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3M Pulp and Paper Sourcing Policy Progress Report

November 2018

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In March 2015, 3M published our [Pulp and Paper Sourcing Policy](#), which formalizes 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.

This year, 3M revisited our Pulp and Paper Sourcing Policy that was published in 2015 as part of 3M's regular review process. After incorporating some revisions, we republished our [Policy](#) and the supporting [Policy Conformance Guidance Document](#) in August. The foundation and requirements on the Policy remain the same as when we initially published in 2015. The changes to the Policy include updating guidance links and resources, and adding details and clarification where beneficial. We also added translated versions of the Policy and Guidance Document for 3 additional languages including Korean, Spanish, and Russian, bringing the total number of translated versions to 7 languages.

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.

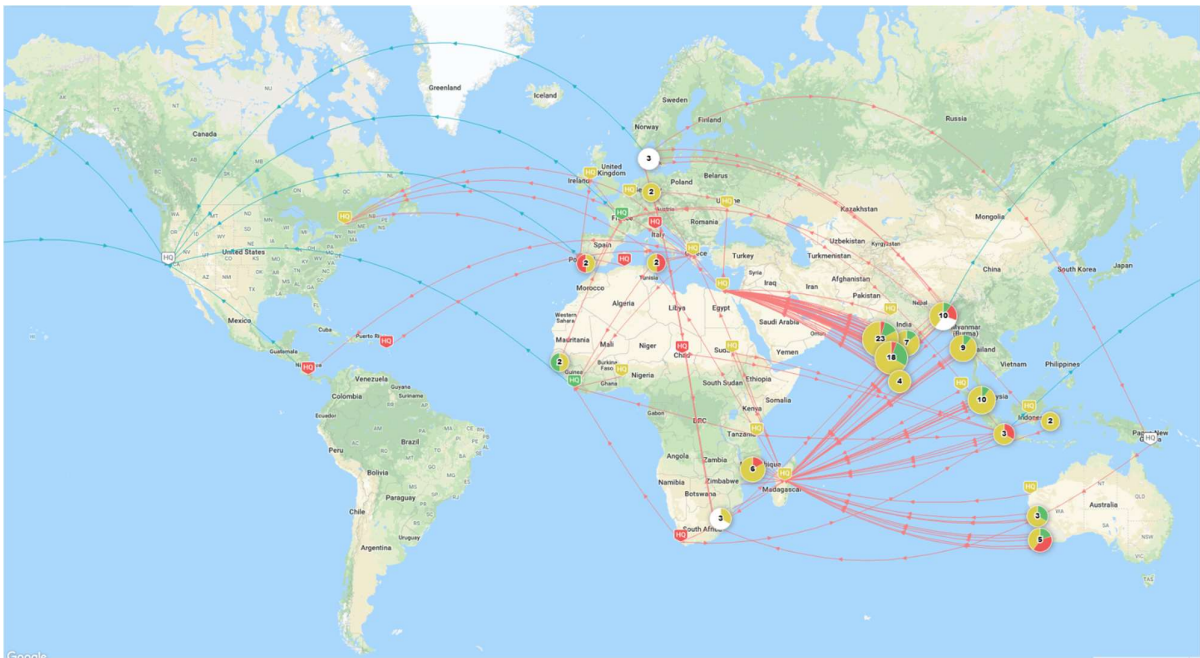
Overall Approach

3M utilizes a diverse global team of sustainability and sourcing specialists, under the direction of senior leadership, to implement our Due Diligence Management System approach. 3M also works with an implementation partner, The Forest Trust (TFT), for their expertise in developing and implementing responsible sourcing policies and improving forest management practices across global supply chains. Below is a general depiction of the supplier engagement process, which is ongoing and focused on collaboration and continuous improvement.



Traceability Systems

3M seeks to enhance sustainable forestry by working with its paper suppliers to trace their supply back to the harvest level. We can now successfully trace 86 percent of our global wood-based fiber supply to the mill level, and 36 percent of this production down to the forest from which this wood fiber came. Our goal is that all virgin fiber can be traced back to the forest. To collect this information and achieve these goals, 3M transitioned in 2018 to a cloud-based supply chain data management platform, [SupplyShift](#). This tool provides improved visibility, and efficiency for both 3M and our suppliers in a secure format. This system streamlines supplier assessments for evaluation, and 3M believes that over time, will help to reduce risk in the supply chain. For illustration purpose, here is a general representation of a supply chain map on SupplyShift.



