

Open New **California Transparency in Supply Chains Act of 2010 (SB 657)**

Our SB 657 disclosure statement outlines some of the steps we're taking to monitor and assist our supply chain partners in meeting our human rights standards, particularly in the areas of human trafficking and child labor.

"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](#)

Human trafficking is a form of forced labor, and 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.¹ International Labor Organization (ILO) data shows that there are at least 12.3 million victims of forced labor worldwide, 2.4 million of which result from human trafficking. Men are affected, but women and children are particularly vulnerable.²

Human trafficking in any industry is a result of poverty and 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 even on farms in the supply chain. Factories that use third-party labor brokers or unmonitored subcontractors are particularly susceptible. Even in the United States, where foreign migrant workers may seek employment through third-party brokers, factories sometimes employ human trafficking victims.

Patagonia prohibits any form of forced labor, including slavery and human trafficking in our supply chain. This is a zero-tolerance issue. If this grave concern was ever to be found in our supply chain, the factory would be subject to our disciplinary policy. In all cases factories must immediately remediate the issue, and face possible termination of business.

Patagonia developed and implemented its Workplace Code of Conduct and factory auditing program in the mid-1990s, well before the California Transparency in Supply Chains Act (SB 657) was passed. Our Code and auditing program were meant to prevent and monitor forced labor and other human rights abuses. With the passage of the law, the social and environmental responsibility staff spent much of 2010 and 2011 identifying any gaps in what we were currently doing and what was outlined by the law. We extensively read and researched about human trafficking and slavery in the supply chain, and participated in seminars, webinars and discussions with other brands.

Our disclosure statement below includes information on how we monitor our factories for all forms of forced labor, including human trafficking and slavery, and on how we've enhanced our program. The new California law only requires us to disclose our due diligence in these areas, however we've added additional information to our disclosure statement about the steps we've taken to ensure there is no child labor in our supply chain. We did this

to further enhance transparency in our statement and prepare for pending federal legislation similar to SB 657.

We fully support the efforts of a growing number of anti-slavery activist groups, NGOs and our state and federal government to shed light on human trafficking, slavery and child labor in the supply chain. They've created helpful tools that brands and suppliers can use to prevent, identify and remediate these issues. We are hopeful that these serious human rights concerns will continue to receive more attention and analysis going forward.

The steps we've taken so far are part of our mission to fulfill a core company value: to lead an examined life. We hope our SB 657 disclosure statement demonstrates that we are working diligently to monitor and assist our supply chain partners in meeting our human rights standards, particularly in the areas of human trafficking and child labor. Your feedback on our disclosure statement is most welcome. Please email us at social_responsibility@patagonia.com.

Below is our disclosure statement pursuant to the California Transparency in Supply Chains Act (SB 657).

Disclosure of Patagonia pursuant to SB 657:

The disclosure described in subdivision (a) shall, at a minimum, disclose to what extent, if any, that the retail seller or manufacturer does each of the following:

(1) Engages 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.

Patagonia is a founding and fully-accredited member of the [Fair Labor Association® \(FLA®\)](#). The sole purpose of the multistakeholder organization is to improve working conditions in factories worldwide. Our [Code of Conduct](#) is based on the FLA's Code and states that any form of forced labor, which includes human trafficking and slavery, and child labor are prohibited in our supply chain. Our Code also has matching, detailed [benchmarks](#) in those areas that our suppliers must follow. In addition, our policies and practices must comply with the FLA's [Principles of Fair Labor and Responsible Sourcing](#).

These written policies and procedures outline how we identify, evaluate, address and remediate forced labor, including slavery and human trafficking, and child labor at the garment factory level and, more recently, at the fabric mill level (we hope to formally include our farms too in a few more years). Patagonia headquarters is formally audited under the FLA principles every three years by their staff, with [periodic reviews](#) in between. We are also required to submit a formal annual report to the FLA showing our compliance with the principles.

To ensure that our supply chain complies with our policies and procedures, all of our new factories undergo [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 has the same veto power as the other departments in the final selection of new factories. This preventative measure ensures that we do not contract with factories that have substandard human rights practices to begin with.

For current factories, we audit all of our cutting, sewing and finishing factories, and their subcontractors, for compliance with our Code of Conduct. This includes compliance with our policies on forced and child labor. This practice has been part of our social responsibility program since the mid-1990s. As of late 2011, we've started to audit our fabric mills too. We require immediate remediation if we find any noncompliance with our Code of Conduct, including slave labor, human trafficking and child labor, in an audit (also see next section). Reputable third-party audit firms conduct over 60 percent of our factory audits each year. In addition, the FLA audits 5 percent of the garment factories in our supply chain each year and posts the results for public viewing on their website. You can find additional factory social and environmental responsibility information on our Footprint

Chronicles® site.

