



Corporate Responsibility Report **2003**



3M

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Doing well by doing good



This is the third year we have reported in detail on our impact on society. In 2001 we reported separately on our economic, social and environmental performance and then in 2002 we brought this information together to create a more rounded picture of 3M's operation in the UK and Ireland.

2003 was the second year of BITC's Corporate Responsibility Index. 3M took part in the Index in both years and was rated 39th out of 139 participating companies and second in our economic sector.

Our participation in the Index demonstrates our belief that reputation depends not solely on financial performance but also on the ways in which business operates. For 100 years, 3M's success has come from developing innovative technologies and products to meet customers' needs. 3M vigorously affirms its commitment to sustainable development through environmental protection, social responsibility and economic progress. We are committed to helping meet the needs of society today while respecting the ability of future generations to meet their needs - that is what we mean by sustainable development or sustainability.

This report, produced in line with BITC's framework for corporate impact reporting, explains our responsible approach to business, provides examples of how we put this approach into action in the UK and Ireland and shows how we performed against targets during 2003. We believe we have a sound record of achievement but continually strive to do better with plans in place for addressing ongoing challenges and opportunities. I hope our open and transparent reporting will encourage all our stakeholders to work with us to continue improving our performance year on year.

A handwritten signature in cursive script that reads "James J. Maskas".

James Maskas
Managing Director
3M UK and Ireland

*meeting the
needs of
society today
while
respecting the
ability of future
generations to
meet their
needs*

2003 performance highlights

Highlights for early 2004, which reflect 2003 performance, include:

Global

- January: Sales up from \$16.3 billion to \$18.2 billion (year ending 31 December 2003)
- January: James McNerney named CEO of the Year (Industry Week, 1 January 2004)
- February: 3M one of 22 companies to register top marks in the survey conducted by Governance Metrics International (GMI). Companies marked on six broad categories, including director independence, financial disclosure, and shareholder rights
- April: 3M ranked 47th in Standard & Poor 500 companies Performance Ratings and first in the Capital Goods Sector (*Business Week*, 5 April 2004)



UK and Ireland

- January: Solid sales of more than £661million contributing to 3M's double digit growth worldwide
- January: 3M ranked 17th in the list of World's most respected companies as judged by CEO's of major companies worldwide (*Financial Times*, 20 January 2004)

Vision & values

Our vision is to be the most innovative enterprise and our customers' preferred supplier. Innovation applies not just to our products but to our whole business approach, encompassing social and environmental issues.

Everything we do is underpinned by our Corporate Values and our day to day actions are guided by our Business Conduct Manual.

3M's sustainability policies and practices are directly linked to our four fundamental corporate values:

- Satisfy customers with superior quality, value and service
- Provide investors with an attractive return through sustained, quality growth
- Respect our social and physical environment
- Be a company employees are proud to be part of



Marketplace



In the UK and Ireland, 3M markets and sells products that have been made mostly in our factories around the world (including eight in the UK) or made by subcontractors.

Almost all our products are the result of combining 3M core technologies in order to deliver solutions that help our customers succeed. Innovation is vital and we constantly strive to deliver more sales from new products each year. To do this we work closely with customers to develop a deep understanding of their needs and to earn their loyalty. Quality, reliability and service are integral to 3M's customer offering.

Our businesses in the UK and Ireland reflect our global structure – they are organized, managed and internally reported as operating segments based on differences in products, technologies and services. 3M is not dependent on any single product or business.

Paying suppliers

3M UK PLC is a registered supporter of the Better Payment Practice Group's 'Better Payment Practice Code' to which it subscribes when dealing with the majority of its trade creditors. For other suppliers, the company's policy is to:

- settle terms of payment when agreeing the terms of each transaction
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts
- pay in accordance with its contractual and other legal obligations.

Our average creditor payment period at 31 December 2003 was 58 days (compared to an average of 65 days for 2002).

by providing ingenious, practical solutions that help customers succeed, 3M is able to fulfill its commitment to investors, employees and communities



Customer complaints

3M UK and Ireland counts every customer complaint, resulting from an error or omission on our part, which requires a credit for the customer. We track the cause of the complaint so we can identify where our supply chain could be improved. Complaint categories are also monitored so we can identify areas for improvement and these are: quantity issues, obsolete products, delivery problems, wrong products, price queries or quality issues.

