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# 3M Pulp and Paper Sourcing Policy Progress Report

November 2016

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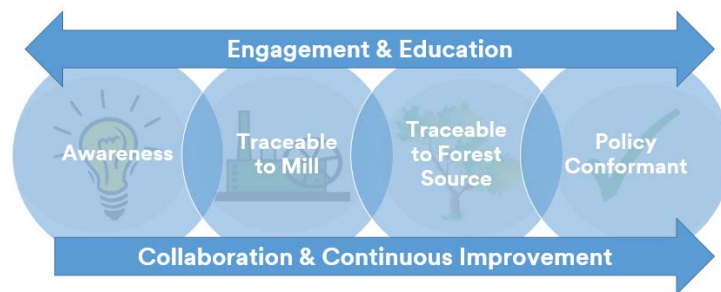
In March 2015, 3M revised its Pulp and Paper Sourcing Policy, which formalizes 3M’s and our suppliers’ responsibilities to comply with global regulations and further the causes of sustainable forestry and transparent, responsible supply chains. For this, our fourth semi-annual report on progress against our policy commitments, we provide perspectives from some of our team members on our work this year, and what’s yet to come.

### Overall Approach

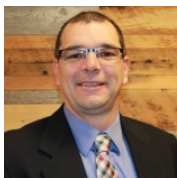
3M utilizes a diverse global team of sustainability and sourcing specialists, under the direction of senior leadership, to implement our Due Diligence Management System approach:

- 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 engaging our supplier network to help them understand and apply the necessary measures to assure responsible paper sourcing and sustainable forest management.



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. For this report, we will focus on the pulp and paper that we purchase for manufacturing our products.



Hi, my name is Layne, and I am 3M’s global Papers and Fibers Sourcing Team Manager. Since my team is made up of category owners around the world choosing and managing our suppliers of pulp and paper materials for 3M manufacturing, we are directly impacted by and involved in the implementation of our Pulp and Paper Sourcing Policy every day. I and my team are responsible for ensuring we are engaging the right suppliers in our program, and working with them on a day-to-day basis to complete our due diligence process in conformance to our policy.

Our suppliers’ performance against our policy is just as important to me (and to 3M) as their performance against other expectations like cost, quality, and on-time delivery. I am

working hard with my global team to integrate our responsible sourcing requirements into our regular conversations with suppliers. Moreover, we are beginning to use policy conformance status as a differentiator: demonstrated commitment to sustainable and responsible paper procurement practices in line with our policy will give our suppliers an opportunity to gain more of our business. And, we are doing our best to assure that any new paper suppliers we are considering are positioned to conform to our policy.

This work is not easy, and sometimes we feel like we are the only customers expecting this kind of performance from our suppliers...I'm sure that will change in the future, and I am excited to be helping to drive these issues in the global paper supply chain.

We are partnering with TFT for their expertise in responsible sourcing policies and improving forest management practices across global supply chains. They help us review the information we obtain from our suppliers, and combine that with geography and industry specific knowledge to conduct risk assessments of our supply chains. We use these assessments to prioritize further engagement to learn more about our suppliers' responsible sourcing and sustainable forestry practices. This deeper engagement could take the form of a series of web conferences, in-person meetings, or field assessments at the mill and/or forest level. We do not limit this engagement to our direct suppliers. In fact, we may engage with a Tier 2 or Tier 3 supplier to 3M on policy conformance verification work, with a goal of involving our direct (Tier 1) supplier(s) in these activities whenever possible.



My name is Kelly, and I am a Pulp and Paper Program Manager at The Forest Trust (TFT), and the lead project manager for our relationship with 3M. I am based in the US and lead our work with 3M in North America. We also draw from a global TFT staff based in 15 offices around the world to collaborate directly with 3M's regional leads in support of their work to implement the 3M Pulp and Paper Sourcing Policy.

TFT is a global nonprofit membership organization dedicated to working with our members to improve practices across commodity supply chains, protect forests (including responsible working forests), and respect people's rights across a variety of industries. We work closely with 3M to develop tools and processes for implementing their policy and reviewing and assessing their supply chain. We also engage directly with 3M's suppliers through trainings and field visits, which are targeted at priority suppliers or in areas where we have identified potential risks of nonconformance with the 3M policy. The overall goal is to identify how we can all collaborate to find solutions and improve practices to ensure that suppliers can meet 3M's policy expectations. Through this work we aim to transform the industry for the better.

3M's commitment to building their internal capacity within and beyond the core team has led to great progress and strong supplier relationships. 3M personnel join TFT on field assessments to suppliers, helping them to understand first-hand the challenges faced by pulp and paper companies and forest managers around the world. This in turn enables 3M to actively participate in developing solutions and pushing forward conversations about responsible sourcing and sustainable forestry.

## Regional Implementation

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 our 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. Here, we will focus on our work in North America and Europe. We are also very active in Asia-Pacific and Latin America, which we will highlight in our 2017 report.



