordinating our team supporting 3M globally. TFT staff around the world collaborate with 3M's regional leads to implement the 3M policy. We bring global expertise in supply chains, forestry and regional environmental and social issues affecting forest products. I join 3M in discussions with suppliers about their conformance to the 3M policy, and opportunities for improvement, as well as field assessments to understand how suppliers are implementing responsible practices on the ground.

### Our Regional Teams

Implementation of our due diligence management system for policy conformance is led by specialists in each region of the world. These individuals are responsible for:

- day-to-day interactions with suppliers to gather policy conformance information
- evaluating information provided by suppliers against our policy criteria
- answering questions about policy expectations from 3M and supplier personnel
- planning internal and supplier training sessions
- identifying new guidance or tools for use by the team or with suppliers to improve our program
- helping to plan and conduct supplier meetings and field assessments

Although 3M's policy requirements are the same around the world, each region presents its own challenges and risks, and each of our Regional Leads is learning how to adapt their approaches for different suppliers in different countries in order to be most successful. In our November 2016 report, we highlighted our work in North America and Europe. Here, we focus on the Latin America and Asia-Pacific regions.



Olá, meu nome é Sandra, and I'm the Supervisor for Responsible Sourcing, Packaging Engineering and Outsourcing Projects, based in Brazil. The three areas have great synergy in the aspect of responsibility and sustainability. My mission with the team is to optimize the process and ensure that suppliers are in compliance with our Pulp and Paper Sourcing Policy.



Hola, mi nombre es Luis. I am the Responsible Sourcing Manager for 3M Latin America, based in our Center of Expertise in Panama. I work closely with our suppliers and our regional and global teams to increase understanding and compliance with 3M requirements and promote best practices in social and environmental management.

Latin America is considered a critical area for environmental issues due to the huge areas of high conservation value such as the Amazon. Our region is an important pulp production center for local use and also export. This demand can lead to the expansion of planting areas to remote locations where issues of respect for indigenous habitat as well as coexistence between cultivated and virgin forest areas are complex, requiring strong governance systems. Collaboration with the sourcing team is crucial to engaging our suppliers and assuring responsible practices.



Hello, Madhan here. I have been 3M's Asia-Pacific (APAC) Regional Lead since our program began. I've coordinated our work with supplier operations in China, Japan, Taiwan, Korea and other Asian countries. Because of the many languages used in this region, 3M Sourcing personnel in each country provide huge support on supplier interactions.



My name is Shin Shin, and I am 3M's new APAC Responsible Sourcing Lead, based in Singapore. I will be coordinating our Pulp and Paper Sourcing program in the region, working closely with 3M Sourcing professionals in each key APAC country.



Suppliers, especially in the APAC region, tell us that 3M's expectations for responsible and sustainable paper supply are more advanced than other customers, so continuous engagement and awareness training on our expectations is particularly important. We have hosted dozens of suppliers at policy training sessions in China, Taiwan, Japan and Korea to directly educate them on our requirements.

The primary challenge is to obtain the complete supply chain of our materials back to the forest, as the manufacturers (converters) can have difficulty obtaining information from their paper/pulp mills. We have provided many "talking points" to our suppliers for use with their suppliers, explaining why supply chain transparency is important for 3M, and for them. We continue to make important engagement and traceability progress in this critical supply region.

### Supplier Engagement and Assessments

Throughout 2017, 3M continued to conduct dozens of one-on-one discussions with suppliers on our policy expectations, including traceability to forest sources and implementing a Due Diligence Management System of their own to assure responsible fiber sourcing. Through this work, we have seen many of our suppliers make progress towards policy conformance, via actions such as:

- creating and/or enhancing their own policies and Due Diligence Management Systems;
- educating their upstream suppliers on the importance of responsible and sustainable sourcing; and
- improving their ability to trace their fiber sources all of the way back to the forest.

We are excited to see this progress and are looking forward to continuing to see these developments into 2018 and beyond. As we have always stated, the goal is not to restrict our supply chain or move away from areas where there may be social and/or environmental risk, but instead to work with suppliers that have the same values as 3M and who will collaborate with us and others to transform the global pulp and paper supply chain. We are motivated to retain and grow business with our most responsible and responsive suppliers.