We also measure complaints that do not result in a financial adjustment within each business and have a resolution process to manage these.

Advertising complaints and anti-competitive actions

In 2003, no advertising complaints were made and no cases of anti-competitive behaviour were taken against 3M UK PLC.

Business conduct and human rights

Each year, 3M conducts a business conduct and ethics audit against the policies and values in the corporate Business Conduct Manual. The review includes an assessment of the management controls in place to ensure both legal compliance and maintenance of our ethical business practices.



As well as reviewing internal operations, 3M also audits a sample of third party suppliers who provide contract manufacturing services to 3M. These visits are to assess business practices in areas such as the fair treatment of employees, provision of a safe and secure working environment and proper disposal of any hazardous products on behalf of 3M.

3M Supplier Human Resources Guidelines lay down clear employment practices for all suppliers including use of child labour, discrimination and disciplinary practices.





Working with customers using Six Sigma

As part of 3M's efforts to improve its customer offering, the company has more than 160 Six Sigma projects underway with customers worldwide – 14 of these in the UK and Ireland. Six Sigma is a business methodology for pursuing continuous quality improvement and reducing inherent variability. Teams work in tandem to solve customers' issues and help them realise their opportunities.

Some of the larger projects dovetail with customer organisations' own Six Sigma programmes and often there is a clear mutual benefit. Projects in the UK and Ireland, for example, range from looking at product rationalisation and cost reduction as part of a wider NHS project, to developing an understanding of a subcontracting process for a major corporation.



2003 3M UK and Ireland marketplace performance

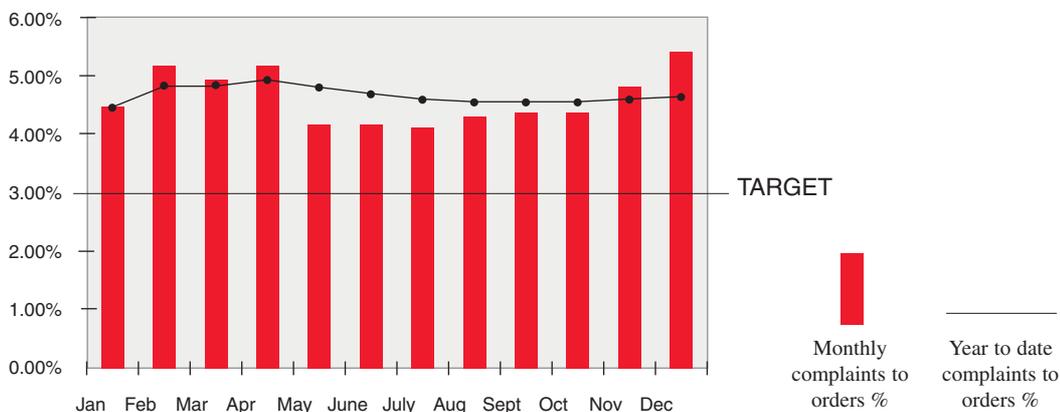
Customer complaints

	2003 Target	2003 Actual	2004 Target
3M UK (not including Health Care)	3% (50% reduction from 2002 result of 6%)	5.4%	3%
3M Ireland	3.55% (50% reduction from 2002 result of 7.1%)	6.13%	3%

Notes

1. Customer complaints are those resulting from an error or omission on 3M's part, which requires a credit for the customer
2. 2004 targets have been set with a breakdown of targets for each complaint category and supporting initiatives (eg eCommerce and encouraging more internet orders, so reducing the opportunity for human error) so there is more confidence that the targets can be achieved`

Customer complaints to orders per cent



Notes

3M UK only and 3M Health Care not included in these figures

Environment



Environmental, Health and Safety Management System

3M's Environmental, Health and Safety (EHS) Management System promotes sound environmental management at our facilities worldwide. It helps us address changing customer needs and expectations as we continue to drive sustainable growth. The EHS Management System:

- builds on the strengths of our previous environmental, health and safety efforts
- includes an integrated, holistic system that anticipates and addresses long-term issues and drives continuous improvement
- promotes a strategic planning process that integrates EHS issues into business unit strategic plans
- requires each business unit to identify EHS issues, develop formal actions plans, set goals and measure results
- requires Life Cycle Management process for all new products and for existing products on a prioritised basis.

