

Patagonia, Inc. Statement on Modern Slavery

**Including Child Labor, Forced Labor and
Human Trafficking**

patagonia[®]

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A. Introduction

This statement is made on behalf of Patagonia, Inc. and its subsidiaries including its international business operations for the period May 1, 2021 to April 30, 2022. This statement details our efforts to combat modern slavery in our supply chain pursuant to the California Supply Chain Transparency Act, UK Modern Slavery Act 2015, and Australia Modern Slavery Act.

"Human Trafficking is a crime against humanity. It involves an act of recruiting, transporting, transferring, harbouring or receiving a person through a use of force, coercion or other means, for the purpose of exploiting them." - **United Nations Office on Drugs and Crime**

"If we want to make a significant change in the lives of the 21 million men, women and children in forced labour, we need to take concrete and immediate action." "That means working with governments to strengthen law, policy and enforcement, with employers to strengthen their due diligence against forced labour, including in their supply chains, and with trade unions to represent and empower those at risk." - **The ILO Director General**

1. Human Trafficking Background

Human trafficking is the second most prevalent form of illegal trade in the world, just after the illicit drug trade and equal to the sale of illegal arms. Sometimes referred to as modern day slavery, it is also the fastest growing illegal business in the world. According to International Labor Organization (ILO) **data**, in 2021, there were approximately 27.6 million human trafficking victims worldwide. Men are affected, but women and children are particularly vulnerable. These crimes affect nearly every country in the world, and are unbounded by industry or sector.

Human trafficking is a result of poverty and/or a lack of education, government action and political will. It's often thought of as a problem in the illegal sex trade, but human trafficking can be found in garment factories, fabric and trim mills, and farms in the supply chain. Factories that use third-party labor brokers or unmonitored subcontractors are particularly susceptible.

2. Cal. Civ. Code § 1714.43 (SB 657) - California Transparency in Supply Chains Act ("the California Act")

The California Act "require(s) all retail sellers and manufacturers doing business in the state to disclose their efforts to eradicate slavery and human trafficking from their direct supply for tangible goods offered for sale." The California Act requires Patagonia to disclose its efforts in five areas: verification, audits, certification, internal accountability, and training."

3. UK Modern Slavery Act 2015 ("the UK Act")

The **UK Modern Slavery Act 2015** requires businesses with a presence in the UK to publish a statement detailing "what steps an organisation is taking to tackle modern slavery." This statement details Patagonia's structure including its supply chain, its policies, due diligence, and training related to modern slavery, and where there is risk of modern slavery in Patagonia's business.

4. Australia Modern Slavery Act 2018 ("the Australian Act")

The **Australia Modern Slavery Act 2018** requires entities "to report annually on the risks of modern slavery in their operations and supply chains, and actions to address those risks." This statement details Patagonia's structure, operations, and supply chain and identifies potential risks of modern slavery practices, what actions Patagonia takes to assess and address those risks and the effectiveness of those actions.

5. Patagonia History and Operations

Patagonia is an outdoor apparel and gear company for sports including surfing, climbing, fly fishing, skiing and trail running. Patagonia was founded in 1973 in Ventura, California and, in 2012, Patagonia became a registered California benefit corporation. Our products are sold in over 40 countries through our stores, retailers and online. Our supply chain of finished goods factories and material suppliers spans across 25 countries. A **list** of our finished goods factories is updated regularly and published on our website alongside a **map** that includes suppliers further in the supply chain.

Patagonia has long focused on preventing and, where necessary, remediating a wide range of issues in our supply chain, including forced labor, child labor and other human rights abuses. Patagonia has a dedicated team located in five countries that work to uphold our social and environmental responsibility program.

In the mid-1990's, we developed and implemented a **Workplace Code of Conduct** and factory monitoring program in our finished goods factories to combat human trafficking, forced labor and child labor. In 2011 Patagonia expanded its monitoring program to include our "Tier 2" suppliers who provide our finished goods factories with the materials that are used to make our products. Our monitoring of Tier 2 revealed the employment of foreign migrant workers, which led us to develop Patagonia's Migrant Worker Employment Standards in 2014. In consultation with **Verité**, an independent non-profit specializing in human trafficking in supply chains, the Standards were developed to protect migrant workers throughout their employment life cycle, including: pre-hiring interactions, labor contracts, wages and fees, retention of passports, living and working conditions, grievance procedures, and repatriation. In 2020, the Standards were revised to ensure they continued to include international best practices and recommended guidance from workers' rights groups, including the Fair Labor Association and the UN's International Labor Organization. The revised **Standards** and a detailed **timeline** of our work on these issues can be found on our "Protecting Migrant Workers" **webpage**.

