

# **Patagonia, Inc.'s Statement on Forced Labor, Modern Slavery, Child Labor**

**patagonia<sup>®</sup>**

# I. Introduction

Patagonia proactively mitigates the risk of human trafficking, modern slavery, forced labor, and child labor in our supply chain. In compliance with the California Transparency in Supply Chains Act (SB 657), the UK Modern Slavery Act of 2015, the Australia Modern Slavery Act 2018, and the Canadian Supply Chains Act, the following document discloses Patagonia Works' policies and actions relating to these risks in its business and supply chain during May 1, 2023 to April 21, 2024.

## II. Company Structure

Patagonia Works, a California benefit corporation, is a commercial brand and retailer of outdoor apparel and gear for sports including surfing, climbing, fly fishing, skiing and trail running. Patagonia's global headquarters in Ventura California is responsible for designing and procuring products that it sells around the world. Patagonia, through its international subsidiaries and branches, does business in California, Australia, Canada, and the U.K. Patagonia sells its products through its own direct channels – retail stores and online – and through wholesale distributors in more than 40 countries.

Patagonia's supply chain includes 52 finished goods factories, located in 11 countries. A list of Patagonia's finished goods factories is updated regularly and published on our website alongside a map that includes suppliers further back in the supply chain. Those factories are supplied by material suppliers located in 30 countries. Patagonia has only one supplier in 17 of those countries and considers the remaining 13 countries as "key" countries. Information about how Patagonia works with its finished goods suppliers and material suppliers is detailed on our website.

## III. Patagonia's Efforts to Combat Forced & Child Labor

Patagonia regularly assesses risks in its supply chain and has implemented policies and due diligence practices to mitigate the risk of modern slavery, forced labor, or child labor being used to make Patagonia products.

### a. Evaluating Finished Goods Factories Before Onboarding

All new factories undergo a pre-screening process that includes due diligence conducted by our social responsibility, environmental responsibility, sourcing, and quality teams. The due diligence process is facilitated during weekly meetings with representatives from the relevant departments and is also used to continually evaluate existing suppliers.

### b. Patagonia Policies on Forced Labor and Child Labor

All new Patagonia suppliers must acknowledge Patagonia's Supplier Workplace Code of Conduct and the supporting Benchmark Standards, which define and set standards prohibiting child labor, forced labor, and modern slavery in Patagonia's supply chain. Our Code of Conduct is based on standards set by the UN's International Labour Organization, the Fair Labor Association, and other internationally accepted good labor practices. Patagonia communicates any updates to these policies to its suppliers.

Patagonia has also implemented a Migrant Worker Employment Standards and Implementation Guide, which is an addendum to the Benchmark Standards and addresses forced and bonded labor risks foreign migrant workers face. It sets standards for responsible recruitment and fair employment. Patagonia's efforts to mitigate risks of bonded labor and protect migrant workers is detailed on our website.

## **c. Worker Grievance Mechanisms and Support**

Factories producing goods for Patagonia are required to post the Patagonia Code of Conduct in a conspicuous place visible to workers. Alongside this poster, factories are also expected to publicize Patagonia's worker grievance hotline. Patagonia funds the hotline, which is managed by a third-party service provider who can field calls in the worker's language on any matters about which a worker chooses to report. Information is then disseminated to Patagonia for review and any appropriate remediation is necessary.

Patagonia also provides workers with alternative grievance channels including the Fair Labor Association's third-party complaint system (detailed on the FLA website) and an email address to reach Patagonia's Social Responsibility team directly.

In addition, we require our suppliers to create and maintain their own internal grievance mechanism. We have developed clear standards, a guidance document and in-person training module to support our suppliers in this effort. We evaluate the strength of their grievance system in our audits (described below).

## **d. Fibers Sourcing Policy**

In 2020, Patagonia formalized a Fibers Sourcing Policy, which prohibits our suppliers from purchasing cotton from China, Turkmenistan and Uzbekistan or conducting any manufacturing processes in Xinjiang, China. Relevant factory partners have acknowledged receipt of the Policy and confirmed their compliance with it.

## **e. Third Party Partnerships/Certifications/Verifications**

In addition to Patagonia's direct work with supply chain partners, Patagonia supplements its supply chain due diligence by working with several third parties.

### **i. Fair Labor Association**

Patagonia is a founding and accredited member of the Fair Labor Association® (FLA), a Washington, DC-based nonprofit that was established in 1999 to protect workers' labor rights around the world.