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. 3M and TFT conduct three main types of supplier assessments: corporate level reviews, assessments of converters and paper mills, and assessments of pulp mills which usually include a review of forest areas that supply the mill.

In the last year, 3M and TFT conducted supplier assessments in Canada, Brazil, Austria, and Japan. These assessments are led by local TFT personnel with expertise in the particular forestry practices and environmental and social risks in the region.



Hi, Chris here. I am the forester for TFT North America, based in Seattle, WA. My work with 3M includes analyzing supply chain data and assessing risk, as well as conducting field assessments and working with the supplier after an assessment to move towards compliance with 3M policies. Much of what an assessment does is build awareness of a given supplier and the region in which they operate. I spend much of my time focused on issues associated with supply chains in Canada, such as protecting high conservation value forest and respecting free prior and informed consent (FPIC). Happy to be on this journey with 3M!

#### Canada Field Assessment

The Canadian field assessment is one of many examples of the value gained through the supplier assessment process. We visited with a Tier 2 & 3 pulp supplier and invited two of our direct suppliers to attend the field assessment with us. During this assessment, we were able to get on the ground and directly see the operations and how they implement their forest management plan. We also saw examples of various research & trials they are conducting within their Forest Management Area.



Mountain pine beetle  
(magnified)

This visit also detailed some of the current challenges in harvesting fiber from the Boreal forest in Canada, and approaches that have been tested to manage High Conservation Values (HCVs) such as the woodland caribou and grizzly bear. In addition, we saw how disturbances such as forest fire and the mountain pine beetle could affect the management of these HCVs. We were able to see some of the work that is being done on community and indigenous people engagement, industry research funding and support, and other collaboration opportunities that this upstream supplier has participated in to continue to advance responsible forestry in the region.





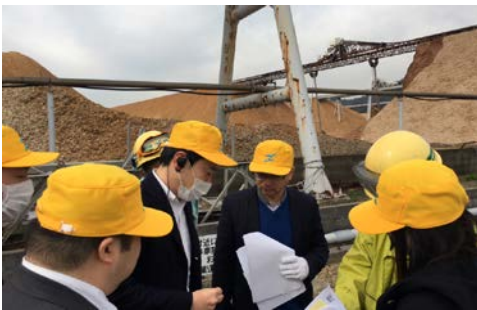
Woodland caribou research area



Incoming logs to the sawmill

### Japan Field Assessment

3M and TFT conducted a corporate review and mill assessment in Japan earlier this year, of a supplier that provides paper-based products directly to 3M, and provides paper to several converters that then supply 3M. As a supplier with many subsidiaries and distributed operations, we began with a corporate-level assessment of the company's processes, control documents, policies for responsible sourcing and implementation of various programs by their group at their Headquarters. This was followed by a visit to one of their paper mills, where we reviewed the chip yard, processing, and storage locations along with traceability and quality control systems.



Team at chip yard, discussing traceability



At paper mill

### Brazil Field Assessment

3M also conducted a field assessment in Brazil of a tier 2 pulp supplier, which was attended by one of our tier 1 suppliers. This detailed assessment included an inspection of the mill and onsite visits to different forest tenures in the company's operation. Further, the 3M and TFT assessment team held important conversations with local communities living and working in and around the mill's forest tenures.



Eucalyptus Plantation



High Conservation Value area

As with our other field assessments to date, these visits open the door to continued dialogue to advance sustainability within the supply chain. After the field assessment is conducted, 3M, TFT, and involved suppliers continue discussions with the assessed company through a corrective action process until any actions identified are addressed. It is an ongoing collaboration among all parties, driving toward a common goal of improved sustainable forestry practices in our shared supply chains.

### EU Timber Inspection

The European Union Timber Regulation (EUTR) is intended to ban illegal timber and products derived from such timber from the EU market. In spring of this year, 3M as ‘operator importing covered paper products’ experienced a first inspection from a competent authority. A large company like 3M faces special challenges, as we offer a wide range of paper-based products in a variety of markets. These products can have very complex global supply chains, requiring a sophisticated due diligence system.