6. Patagonia Policy on Forced Labor and Child Labor

Patagonia prohibits child labor, forced labor and human trafficking in all of its forms in our **supply chain**. When we evaluate potential new factory partners, we will not place purchase orders if we find indicators of these practices. If we find forced labor in one of our existing partner's factories, that factory is subject to our escalation policy, including a remediation plan to demonstrate commitment to eradicating the practice. In all cases, where a factory is a part of Patagonia's supply chain, incidences or conditions contributing to slavery or human trafficking are grounds to end business relations if it is not eliminated immediately.

We fully support the efforts of a growing number of anti-slavery activist groups, nongovernmental organizations (NGOs), and our state and federal government to shed light on human trafficking, slavery, and child labor in the supply chain. We are hopeful that these and other human rights concerns will continue to receive attention and analysis in the public and private sectors.

We welcome your feedback on our disclosure statement. Please email us at **social_responsibility@patagonia.com**.

B. Patagonia's Disclosures

The disclosures below follow the format of the California Act, and provide the information sought by the UK Act and the Australian Act.

1. Verification

The California Act requires Patagonia to "disclose to what extent, if any, [the company]...[e]ngages in verification of product supply chains to evaluate and address risks of human trafficking and slavery. The disclosure shall specify if the verification was not conducted by a third party."

a. Verification Protocols

Patagonia is committed to fair labor practices within our supply chain. We are a founding and fully **accredited** member of the **Fair Labor Association (FLA)**. The purpose of this multistakeholder organization is to improve working conditions in factories worldwide. The **NGO's code of conduct**, which Patagonia has adopted in full and supplemented with additional standards, requires suppliers to prohibit any forms of forced labor, human trafficking, or child labor in the supply chain. Additionally, our Code has detailed benchmark standards that align with each code element.

We have **written policies and procedures** outlining how we identify, evaluate, address and remediate human trafficking and child labor. As an accredited member of the FLA, these policies and procedures also comply with the **FLA's Principles of Fair Labor and Responsible Sourcing**.

To maximize coverage of our supply chain and to ensure checks-and-balances, we engage with third-party monitors and employ a team of full-time Field Managers strategically placed throughout Asia to audit our factories for human trafficking and slavery. These skilled and experienced monitors identify abuses using a multi-pronged approach, including interviews with workers and management, observational tours of the factory, documentation review and geographic and industry risk assessments. Our audit tool and protocol includes a robust section on child labor and migrant workers with specific questions that look for indications of human trafficking. In addition, the FLA randomly audits a sampling of the garment factories in our supply chain each year and posts the results for public viewing on their **website**.

To ensure that our supply chain complies with our policies and procedures, all of our new factories undergo a four-fold prescreening audit process. The process includes screening by our social and environmental responsibility, sourcing and quality teams. The social and environmental responsibility team have equal voting power as the other departments in the final selection of new factories. This measure ensures that we do not start new business relationships with factories that have substandard human rights and environmental practices.

For current factories, we audit our cutting, sewing and finishing factories, and their subcontractors, for compliance with our Code of Conduct and benchmark standards. This includes compliance with our policies on forced and child labor and responsible recruitment. This practice has been part of our social responsibility program since the mid-1990s. Starting in late-2011, we traced our materials supply chain and currently monitor our key "Tier 2" mills that collectively constitute approximately 80% of our annual material cost. We require immediate remediation if we find any noncompliance with our Code of Conduct, including slave labor, human trafficking and child labor. Additional factory social and environmental responsibility information can be found on our **website**.

b. Frequency

Patagonia tracks and records its direct suppliers and material manufacturers on an ongoing basis. New and existing suppliers submit mapping documents that detail their supply chain and are required to keep Patagonia abreast of any changes. Patagonia uses this information to identify sites that will be monitored throughout the duration of our relationship with the supplier.

All new finished goods factories undergo a pre-sourcing audit and only when a factory is able to satisfactorily meet our standards can orders be placed. The supplier is then put on a monitoring cycle and programs tailored to the supplier's performance level. This includes audits, trainings, capacity building consultations, and other types of engagements that help the supplier identify root causes and achieve full compliance. Depending on the factory's needs and performance, these events can occur monthly up to annually, and for auditing events, they always include an evaluation of forced labor and human trafficking.