Life Cycle Management

An integral part of the new EHS Management System is Life Cycle Management (LCM). Instead of focusing only on the manufacturing process to control environmental, health, safety and energy effects, a heightened focus is now placed on products throughout their entire life cycle, from manufacturing through customer use and disposal. In 2001, 3M adopted a new Life Cycle Management Policy requiring all business units to conduct LCM reviews for all new products and for existing products on a prioritised basis.

*we care about
how we make
products today,
how they are
used tomorrow
and their
eventual
disposal*

Greenhouse gas emissions

3M has a worldwide greenhouse gas emission reduction programme with internal goals to reduce emissions by 50 per cent between 1990 and 2005. These emission reductions include both Kyoto and non-Kyoto gases and are being accomplished through manufacturing process improvements and additional pollution control equipment.

ISO Certification

3M's Environmental Management System also requires that 3M manufacturing facilities making products for transnational markets become ISO14001 certified. In the UK and Ireland, all manufacturing sites are ISO14001 certified.

In addition, by 2005 we expect all UK and Ireland sites to have achieved ISO9000.

Audits

3M UK and Ireland carries out audits every two years for EHS issues for its own manufacturing and distribution sites. Typically, this takes three days and involves an audit team of five, including: a site manager from another site, an engineering manager and an EHS specialist. Corporate EHS audits also take place with every site worldwide covered in a five year period (sites are prioritised according to risk). 3M Health Care, based in Loughborough, Leicestershire, was subject to a corporate EHS audit in 2003 and sites in Gorseinon, Atherstone and Bangor are scheduled for 2004.

As a condition of ISO14001, 3M sites in the UK and Ireland have internal audits. Two audits are also carried out each year by a verification agency as part of the ISO14001 accreditation.

Site managers have EHS performance as part of their scorecard for their performance review.





Employee involvement

A key aspect of our environmental programme is that it is a natural extension to an already ingrained ethos of innovation and all employees are encouraged to be involved. When 3M launched its Pollution Prevention Pays (3P) programme in 1975 the concept of applying pollution prevention on a company wide basis and documenting the results had not been tried before. All employees are encouraged to put forward projects which prevent pollution at source. From 1975 to 2002, the 3P programme prevented 857,282 tons of pollutants and saved \$894 million globally. In 2002 the 3P programme was updated to provide more opportunities for participation with more awards and broader criteria.

Encouraging biodiversity

Warehouse staff at 3M Bedford have been running a wildlife project for some 10 years on 10 acres of land adjoining the warehouse site. By planting different species of trees which attract insects they have attracted numerous small mammals and birds. The team has involved local conservation groups and the local community through presentations.



Targets

Five-year targets apply to all our operations worldwide (based on year 2000 and normalized to net sales):

- improve energy efficiency by 20 per cent
- reduce waste by 25 per cent
- reduce volatile air emissions by 25 per cent (on top of a 91% reduction since 1990)
- double the number of Pollution Prevention Pays (3P) projects from the previous five-year period from 194 to 400 projects.