Kate leads our supplier engagement in North America, and also serves as team leader for all of our Regional Leads. She will be returning to work from leave next month. Since the majority of our paper suppliers are based in Canada and the United States, Kate works with a large number of suppliers on a diverse range of policy conformance issues. Many of the suppliers she coordinates have operations and supply chains around the world, so she often partners with our other Regional Leads on supplier interactions.

In general, risks from illegal or unsustainable forestry practices in the US are low. However, many of our suppliers based in the US have complex global supply chains, so our policy implementation work with them is focused on assuring strong responsible sourcing policies and due diligence management systems. This summer, for example, during a supplier mill visit in the US, the focus of our discussions were with corporate-level personnel on their global policies and practices to address potential environmental and social risks wherever they may be in their supply chain. That discussion resulted in development of an action plan to enhance some of their practices, and we are meeting semi-annually to follow their progress. Furthermore, we expect them to partner with us in applying our policy expectations to their suppliers, the pulp mills and harvest sites.

The Boreal forest in Canada represents more policy conformance challenges in the areas of environmental conservation values (like woodland Caribou and intact forest landscapes) and indigenous peoples' rights, including Free, Prior and Informed Consent (FPIC). Because of this, we perform additional due diligence for suppliers that source from the Canadian Boreal, and are prioritizing mills in that area for on-site assessments.



My name is Dawn, and as a Supply Chain Sustainability Manager for 3M, I work closely with our policy implementation team. In Kate's absence, I attended an assessment we conducted this fall with TFT of a Tier 2 pulp mill and forest sources in Ontario, Canada. Layne, our Paper Sourcing Manager also attended, along with a representative from one of our direct paper suppliers that receives pulp from this mill.

The detailed on-site review of the mill and harvest sites provided us a first-hand education on the complex relationships among our suppliers, the pulp mill, the saw mills in the area, the forest tenures around the mill, the First Nations and other communities in and around the forests, activists and NGOs, and the Provincial and Federal governments. We inspected several harvest sites, in which we saw mosaic planning and harvesting in action (to protect caribou habitats), reforestation activities, logging road restoration, conservation of 100+ year old stands, and much more. We were honored to meet First Nation representatives in person, including a Chief of a local community and representatives from tribal councils.



A view of the pulp mill, and part of their wood chip receiving area



A recently harvested parcel



Seedlings growing on a logging road being restored to natural forest



A set-aside area of 100+ year old black spruce trees...



... and the lichen that grows in these areas (preferred food of woodland caribou)

We gained a deeper appreciation for the complexities of the forest products industry in Canada, the many actions taking place to advance sustainability, and the long way yet to go to address the needs of all stakeholders. As with all assessments, we generated a report with action items and expected follow-up to ensure the alignment of this mill and forest sources to our policy expectations.



Hallo, mijn naam is Geert. I am our Regional Lead in Europe, based in Belgium. I work with suppliers primarily in Western Europe, and also get involved in interactions with supply chain entities in Russia and other parts of Europe, the Middle East and Africa (EMEA). Suppliers based in Europe often have global supply chains too, so I also partner with my counterparts in other regions to coordinate reviews of supply chain information.

Although the risk in Western European countries is generally lower than in other regions of the world, it's still very important to verify that our suppliers are in fact performing in the way we want. Often European based paper suppliers are getting pulp from mills located in developing countries where greater threats to the world's forests can be found. So, it's very important to check our direct supplier compliance programs and to see if they know what's happening in their supply chain, all the way down to where that tree stands and how it's being harvested.

Last month, we conducted our first field assessment in Europe and it was a very interesting and learning experience for me. We could see the whole cycle starting from 'thinning', allowing the remaining trees to keep up their growth rate, until 'clearcutting and replanting'. By visiting the forests, we got a better view of 'forest management' in practice. My 3M Sourcing colleague, Nourane, expressed our experience very well: "*I will never look at a forest in the same way as I did before.*" This on-the-ground activity was for sure a two-way flow of information and performance improvements. We are now working with this supplier to follow up on action items documented during our assessment.

Wood arriving at the mill



An example of thinning

A recently cut and replanted plot



Overall, our goal is to support and promote sustainable forestry by engaging with all of our suppliers, rather than avoiding or eliminating suppliers that may have opportunities for improvement. We think that by working together we can all improve. I feel proud to be part of this team toward improving our business, our planet and the life of future generations.

## Extending the Value

In addition to the day-to-day implementation of our Pulp and Paper Sourcing Policy with our suppliers, we feel it's important to share our story with other companies involved in the forest products supply chain. We believe strongly in the importance of a robust responsible sourcing policy and management system to drive sustainable forest products supply chains. Our Pulp and Paper Sourcing Policy expects that our suppliers will implement policies and due diligence management systems consistent with our own, and enforce similar expectations with their suppliers.

We have had many discussions on this subject with senior leadership in peer and customer companies with large, global supply chains. We are seeing these companies develop policies similar to ours, and begin to develop supply chain traceability and management systems to assure legal and responsible forest products sourcing. The more players in the supply chain that operate under similar principles, the better we will be able to achieve our shared goals. We all recognize that this is a long and difficult journey, but we are excited to start to see alignment of expectations and the amplification of all of our positive impacts around the world.



