

Corporate governance statement

Introduction

For the year ended 31 December 2019, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018).

This report sets out below how the Principles have been applied during 2019 across 3M United Kingdom PLC and its active subsidiary undertakings.

Principle 1 – Purpose and Leadership

3M's purpose is clear and applies to all 3M companies globally. Starting with our vision: 3M technology advancing every company; 3M products enhancing every home; 3M innovation improving every life. Our vision is underpinned by our strengths in technology, manufacturing, global capabilities and our brand. Our Company has laid out four strategic priorities, namely portfolio management, transformation, innovation, and our people and culture. And we seek to execute these in line with a clear set of values that are clearly communicated across the Company.

Principle 2 – Board Composition

The appointment of board members is governed by the Company's Articles of Association. The board is represented by our Managing Director together with Functional Leaders from each of our Finance, HR and Manufacturing/Supply Chain organisations. Together, the board members bring a diverse and balanced skillset and have strong oversight of the operations of the Company. The duties of the board are executed partially through committees.

The Regional Leadership Team ("RLT", which is led by the Managing Director and comprises of the other Company directors, as well as other leaders in the Company, representing each of the Company's four lines of business and other key functions) is the committee through which most operational decisions are made. The RLT generally met monthly during 2019.

The Business Conduct Committee oversees compliance and includes all members of the board. It meets quarterly.

Principle 3 – Director Responsibilities

The board and individual directors have a clear understanding of their accountabilities and responsibilities. Briefings to our board members to reinforce these are provided from time to time, as well as when a new director joins the board. Whilst board oversight is always maintained, key decisions are often made by the individuals and committees with the most appropriate knowledge and industry experience, most notably the RLT.

The Company has in place a comprehensive set of policies, practices and a Code of Conduct that govern the internal affairs of the Company which are easily available in one central online location to all employees. Each of the directors is a 3M employee and as such, is required to comply with those policies and the Code of Conduct, and to follow those practices.

Measurements are in place for all Directors and committee members to declare any potential conflicts of interests. These declarations are collated by our Ethics & Compliance leader. Where there are conflicts, appropriate safeguards are implemented.

Principle 4 – Opportunity and Risk

The Company seeks out opportunities whilst mitigating risks. Opportunities are managed and collated through internal business review processes and driven largely by each of the four lines of business.

The Company has a strong internal control framework with clearly defined roles and responsibilities for those involved. We have functions which represent Ethics and Compliance, Finance, Legal, Sourcing, HR, Communications, Environmental Health & Safety, IT and Audit which, together, help to identify, monitor and mitigate a broad range of risks to which the organisation might be exposed.

Principle 5 – Remuneration

Directors do not receive additional remuneration to what they would otherwise receive as employees of the Company. We have a global process for setting employee remuneration using external consultants to assess our pay position against the market. This is managed through 'benchmark job profiles which enable like for like role comparisons to be made using the external consultants to match our roles against their equivalents with other companies. This is a global process but always aligned to local market data.

Principle 6 – Stakeholder Relationships and Engagement

Dialogue and engagement with stakeholders, including the ultimate parent company, workforce, customers, suppliers, pensioners, Government and the communities where we have a physical presence are very important, and the potential impact on those groups of any decisions the Company may make is assessed and understood. More information on how effective engagement is undertaken by the Company with each of these stakeholders is included in our Section 172 statement.