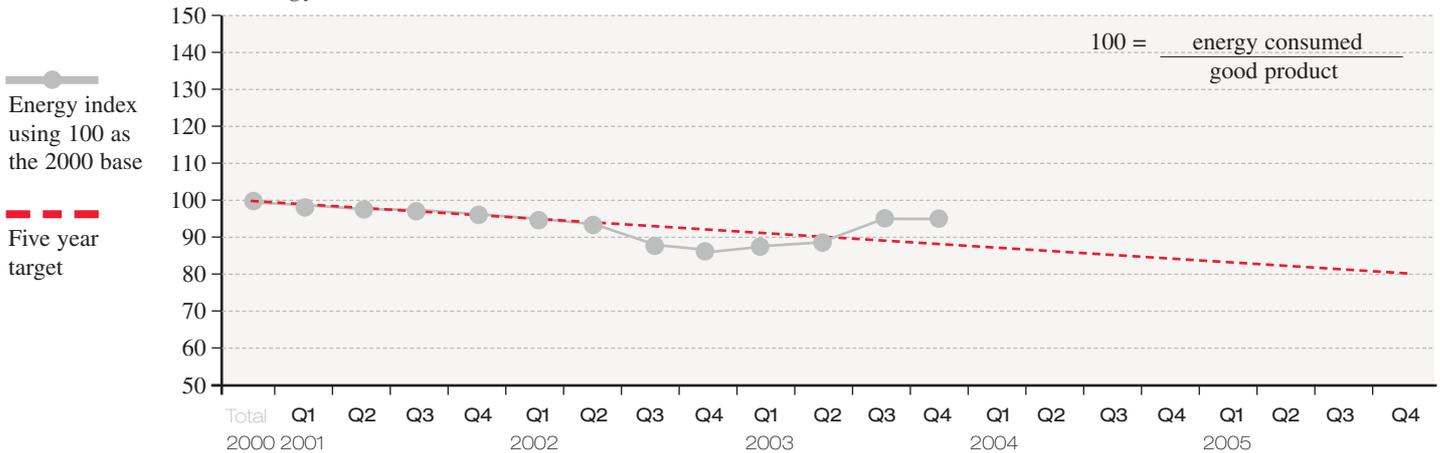
2003 3M UK and Ireland environmental performance

Waste Index



Note: UK and Ireland manufacturing sites are ahead of the five year reduction target of 25% against the 2000 base year.

Energy Index



Note: While the overall trend is in line with the five year target at 20% improvement in energy efficiency against the 2000 base year, the index reflects the seasonal use of energy and the need to continue to heat buildings even where output is reduced.

Emissions to Atmosphere



Note: The target is to reduce volatile air emissions by 25% by 2005 over the base 2000 year. This reduction is the result of long term planning and commitment involving reformulation, product and process redesign, implementation of abatement technology and even closure of some processes.

Workplace



Although 3M was founded in the US and its corporate headquarters remain there, its subsidiaries, such as 3M UK PLC, are mainly staffed by local residents. We believe that the best people to represent 3M in any country are local people. Hiring in countries where 3M has a presence also helps strengthen and build strong local communities. In 2003 only 300 (0.5 per cent) 3M employees worked outside their home country on a foreign assignment and in the UK only six employees were from overseas.

3M UK and Ireland's head office is in Bracknell, Berkshire, in a purpose-built building which was opened in 2003. Before moving into the new office, all staff were consulted to ensure any issues or concerns were addressed to create the best working environment.

Valuing employees' opinions

We actively promote two-way communication with 3M UK and Ireland employees in a number of ways:

- the employee forums and works council network provide a framework to connect employees and management and a platform to raise issues to a national forum which reports into a European Employee Forum
- we have moved from a complex, adversarial industrial relations structure to a single union agreement – more a partnership approach – which is mutually beneficial (the Welsh Assembly used 3M Gorseinon as a benchmark)
- the intranet provides an anonymous way to ask questions of the UK and Ireland management team and the answers are posted back on the intranet
- every two years we carry out an employee opinion survey and take action on any negative indicators; the 2004 survey (which reflects 2003 working conditions) showed an overall increase of 15 per cent for employee satisfaction.

*safety is given
the highest
level of priority*



Performance management

We believe it is important that people understand how their contribution adds value to the business. Therefore every individual has clear objectives, linked to team and business objectives. These are reviewed at least every year. In addition, the Employee Contribution and Development Process (EC&DP) is a process for measuring and shaping individual contribution and development. We also gather feedback from employees to ensure the EC&DP is working.

72 per cent of employees responded to our second EC&DP survey and 73 per cent had written expectations in place.