An important step in this transition process was importing suppliers' historical data into the platform. This work was finalized in August 2018, resulting in thousands of data points for hundreds of suppliers, and prepared 3M for our next wave of data collection. Benefits of this importation for our upstream suppliers is reduction of redundancies and survey fatigue while adding to the efficiency of this data collection process.

Supply Chain Digitization will help us to streamline our data collection and evaluation process, to check if our suppliers are performing according to 3M Policy, so that we can use this information to inform our customers of our progress. This transition project is another important step forward in our commitment to sustainable forestry.

Supplier Engagement and Assessments

Throughout 2018, 3M continued to conduct dozens of one-on-one discussions with suppliers to help build their capacities to conform with 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 continue to see many of our suppliers make progress towards policy conformance.

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. Below are some examples of these types of engagements that took place in 2018.

Brazil Field Assessment

In May 2018, 3M and TFT conducted a field assessment of a pulp supplier in the Espirito Santo and Bahia regions. This assessment was conducted together to the extent appropriate with another TFT member, which provided multiple benefits including reduced resources and increased efficiencies. The visit included touring the mill operations, forest plantations and discussions with stakeholders. Brazilian forestry operations are continuing to grow across the landscape, and with this growth in tree plantations, there may be impacts to the livelihood of a large number of workers, tree outgrowers, family farmers, indigenous groups, afro descendent groups and the local community. Free, Prior and Informed Consent (FPIC) is not a legal requirement in Brazil, but Forest Stewardship Council (FSC) forest management certified companies conduct consultation with traditional community groups and some companies offer additional engagement and support programs. As the FSC national standard regarding FPIC requirements change, 3M and TFT will be working with suppliers to understand how these standards are being implemented. 3M and TFT will follow-up the assessment visit with a report and will create an action plan that will outline next steps for improving sourcing practices and conformance with the 3M Policy.



Team exploring outgrower (supplier of one of 3M's direct material providers) forest

Asia Pacific Region

With the growth of 3M APAC business, the supplier chain demands on Pulp and Paper are increasing. In 2018, we continue to reach out to our prioritized suppliers in APAC. We had the opportunity to visit and meet with a few Japanese paper suppliers during a recent trip to Japan at the end of October. The purpose of these meetings was to discuss the 3M Pulp & Paper Policy and to better explain and answer any questions for why 3M needs full traceability to their supply chains all the way back to the harvest source. The meetings were very successful and well received by each of the suppliers visited. The suppliers agreed to cooperate with the 3M P&P Policy and to supply full traceability. Our next task will be to engage these suppliers as Tier I (direct) and Tier II (supply Tier 1) suppliers to get any missing supply chain data.

Boreal Forest

The Great Northern Forest is the boreal forest ecosystem that circles the Arctic, with nearly one-third of the forests on earth in Canada, Sweden, Finland and Russia. The boreal is home to many Indigenous Peoples who have lived there for millennia, and who may have rights to give or withhold their Free, Prior, and Informed Consent (FPIC) regarding decisions impacting their native customary land, such as forest harvesting for timber and pulp. 3M expects our suppliers (or their suppliers) to only use land where local people have given their free, prior and informed consent to activities taking place on their land. Where this did not take place, the companies should seek to resolve conflicts through a process that is acceptable to all parties involved.

These vast forests are often called Intact Forest Landscapes (IFLs), which are very large areas of forest that exhibit no remotely-detected signs of human activity or habitat fragmentation and are large enough to maintain all native biological diversity, including viable populations of wide-ranging species. IFLs also sustain the forests' natural ecosystem functions including carbon sequestration, air and water purification, and biodiversity. Degradation and fragmentation of these forests has been increasing, leading to impacts including greater environmental emissions, changes in local and regional climate regimes, and loss of critical habitat for threatened and endangered species.

In addition to the high conservation values they hold, the sheer immensity of the boreal forests makes them some of the most productive regions for pulp and paper. Because of the short growing season in the boreal, it can take over one hundred years for trees to reach their peak growth and be considered "mature" for harvesting purposes. This means that companies do not often return to harvest areas that they have cut and replanted.