Patagonia headquarters is also formally audited by FLA staff every three years for compliance with the FLA's 10 Principles of Fair Labor and Responsible Sourcing. In addition, we are required to complete an extensive annual self-assessment to maintain our accreditation in between formal audits. Lastly, as a B-Corporation, we are required to submit a self-assessment every two years, allow onsite audits by B-Lab our certifier, and publish an annual B-Corp report which includes efforts on social and environmental responsibility.

c. Labor Brokers

The use of labor brokers to hire migrant workers increases the risk of human trafficking and forced labor. In recognition of this, we have taken concrete steps to improve identification of the presence of labor brokers in our supply chain through our social audit tool and protocol. Our social audit tool includes a section devoted to uncovering and understanding labor broker participation while our worker and management interview protocol covers questions on the recruitment process that would reveal whether a labor broker was involved and any fees paid to the labor broker(s) in the sending and receiving country which could contribute to a human trafficking situation.

If we find a factory to be at high risk for human trafficking through these initial audits, we will follow-up with an in-depth migrant worker audit. We developed the migrant worker audit in late-2014 after we discovered that many of our Taiwan mills were hiring migrant workers through labor brokers. This focused audit looks at the migrant worker life cycle from the recruitment process before the worker left his home country to the working conditions while he is employed to the repatriation policy when his contract expires. The audit also evaluates the destination labor broker who is required to be present during the initial audit.

2. Supplier Audits

The California Act requires Patagonia to "disclose to what extent, if any, [the company]... [c]onducts audits of suppliers to evaluate supplier compliance with company standards for trafficking and slavery in supply chains. The disclosure shall specify if the verification was not an independent, unannounced audit."

a. Audit Methodology

Our social audit program consistently monitors all of our finished goods factories and their sub-contractors (Tier 1), and, key material and trim suppliers (Tier 2, that account for close to 80% of our total material cost). These factories and mills all undergo our social audit and, if red flags for human trafficking are found, suppliers will undergo our in-depth, specific migrant worker audit. Our factories and mills are subject to annual auditing or more frequently if any labor or environmental issues are found. Key "sophisticated suppliers" (ones that have demonstrated advanced CSR management systems to remain in compliance) are audited less frequently but independent third party audit reports are collected annually to reduce audit fatigue. Our sophisticated suppliers are instead offered free trainings and other engagements that helps the factory further elevate their CSR program.

Through our **Migrant Worker Employment Standards**, we have established clear and specific standards for our Tier 1 and Tier 2 monitored suppliers to prevent the occurrence of forced labor and child labor. These standards relate to ethical recruitment, labor broker due diligence, human resource policies, record inspection and tracking.

In all social audits, we employ a triangulation method for detecting and substantiating findings which consists of:

- i. 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.
- ii. 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.
- iii. Visual observations throughout the audit and particularly during the factory tour and health and safety walkthrough.

Patagonia has a special section in our social responsibility audit tool which helps us to identify indicators of human trafficking. Using the triangulation method above, our internal and third party auditors must assess and fill out this section for every audit.

Beyond auditing, Patagonia engages in numerous activities with our factories to ensure compliance with forced and child labor laws and our Code of Conduct. 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.

b. Audit Statistics

Pre-sourcing

Patagonia conducts pre-screening audits for all new finished goods factories and fabric mills prior to initiating purchase orders.

Tier 1: Finished Goods

The scope of the Tier 1, finished goods, monitoring program includes 100% of the finished goods factories and their subcontractors producing for Patagonia.

Tier 2: Raw Materials

The scope of the Tier 2, raw materials, monitoring program includes suppliers that make about 80% of the total cost of raw materials purchased by Patagonia annually.

The majority 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, extensive experience and expertise of our field management staff; carefully selected third party auditors; the robustness of our audit methodology; and our factory pre-screening process. With that said, we will consider unannounced inspections and surveillance of suppliers if deemed necessary.

Exceptions during covid-19 pandemic:

In March 2020 as the world entered a pandemic, we were forced to reevaluate our monitoring protocol to ensure the safety of our factories and staff. We halted in-person visits and quickly adopted alternative methods to checking in with our suppliers including video calls, monthly surveys, and frequent dissemination of information to cope with the impacts of covid-19 on the workplace. We make a public **commitment** to responsible purchasing and protecting workers' rights and well-being in this unprecedented time.