Work / life balance

The issue of work / life balance has been raised through employee forums and we are taking action:

- we aim for every employee to have clear goals and priorities through our Performance Management system
- employees keep a record of working hours, in line with the Working Time Directive, and managers are expected to review these
- all permanent employees, and their immediate families, have access to a comprehensive, independent and completely confidential counselling and legal advisory help line
- on-line training in stress management is available on the intranet
- additional training on work / life balance is being piloted.



Staff grievances

We have processes and systems in place to handle employee grievances and in 2003 there were no formal staff grievances.

2003 3M UK and Ireland workplace performance

		2003
People	Number of employees worldwide (full time equivalents)	68,774
	Number of employees UK and Ireland (full time equivalents)	3,433
Diversity	Workforce profile – male / female	66% / 34%
	Workforce profile – full / part-time / temporary	85% / 4% / 11%
	Percentage of women in management	15%
Working conditions	Annual rate of absence / lost days	2%
	Annual staff turnover	5%
	Spread of wages	6 to 1
Training & development	Percentage of training and development expenditure to total operating costs	0.5%
	Number of employees attending training courses during the year	50%
Industrial relations	Percentage of recognised trade unions to existing trade unions	100%
	Number of redundancies	47
	Number of days lost to industrial action	Nil
Human rights	Number of staff grievances	Nil
	Upheld cases of corrupt or unprofessional behaviour	Nil
	Number of legal non compliances on equal opportunities legislation	Nil



Health and safety

Employees are encouraged to take responsibility for their own health and safety, as well as that of their peers. Our Corporate Health & Safety Policy, Global Safety and Health Plan Self Assessment and EHS Management System work together to help maintain the safety and health of 3M UK and Ireland employees and provide a safe and healthy workplace.

Health and safety systems in action

Employees at 3M Health Care's Loughborough sites achieved more than 2.1 million hours worked without a lost time accident. This significant accomplishment earned the Loughborough facility the 3M CEO Safety and Health Award. It is the third year running that the safety conscious employees have passed the million hour mark.

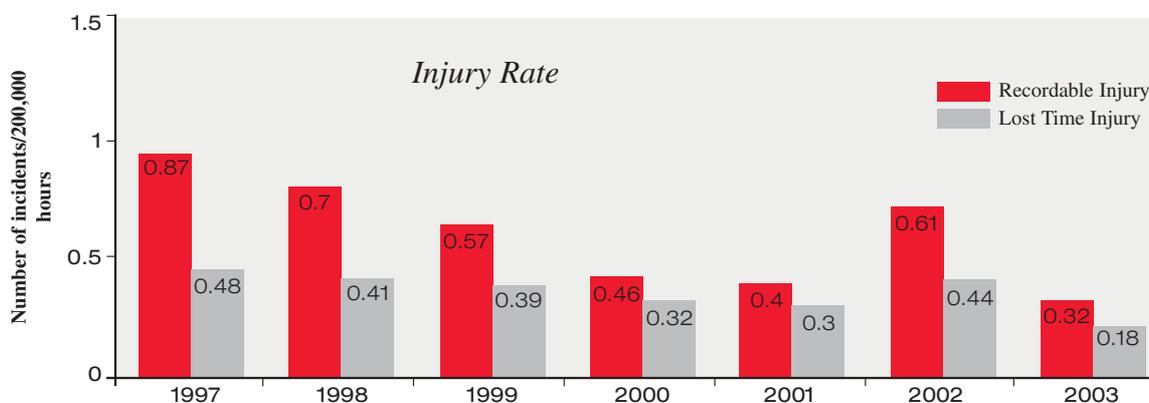
In 2003 the following Royal Society for the Prevention of Accidents (ROSPA) awards were achieved:

- Presidents award: 3M Bangor (N Ireland)
- Gold Medal: Atherstone, Aycliffe, Bedford
- Gold Award: 3M UK PLC, Clitheroe, Gorseinon, Hillington, Loughborough, Minworth, Manchester.

3M Aycliffe also received the Gold Award for Health from Sedgefield NHS Primary Care Trust. This is recognition that Aycliffe has adopted a very proactive approach to 24-hour health and has a strong commitment to prevention rather than cure.