Greetings! My name is Doreen and I am the newest member of the 3M Pulp & Paper Team as the Responsible Sourcing Manager. I am impressed by the effective and collaborative work that has been done thus far by the 3M Team, Suppliers and Partners around the world to ensure alignment and action with sustainable forestry, including transparent and responsible supply chains. Our Due Diligence Management System provides a nice framework for continued supplier engagement, collaboration and collective improvements not only for the Pulp & Paper activity but also for other supply chain programs, such as our program for tin, tantalum, tungsten and gold (3TGs). It's great to see the alliance with various not-for-profit groups like TNC (see below), as it demonstrates the team's level of passion and commitment, working with external groups to make a broader impact in this area. I am excited to be part of an effort that is all about improving lives and the global environment!

## Traceability Systems

Traceability of our pulp and paper supply chain down to the forest level is a fundamental part of our responsible sourcing program, and also one of the most complex. We are motivated to improve our mechanisms for gathering information from our suppliers, to improve our efficiency and theirs.



Hello, my name is Sandra, and I am a program analyst on 3M's Responsible Sourcing team. In this role, I help gather and analyze information from our suppliers to demonstrate conformance to our policy. Historically, we've done this using Excel-based workbook surveys and data tools, but our data set is growing quite large, and is difficult to manage in this way. This summer and fall, we began using a cloud-based platform called SupplyShift to deliver improved efficiency and supply chain visibility for both 3M and our suppliers.

The SupplyShift platform allows suppliers to respond to information requests via online surveys in a highly secure format. 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. Guidance documents, pop-up information boxes and videos are available throughout the platform to assist in navigating through the surveys. 3M and SupplyShift provide support as needed throughout the response process.



Overall, participants have had a positive experience and have been complimentary about the platform and the support from SupplyShift. Based on feedback sessions with our pilot participants, 3M and SupplyShift have made usability enhancements to the platform and survey question sets. We plan to expand our use of SupplyShift throughout 2017, ultimately eliminating the use of Excel workbooks to gather information from our suppliers.

Further, we are encouraging our suppliers and other companies like 3M who are looking to manage their paper supply chain information in a cloud-based platform to consider SupplyShift. The more global companies using a common system to document their supply chains and sustainability performance, the more we will all benefit from the shared information.

## Conservation Philanthropy

In addition to our policy implementation, 3M continues to work with non-governmental organizations (NGOs) to advance forestry conservation and best management practices. One of our main partners in this endeavor is The Nature Conservancy (TNC). From Australia to Canada, Indonesia to the United States, 3M has supported The Nature Conservancy's global conservation efforts for more than two decades. This support has helped to advance the Conservancy's work to protect critical habitats and lands around the world, including safeguarding hundreds of millions of acres of forests.

Recently, 3M committed significant initial and ongoing funds to TNC Indonesia program's efforts in the East Kalimantan Province to protect nearly 80,000 square miles of a rare and biologically important rainforest. One of TNC's most ambitious forest projects to date, the



Conservancy is partnering with indigenous communities in the area to address forest preservation, wildlife protection, species extinction, and climate change.

The Conservancy is translating Reducing Emissions from Deforestation and Degradation (REDD)+ — a mechanism that encourages the sustainable management of forests through the power of global carbon markets — into on-the-ground conservation results that protect trees and combat climate change. Through this project, the government of Indonesia and the Conservancy launched the Berau forest carbon program (BFCP). BFCP will provide the region's people with compensation for stewarding forests in ways that will ensure their continued survival and prevent their stored carbon from polluting the atmosphere. And the BFCP is one of four national REDD demonstration programs chosen by the Indonesian Ministry of Forestry, and the only project to be launched by an NGO.

3M is proud to have supported The Nature Conservancy for more than two decades, and we will continue to partner with them and other like-minded organizations (including our suppliers) to advance the values represented by our Pulp and Paper Sourcing Policy.

### What's Next

Our work to advance responsible sourcing and sustainable forestry principles within our supply chain continues. As we have since our policy was issued, our actions fall into a few major themes:

- Increasing engagement with our global supplier network. Each year our Sourcing commodity teams reevaluate our spend with suppliers, and then we reprioritize our engagement and training initiatives according to risk and impact to cover as much of our supply base as possible.
- 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 direct (tier 1) suppliers on assuring sustainable forestry practices.
- Assessing our supply sources at the mill and forest level. As we gain access to new supply chain information, we update our risk assessment and determine where onsite verification of policy conformance is most warranted.
- Driving performance improvements. Through desktop and onsite assessments, we identify corrective actions and expect our suppliers to drive them to completion in a timely manner.
- Influencing and collaborating to amplify efforts. We will continue to share our experiences through conference participation and individual conversations with peers, customers, NGOs and anyone else interested in advancing the values embodied in our Pulp and Paper Sourcing Policy.

In our May 2017 progress report, we will share more data on our progress and learnings to date – we invite you to check back with us then, and in the meantime let us know if you have any questions or feedback.



Questions?

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