In November 2021, we conducted our first audit since halting in-person engagements due to the pandemic. The audit was conducted in Taiwan followed by 7 additional audits through the end of the fiscal year mostly in Asia when it was deemed safe to return in person.

c. Auditor Information

Patagonia monitors suppliers using a combination of internal auditors and professional third parties. We employ four full-time Field Managers dedicated to monitoring and supporting our supply chain on social and environmental responsibility. This team is strategically based throughout Asia to reflect the distribution of our supply chain. All field staff receive ongoing refresher and skills-building training and field evaluations. Our Social Responsibility staff in headquarters are also trained auditors with an average of 12 years or more of industry experience.

To help expand our coverage and to create checks-and-balances, we also partner with several vetted and pre-approved NGOs and monitoring firms to conduct audits. Included is the FLA who randomly selects and audits a sampling of our supply chain in a given year and publishes the results online. We hire third parties to audit less than a quarter of our finished goods factories and more than half of our material suppliers.

If human rights abuses are detected, the problems are escalated internally through the four-fold process 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.

3. Certification

The California Act requires Patagonia to “disclose to what extent, if any, [the company]... [r]equires direct suppliers to certify that materials incorporated into the product comply with the laws regarding slavery and human trafficking of the country or countries in which they are doing business.”

a. Certification Requirements

Our direct suppliers are required to sign a statement that certifies the materials incorporated into our products comply with slavery and human trafficking laws in the country or countries in which they do business. We know that education and awareness can be the best form of prevention. To this end, we send our suppliers materials to educate them about areas where human trafficking can be found, as it can inadvertently occur in the hiring process if factory management uses a labor broker or third party.

Patagonia shares the following materials with direct suppliers and raw material suppliers: **Patagonia’s Migrant Worker Employment Standards, v.2.0**; a Frequently Asked Questions sheet on migrant worker issues; a questionnaire that identifies human trafficking risks in hiring practices; and a list of helpful websites on the issue. To further enhance our efforts, we include human trafficking awareness training when we onboard new suppliers and during annual Code of Conduct training for existing ones (an FLA requirement).

In 2020, we also formalized our fibers sourcing policy, which expressly prohibits our suppliers from purchasing cotton from China, Turkmenistan and Uzbekistan or conducting any manufacturing processes in Xinjiang, China. These are regions that US government agencies have deemed as high risk for human trafficking and forced labor. We have communicated this policy to our suppliers in writing and have received acknowledgment of compliance. We have also released a public **statement** of our commitment to this policy.

b. Accountability Efforts

Along with the compliance statement, suppliers are expected to demonstrate their compliance as well. Verification of this happens during audits where our suppliers are asked to present evidence, including, but not limited to: age documents, payroll and time records, production records, disciplinary notices, grievances, employment contracts, human resource policies, personnel files and training records. Interviews are also conducted with management and workers to substantiate the documents reviewed.

If migrant workers are employed we take additional measures to investigate the situation. As follow-up, the supplier will be asked to complete a survey to provide information on labor brokers and the migrant workforce including composition, fees paid, conditions of employment and so forth. If the survey reveals indicators of human trafficking or slavery, we will move quickly to arrange a focused migrant worker audit. The results of the audit and the supplier's willingness to make continuous improvements are analyzed and presented to the 4-fold team for discussion of next steps.

4. Internal Accountability

The California Act requires Patagonia to "disclose to what extent, if any, [the company]... [m]aintains internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking."

a. Identification of Policies

Patagonia headquarters is formally audited by FLA staff every three years against the FLA's **Principles of Fair Labor and Responsible Sourcing**, with an annual self-assessment in between years. In 2017, the FLA reaccredited our Social and Environmental Responsibility program. Since then we have also submitted self-assessments with supporting documents to demonstrate our ongoing compliance. Additionally, as a B-Corporation, we are required to submit a self-assessment every two years, allow onsite audits by B-Lab, our certifier, and publish an annual **B-Corp report** which includes efforts on social and environmental responsibility.