Each year, we undergo the FLA's annual assessment, which measures our progress against the FLA Principles of Fair Labor and Responsible Sourcing. As a result, our program remains accredited and is recognized for meeting or exceeding the FLA's principles. Details about FLA's standards and Patagonia's accreditation are available on the FLA's website.

### **ii. Fair Trade Certified**

Patagonia partners with Fair Trade USA to nominate factories to be Fair Trade certified. A core component of Fair Trade's standards is the prohibition of forced labor and child labor.

Patagonia has partnered with Fair Trade USA to certify more than 30 factories, which produce more than 90% of all Patagonia styles. As a separate part of its partnership with Fair Trade USA, Patagonia has paid more than \$30 million in premiums to worker-controlled accounts in Fair Trade Certified factories. Patagonia's partnership with Fair Trade USA is described on Patagonia's website.

## **f. Audits**

Patagonia audits suppliers before entering relationships with them (see Partner Evaluations Before Onboarding above). Patagonia audits 100% of its finished goods factories. Patagonia audits its key material and trim suppliers that make up 80% of our total material cost.

Patagonia monitors suppliers using a combination of internal auditors and professional third parties. We contract with four full-time Field Managers based throughout Asia who are dedicated to monitoring and supporting our supply chain on social and environmental responsibility.

Patagonia also partners with NGOs and monitoring firms to conduct audits. Additionally, as accredited members of the Fair Labor Association our factories are subject to audits by the FLA. They select a sample to audit each year and publish those results on their website. Fair Trade Certified factories are also subject to audits by Fair Trade USA.

Our factories are audited against Patagonia's Workplace Code of Conduct, local law, and collective bargaining agreements where applicable. In all social audits, detection tools and specific audit protocols are deployed to uncover and substantiate findings including:

1. Interviews with management and a diverse set of workers from various departments. We will also interview migrant workers in their native language and labor brokers in the destination country, as applicable.
2. In-depth review of documents that may signal forced labor or debt bondage such as proof of age, payroll, time records, production records, disciplinary notices, grievances, employment contracts, human resource policies and personnel files.
3. Visual observations throughout the audit and particularly during the factory tour and health and safety walkthrough.
4. Patagonia has a section in our social responsibility audit tool that focuses on the identification of human trafficking indicators. Using the triangulation method above, our internal and third-party auditors must assess and fill out this section for every audit.

Most of our audits are conducted by appointment with the factory. We use this approach as it conveys our desire to build trust and partnership with our suppliers. In our experience, unannounced audits have not yielded higher rates of findings, if anything, it encourages supplier non-transparency and suspicion. To identify problem factories, we rely on the professional skills, experience, and expertise of our field management staff; our third-party auditors; our robust audit methodology; and our factory pre-screening process. In exceptional cases we will conduct an unannounced audit.

Beyond auditing, Patagonia engages in numerous activities with our factories to encourage compliance with our Code of Conduct and mitigate the risk of violating forced and child labor laws. These activities include special trainings, continuous improvement programs, capacity building initiatives, like the ILO Better Work program and Fair Trade, and collaboration efforts with other brands and the FLA.

## **g. Employee Training**

We provide training on human trafficking and forced labor to staff that engage with our suppliers and who are best positioned to detect and/or remediate such issues. Staff members who receive this training include our social and environmental field staff, materials, sourcing and product development teams, and executive leaders who enforce our commitment throughout the company on these issues.

## **h. Remediation Measures**

Patagonia's policies prohibit any form of forced labor, including slavery and human trafficking and its due diligence procedures are meant to mitigate the risk of it being used in Patagonia's supply chain. If found, the factory would be subject to our factory disciplinary policy. Disciplinary actions include immediate remediation and termination of business if the supplier is unable or unwilling to remediate. It is Patagonia's policy to form long-term relationships and work with our contracted factories on continuous improvement. If human rights abuses are detected, the problems are escalated internally and immediate action is taken, including intervention by our business units. In all cases, we conduct a root cause analysis to uncover the underlying cause(s) of the violation to determine the best course of action. Patagonia's approach to remediation is detailed on our website.

## **IV. Signature**

In accordance with the requirements of the Acts identified above, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects, for the reporting year listed above.



Hilary Dessouky  
General Counsel, Patagonia Works  
May 30, 2024