Understanding the concerns of communities relying on forest products industries for their livelihoods, and recognizing the global demand for forest products, 3M and TFT are committed to working with suppliers to promote protection of high conservation values in the Great Northern Forest and the ability of the forests to provide wildlife habitat, ecosystem services, and natural beauty for generations to come. 3M and TFT are accomplishing this through field assessments of supplier practices, deep engagement with forest managers and scientists, and a focus on identifying innovative management practices. To maximize the likelihood of success, these actions require collaboration with industry, Indigenous Peoples and local communities, with the aim to restore balance to the relationship between people and nature.

Supplier Self-Assessments and Evaluations

In 2016, 3M and TFT created a Policy Conformance Self-Assessment Tool with the purpose of having the 3M tier 1 supplier assess themselves against all aspects of the 3M Pulp and Paper Sourcing Policy. Since the creation of this tool, we have been partnering with our tier 1 suppliers to have them complete this self-assessment. In addition to the self-assessment, 3M and TFT partnered on creating a Supplier Policy Conformance Evaluation tool. The purpose of this tool is to allow 3M to evaluate a supplier against all aspects of the 3M Policy, providing further insight into their conformance status as well as highlighting opportunities of areas to focus improvement. During the initial roll-out and implementation of the 3M Policy, much of 3M's work had been through supplier education and engagement, mapping global supply chains, and understanding and assessing risks (through the DRA and assessment process outlined above). As we have now mapped a significant amount of our supply chain, this Policy Conformance Evaluation tool will help both 3M and our suppliers create a path to work together including enhancing our suppliers' own programs while continuing to make progress in implementing our policy.

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. Our hope is that through appropriate collaboration to promote sustainable pulp and paper responsible sourcing practices, we can drive progress in sustainable forestry globally, making improvements on the ground, together.

In February 2018, 3M attended the American Tree Farm System (ATFS) conference where we participated in discussions on sustainable forestry in the United States. 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 US. Attending this conference and similar discussions allows 3M to learn and collaborate with others in the industry to continue making a greater impact.

In April 2018, 3M attended the [Innovation Forum \(IF\) Deforestation Conference in Washington D.C.](#) as we have for the last several years. At this forum, we network and benchmark with others in the industry including peer companies, pulp and paper suppliers, Non-Government Organizations (NGOs) and governments on the shared challenges of minimizing deforestation and working towards enhancing responsible global supply chains. This year, we participated in a panel on how companies are tracking progress in their supply chains on paper, packaging, and timber deforestation free goals. During this session, we generally discussed the type of data we are gathering, collection process and our journey thus far in tracking progress made towards implementing our Policy. In addition, we participated in a session on forest conservation collaborative: How multi-stakeholder efforts are engaging landowners on responsible forestry practices and certifications. Here is more information on that collaborative:

Conservation in the Carolinas

In May 2017, 3M helped launch the [Carolinas Working Forest Conservation Collaborative \(CW FCC\)](#) along with the American Forest Foundation, International Paper and Procter & Gamble. We have joined this collaboration to engage directly with family woodland owners in the U.S. Coastal Carolinas Plain to support sustainable forestry, conservation of bottomland hardwood forests, and the enhancement of habitat for at-risk species. Here is a summary of expected accomplishments over the next few years:

The Carolinas Working Forest Collaboration will accomplish:



What's Next

We are excited to see this progress and are looking forward to continuing these developments. As we have stated since the inception of 3M's pulp and paper sourcing program, the goal is not to dictate how our suppliers conduct their businesses, or to simply avoid areas where there may be social and/or environmental risk, but instead to work with suppliers that have similar 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 in this area.

3M's work to advance responsible sourcing and sustainable forestry principles within our supply chain continues, through the initiatives described above and the following additional priority actions:

- Advancing traceability of our supply tiers.
- Promoting continuous supplier performance improvements. Through assessments and evaluations, we identify corrective actions and expect our suppliers to implement actions to advance their sustainability performance in a timely manner. We look for appropriate opportunities to increase business with suppliers who are striving to conform to our policy expectations.
- Advancing transformative action. Working together with other companies as appropriate, we seek to use the collective results of our global supply chain assessments to target on the-ground transformations for long-lasting sustainability improvements.
- Encouraging and collaborating with other interested parties 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.

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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