The inspection required examination of detailed information about our global supply chains, gathered by 3M as part of our policy implementation program. We were able to reply to the inspectors’ questions, were open to their feedback, and had everything they needed to review. The end report was positive, concluding: *‘your company meets the requirements of the EU Timber Regulation with regard to the due diligence rules.’*

### Leadership and Collaboration

3M believes the key to addressing global sustainability issues is collaboration. The fight against deforestation involves many challenges that no one company can solve on its own. We are not only looking to implement sustainable strategies up our supply chain with our suppliers but look also downstream. We dialogue with customers, peer companies and other stakeholders on how to drive more tangible impact. Working collaboratively with other stakeholders towards shared goals increases our effectiveness. These actions can include jointly conducting assessments of shared suppliers, working together to help implement corrective action plans for priority assessment findings, and utilizing common supplier survey and traceability systems.



The opportunity to learn from peers is extremely valuable in tackling common issues and driving continual improvements for the forest industry. Our hope is that through collaboration, we can drive progress in sustainable forestry globally, making improvements on the ground, together.

In February 2017, 3M attended the American Tree Farm System (ATFS) conference where we participated in discussions on sustainable forestry in the US. Our goal was to better understand small working forests, the issues they face, the important role they play in the 3M supply chain, as well as their contributions to sustainable forestry in the United States. Attending this conference and similar discussions allows 3M to network, learn, benchmark, and collaborate with others in the industry to continue making a greater impact.

In October, 3M attended the Forest Stewardship Council General Assembly (FSC GA). An event that happens just once every three years, and this time in North America, we wanted to take advantage of the opportunity to learn more about how this forest product certification system works. Similarly, we plan to attend the Sustainable Forestry Council (SFI) annual meeting in 2018. As some of our suppliers and customers rely on certification to demonstrate sustainable practices, it's important that we continue to expand our understanding of certification expectations. 3M recognizes the role certification can play in promoting sustainable practices. As we continue to learn more about the various global certification schemes, 3M remains committed to implementing our certification-neutral, values-based policy expectations. We believe this is the most effective way for 3M to drive responsible sourcing and sustainable forestry practices throughout the global supply chain.

The wide-ranging brainstorming session 3M coordinated at the Innovation Forum Deforestation Conference in April resulted in identification of potential ongoing collaborative work on the topics of smallholder outreach and better sharing of information among parties striving to address global deforestation. Exploratory discussions among several parties on these topics continue.

Along with other TFT paper commodity members who depend on supply of sustainable fiber from the Canadian boreal forest, 3M supports the federal and provincial governments' role to gather all stakeholders to address the recognized challenge of effectively protecting forests, and the species that live there, for the long term. Fragmented approaches by individual companies to attempt to protect species and forests, while well-intended, will not be as successful as large-scale cooperation by all stakeholders. We continue to track the status of this work in Canada, and look for ways we can provide input toward constructive and lasting solutions.

3M is partnering with TFT, Nestlé, Mars and Asia Pulp and Paper (APP) to host a Responsible Paper Summit in Shanghai, China at the end of November. This Summit

will provide a space for key pulp, paper and converter companies in the Asia Pacific region to discuss challenges and innovations in responsible sourcing for people and nature. We aim to come away with proposals for future collaborative actions to move the industry towards transformative action.

#### What's Next

3M's work to advance responsible sourcing and sustainable forestry principles within our supply chain continues, through these and other priority actions:

- Advancing traceability of our supply tiers. By expanding our suppliers' use of SupplyShift to document their supply chains, we improve the visibility of our supply sources all the way to forest sources, so we can better work with our tier 1 suppliers (and they with theirs) on assuring sustainable forestry practices.
- Driving performance improvements. Through desktop and onsite assessments, we identify corrective actions and expect our suppliers to implement actions to advance their sustainability performance in a timely manner. We look for opportunities to increase business with suppliers who are striving to meet our policy expectations, and limit business with those who are lagging behind.
- Advancing transformative action. In partnership with other companies, we seek to use the collective results of our global supply chain assessments to target on-the-ground transformations for long-lasting sustainability improvements.
- Influencing and collaborating to amplify efforts. We will continue to network with peers, customers, NGOs and anyone else interested in advancing the values embodied in our Pulp and Paper Sourcing Policy.

Our next semi-annual progress report update will be incorporated into the 3M annual Sustainability Report, to be issued in early May.





Questions?

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