2003 3M UK and Ireland health and safety performance



Note: Recordable Injury includes all injuries that require significant medical attention.
Lost Time Injury includes injuries that result in one or more days absence.

2003 target for Recordable Injury was 0.32 and for Lost Time Injury was 0.24. This was a 20% reduction based on the 2001 performance, rather than taking 2002 as the reference point. In 2002 safety targets were exceeded reflecting the general increase in safety incidents in 3M worldwide. The company believes that this increase was linked to the restructuring process.

Community



In 2003, 3M UK and Ireland carried out a review of its community programme to ensure it continues to be aligned to business priorities. The plan is for a new national programme, deliverable at the local level and relevant to the communities closest to our UK and Ireland sites, to be in place for 2005. The company will also continue with employee matched funding through its 'care&share' initiative.

In 2003, we supported the communities close to our UK and Ireland operating sites with a range of programmes which included:

- financial donations
- in-kind gifts of 3M products, services and facility-usage
- volunteer services of employees.

Sponsorship and support

We believe in bridging the gap between the classroom and the work place – learning and earning – by forging links with schools, colleges and universities and through activities relevant to the academic curriculum, specifically in science and technology.

In 2003, for the fourth year we sponsored the Quantum Theatre to bring science to pupils across the UK and Ireland in an entertaining and educational way. The theatre-in-education company travelled to numerous primary school sites local to 3M sites with 70 schools

hosting performances to around 14,000 pupils in 2003.

Many of our education initiatives are also linked to innovation; for example, we continue to sponsor the

*focus on
education and
environment
through a
national
programme
relevant to the
communities
closest to our
UK and
Ireland sites*



Quantum Theatre at Crawfordsburn School, Bangor



Welsh Primary Innovation Awards. In 2003, 30 schools took part in the final with more than 3,000 children being involved.

Environment

We are keen to promote healthier, safer and more environmentally aware communities, in line with our strong reputation for a sound environmental policy. 2003 was the final year of our link with the environmental charity Earthwatch. For more than a decade, 3M funded a programme of fellowships for UK and Ireland teachers to study global environmental impacts. On returning to the classroom, participating teachers held discovery days to bring together Earthwatch, the local 3M site and schools.



3M Welsh Primary Innovation Awards Final 2003: Coed Ffranc Primary School, Neath (Key Stage 1 winners) with their 'digifinger' project for use with schools whiteboard

Many of the projects under the 3M 4Good initiative also have an environmental benefit.

3M 4Good

In 2002, we launched a new volunteering initiative, whereby every employee was given the opportunity to spend a paid working day volunteering in the local community. Projects range from creating a rehabilitation garden at a local hospital to helping create natural woodland areas in designated sites.

Working with Charnwood Wildlife Project (Leicestershire), for example, volunteers from 3M Health Care were involved with felling and removing non-native sycamore trees and rhododendron from the oak/birch woodland, and stacking the uprooted material into habitat piles, under the supervision of Charnwood Wildlife Project staff.

3M 4Good



Charnwood Wildlife Project



Charity fund raising

On top of the company commitment and employee involvement in community work, we also give to charity. 3M people have a reputation for raising extraordinary amounts of money through events and activities (both ordinary and extraordinary! – from charity bike rides to sponsored abseils). They generously give their time and money and the company encourages this by matching fund raising efforts for appropriate registered charities on a £ for £ basis through the ‘care&share’ initiative.

Tandem sky dive by Elizabeth Heare from 3M Health Care to raise much needed funds for the Leicester Multiple Sclerosis Therapy Centre (reproduced with kind permission of Ian Hodgkinson, British Parachute Schools, Nottingham)



2003 3M UK and Ireland community performance

Contributions to charitable, community and education initiatives (including employee time and gifts in kind) was £533,000 (0.86 per cent of pre-tax profits)

UK and Ireland sites

- Distribution centre
- Manufacturing sites
- Customer centres / sales offices





*If you would like information on 3M products or services,
please call our customer information line on 08705 360036.*

*We welcome your comments on this report.
Please write to, or email, the address below.*

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