

Sustainability In-depth: Supply Chain Sustainability

3M has a formal process as part of its Sourcing Policy that sets standards for its suppliers in the areas of environmental, health and safety, transportation, and labor and human resources. The standards apply to the selection and retention of all suppliers that provide goods or services to 3M worldwide and establish a framework that 3M considers important to a safe and healthy workplace, to the maintenance of fair and reasonable labor and human resource practices, and to the management of manufacturing and distribution operations to minimize adverse impact to the environment. 3M expects suppliers to establish programs that are consistent with [3M's Environmental, Health, Safety, Transportation and Labor Standards \(Standards\)](#).

3M monitors sustainability matters associated with its supply chain, including assessing performance with EHS and labor expectations, pursuing relationships with small, women-owned and minority-owned supplier businesses, and working with our customers to improve their sustainability efforts.

Supplier EHS/Labor Performance


Assessing supplier EHS and labor performance is complicated because of the complexity of supply chain matters associated with 3M's global operations, and because of the number and the multi-tiered nature of suppliers used, it is very difficult to ensure that significant issues are being identified in a timely manner in our supply chain. Nevertheless, the continued implementation of our supplier assessment process and the use of the mix of tools described below represent a significant effort to ensure that our suppliers are abiding by the 3M expectations placed upon them. 3M estimates that it uses approximately 15,000 suppliers worldwide to assist in the manufacture of goods.

The following steps are included as elements of the 3M program to assess supplier conformance with the Standards:

1. The suppliers may be ranked using a prioritization matrix tool.
2. The "prioritized" suppliers may be asked to and/or complete a self-assessment survey.
3. An on-site audit may be conducted.
4. If any deficiencies are identified during an on-site visit, a correction plan is put into place and a follow-up audit and/or communication with the supplier is conducted.

The 3M program integrates several assessment tools:

1. **Prioritization matrix:** This matrix tool takes into account a combination of factors, including the country where the supplier operation is located, the type of supplier manufacturing operations, and the total dollar spent by 3M with the supplier.
2. **Supplier Assessment Surveys (SAS):** The questions and supplier answers are intended to provide a framework for understanding the supplier's programs and the importance the supplier places on these issues. The objective of the questions is to determine whether the supplier generally meets the intent of the Standards.
3. **Audit process:** To assure compliance with the Standard, a supplier audit checklist has been developed that contains audit guidance on EHS management, general working conditions, specific working hazards, health and safety inspections, EHS training, emergency response, transportation management, hazardous materials management, HR management and compliance, employment practices, child labor, forced labor, discrimination and freedom of association.



Hundreds of self-assessments and/or on-site audits of existing suppliers have been conducted in China, Taiwan, India, Korea, Brazil, Mexico, Russia and Turkey over the past several years. While the majority of companies are found to meet 3M's requirements, others are provided input on actions that 3M expects to be taken to retain 3M business. Most companies are willing to work with 3M to improve their processes and pass 3M's requalification assessment after the work is completed.

An audit of an existing plastic product supplier in China revealed several gaps to our labor standard. The supplier's management quickly made corrective actions to bring the company into compliance and with better controls. The company became a stronger supplier to 3M. To paraphrase comments from the supplier "We are constructively handling the identified gaps. We invite a re-audit next month to validate our improvements and hope 3M Company can keep supporting us in the future."

Overall, the most common EHS findings have been insufficient machine guarding and low use of personal protective equipment. Similarly in the labor standards area, common findings include weak human resource documentation and overtime pay controls. Once identified, most suppliers work very quickly to address any findings.

Unfortunately several companies have been determined to be either unwilling or unable to improve their efforts in a timely fashion and have been de-listed or terminated by 3M. When 3M Brazil was searching for a new product supplier in China, 3M's China staff removed one of the supplier candidates from consideration based upon an assessment that revealed weak environmental controls.

In addition to existing suppliers many potential suppliers have been assessed using one of the 3M-developed tools and several business groups within the U.S. have incorporated EHS and labor considerations into their [life cycle management](#) reviews and have performed assessments of their key suppliers.

Supplier Diversity

Sourcing from diverse businesses that are small, minority-owned, woman-owned, small veteran-owned, service-disabled veteran-owned, and certified HUBZone is an important part of the way 3M purchases goods and services. These businesses comprise a vital, growing segment of our economy and great potential for helping 3M obtain best value, innovation, growth, and diverse goods and services. In addition small and diverse businesses provide economic and social energy to the communities in which we operate.

3M is committed to aggressively and proactively identifying diverse business sources for all goods and services purchased, and works to solicit capable firms and execute orders and contracts with those firms as required to support 3M business needs. Buyers within 3M have access to various supplier diversity directories and resources to assist in identifying sources. In addition, current 3M diverse suppliers will be used whenever possible.

When awarding business to suppliers, 3M considers the community impact of the sales footprint to the supplier that the business represents. Changing demand patterns may have a significant impact on the supplier if 3M's footprint is too high. 3M attempts to limit the business volume to prevent excessive impacts to local communities.

3M's [Partners and Suppliers](#) website is the gateway to learn more about 3M's supplier requirements and our diversity initiative.



Supplier Information

3M has established product responsibility databases and tools to better manage environmental and health and safety information related to 3M products. Extensive efforts have been undertaken with 3M suppliers to gather raw material composition information and other environmental, health and safety information to provide to customers of 3M products and/or to ensure compliance with the European Union Restriction on Hazardous Substances (RoHS) Directive, the Registration, Evaluation and Authorisation of Chemicals (REACH) legislation in the EU, and various other chemical content and packaging laws and regulations around the globe.

Solutions for our Customers

3M offers our customers a portfolio of products to help them reduce their impact on the environment. In 2007, 3M launched a new catalog showcasing 3M products designed to address environmental challenges in the following markets: cleaning and maintenance, construction and industrial production, communications, office supplies, transportation, and health care. The items in the catalog all demonstrate some type of positive environmental attribute beyond the industry norm, such as recyclable, biodegradable, containing no heavy metals, and/or do not bio-accumulate. The Environmental Solutions Catalog can be downloaded at www.3M.com/EnvSolutions.

In addition 3M has worked to e-enable many business e-commerce processes. In the US, 90 percent of purchase order invoices are received electronically and 67 percent of payments are paperless. This has eliminated tens of thousands of paper documents per year. In 2007, a third party benchmark identified 3M's e-commerce results well above other US best in class companies.

Over the past few years 3M has used Six Sigma methodologies to assist customers to reduce waste from their operations. Specifically, Lean Six Sigma methodologies can be employed to eliminate waste while delivering quality products on time and at less cost. These methodologies have been in use within 3M facilities for several years, often as a complement to 3M's long-standing [Pollution Prevention Pays \(3P\)](#) program, and have enabled the company to save millions of dollars and reduce its solid waste, water discharges and air emissions. Lean Six Sigma projects drive improvements in the way products are designed and manufactured, in the way supply chains are devised, and in ensuring the safety of employees in the workplace.

Working with customers requires a trusting partnership between the company and 3M as detailed information about the customer's operations may need to be shared with 3M. Recently a 3M 3P team at the 3M Suzhou, China facility found a customer-pleasing way to reduce waste. They replaced PVC plastic packaging with hard cardboard for 27-inch, 32-inch and 42-inch LCD TV screens. Customers were pleased because the new packaging material is much easier to dispose of. As a result, 500 tons of plastic a year that would normally have gone to landfills was eliminated. And along the way, 3M enjoyed a first-year savings of \$435,000.

Continuing our Progress

3M is an innovative company and will continue to identify, to improve, and to work with its' supply chain partners to advance sustainability efforts.