We have also developed and applied our Migrant Worker Employment Standards throughout the supply chain. In Taiwan where we have identified pervasive migrant worker employment in our fabric mills, we held our first annual seminar in late 2014 for our suppliers where we announced these Standards, provided education on the issues facing migrant workers and showed how to identify and prevent human trafficking. We continue to engage with these suppliers through regular trainings and audits. Our Field Manager based in Taiwan serves as an advisor to our suppliers to help them develop responsible recruitment policies and practices.

Patagonia prohibits any form of forced labor, including slavery and human trafficking. If this grave concern was to be found in our supply chain, the factory would be subject to our factory disciplinary policy. Disciplinary actions include immediate remediation and possible 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.

b. Worker Protections

Factories producing goods for Patagonia are required to post the **Patagonia Code of Conduct** and separate grievance hotline poster in a conspicuous place visible to all workers. The hotline is a resource provided by Patagonia through a 3rd party service provider who is able to field calls in the worker's language any time of day. Information that gets collected is then disseminated to Patagonia so that appropriate action can be taken.

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.

5. Training

The California Act requires Patagonia to "disclose to what extent, if any, [the company]... [p]rovides company employees and management, who have direct responsibility for supply chain management, training on human trafficking and slavery, particularly with respect to mitigating risks within the supply chains of products."

a. Training Methodology

Internal Training

Trainings on Patagonia's social and environmental responsibility efforts and the issues affecting our industry are conducted throughout the year. We employ different training and communication methods to educate or update our employees including:

- New hire trainings on our corporate responsibility program during employee orientations.
- We create and distribute Frequently Asked Questions sheets on particular social or environmental issues, including on migrant worker issues and human trafficking that has been shared with staff who work directly with our suppliers.
- The SER team holds meetings with our business partners to update them on the migrant worker program including supplier progress, remediation strategy and engagement and activity with stakeholders.
- We maintain a dedicated **webpage** on our Taiwan migrant worker efforts for both internal and external stakeholders.

External Training

Our training efforts also include reaching external parties such as suppliers, other companies, government, media and the general public.

All of our audited factories and mills are informed of the Act and given, at minimum, an introductory training on human trafficking and slavery. For our suppliers in higher risk regions we devote a substantial amount of time on training and remediation. Specifically for our suppliers in Taiwan, since 2014, we have held in-person workshops, webinars, and coordinated 3rd party trainings on many subjects related to the prevention, detection and remediation of human trafficking. Education has been vital for bringing change and we will continue to use this approach with our suppliers.

Migrant worker issues are complex and impacted by the actions of many stakeholders including companies, government, consumers and the media. We have made wide-ranging efforts to engage with each of these actors. Through the **media** and on our **website**, we have made public the challenges we face in our Taiwan supply chain and the strategy we employ to make improvements. This has helped to raise awareness of the issues and as a result has started meaningful discussions with US and Taiwan governments, companies across different sectors, NGOs and our customers.

b. Personnel Being Trained

We provide training on human trafficking and forced labor to staff that engage with our suppliers and who are in a prime position to help prevent, detect and/or remediate such issues. Staff members 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.

This disclosure confirms our efforts to eradicate slavery and human trafficking practices within our supply chain and it shall be reviewed annually and updated accordingly.

DocuSigned by:



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Hilary Dessouky
General Counsel, Patagonia Works

C. Related Resources

Information on the CA Transparency in Supply Chains Act, UK Modern Slavery Act and Australia Modern Slavery Act

- California Transparency in Supply Chains Act - Office of Attorney General
oag.ca.gov/SB657
- The California Transparency in Supply Chains Act - A Resource Guide
oag.ca.gov/sites/all/files/agweb/pdfs/sb657/resource-guide.pdf?
- UK Slavery and human trafficking in supply chains: guidance for businesses
www.gov.uk/government/publications/transparency-in-supply-chains-a-practical-guide
- Australia Federal Register of Legislation - Modern Slavery Act 2018
www.legislation.gov.au/Details/C2018A00153

Information and Statistics on Human Trafficking - General

- United Nations Office on Drugs and Crime
www.unodc.org/unodc/en/human-trafficking/what-is-human-trafficking.html
- US State Department, Office to Monitor and Combat Trafficking in Persons 2022 Trafficking in Person Report
www.state.gov/j/tip/rls/tiprpt/
- Verité Help Wanted
www.verite.org/forced-labor
- ILO Combating Forced Labor Employer's Handbook
www.ilo.org/sapfl/Informationresources/ILOPublications/lang--en/docName--WCMS_101171/index.htm
- Know the Chain
www.knowthechain.org/