Our social audit tool for factory and subcontractor monitoring includes sections on migrant, imported, contract and temporary/seasonal workers. The use of unmonitored labor brokers and subcontractors in these areas can present a human trafficking risk, as they are not commonly monitored by the primary factory, or other brands. We have fully mapped our cutting, sewing and finishing factories, and have audited most of our subcontractors for Code of Conduct compliance. We hope to complete all subcontractor assessments in over the next several years.

Audit finding and remediation data is maintained in a database, which helps us to identify and address human rights risks in our supply chain, including forced labor, human trafficking and child labor. The database is critical in prioritizing our due diligence work. This work goes beyond social audits to include factory trainings and intensive continuous improvement programs - many paid for by Patagonia.

We have recently updated our internal procedures to identify human trafficking as a zero-tolerance issue, along with all other forms of forced labor. We've also created specific remediation procedures if human trafficking and child labor concerns are found in an audit. Our Code of Conduct and Benchmark document will be updated in early 2012 to meet the FLA's revised version, and will also include human trafficking language and special benchmarks. Additionally, UL STR Responsible Sourcing revised our social audit tool in October 2011 to include a more comprehensive section on migrant and imported workers. It specifically looks for signs of human trafficking. Lastly, we've included a new section in our database that houses more audit data about migrant, imported and contract labor.

A copy of our internal policies and procedures on forced and slave labor, human trafficking and child labor can be found here.

(2) Conducts 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.

Human trafficking and slavery can occur in the supply chain if a factory is using a third-party labor broker or temporary agency to hire all or part of its workforce. We audit our suppliers to ensure they comply with our Code of Conduct, including the sections on forced and child labor. Our auditing program evaluates all garment factories, their subcontractors and, as of November, 2011, raw material suppliers (both fabrics and trims). Our audit tool has always included a detailed section on child labor, and since October 2011, we've revised it to include a more comprehensive section on imported and migrant workers, and specific questions that look for signs of human trafficking. If concerns were found, we would engage in a higher level assessment and remediation effort with a credible, experienced third party and/or labor NGO.

In 2010 and 2011, third-party monitoring firms conducted the majority of our audits. Those audits were all announced. Our internal social responsibility team also conducts announced audits and in late 2012 we hired three dedicated CSR Field Managers in Asia to increase monitoring, training and remediation in the supply chain. The Field managers will conduct both announced and unannounced audits. In addition, the FLA audits 5 percent of our supply chain annually. These audits are unannounced and posted for public viewing on the FLA website.

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 collaboration efforts with other brands and the FLA.

(3) Requires a direct supplier to certify that materials incorporated into a product comply with slavery

and human trafficking laws in the country or countries in which that supplier is doing business.

All our direct suppliers are now required to sign a statement that certifies the materials incorporated into their 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 prevention, so we've also asked all of our suppliers to learn more about human trafficking and slavery. We've sent our suppliers materials to educate them about areas where human trafficking can be found since it can inadvertently occur in the hiring process if factory management uses a labor broker or third party. Those materials included a summary from the FLA on SB 657, a list of activities that Patagonia will be doing to reduce the risk of human trafficking in the supply chain, a list of helpful websites about the issue and a new questionnaire that identifies human trafficking risks in hiring practices. To further enhance our education efforts, we plan to roll out human trafficking awareness training for our suppliers. The training will be given at the time of our required annual Code of Conduct training (an FLA requirement). All factory employees must attend, so we hope it will educate at-risk workers, their supervisors and hiring staff about this practice.

(4) Maintains internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking.

Patagonia headquarters is formally audited by FLA staff every three years under the FLA's *Principles of Fair Labor and Responsible Sourcing*, with periodic reviews in between. In February 2013, the FLA reaccredited our CSR program. We are also required to submit a formal annual report to the FLA showing our compliance with the principles. This review includes an evaluation, with our quality, social and environmental responsibility staff, of Patagonia's progress on human rights in factories that manufacture our products. New FLA membership obligations on responsible purchasing practices have required us to create a process where our sourcing, quality, development and demand planning teams will also be evaluated on their performance to ensure our suppliers meet all our Code of Conduct standards. This includes standards on human trafficking, slavery and child labor.

Patagonia prohibits any form of forced labor, including slavery and human trafficking. This is a zero-tolerance issue. If this grave concern was to be found in our supply chain, the factory would be subject to our factory disciplinary policy. In all cases disciplinary actions include immediate remediation and possible termination of business. Aside from serious, unremediated zero-tolerance issues, it's Patagonia's policy to form long-term relationships and work with our contracted factories, in the spirit of continuous improvement.

(5) Provides 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

Patagonia's social and environmental responsibility team conducts trainings on social and environmental responsibility throughout the year. Trainings include a new hire introduction to our CR program and updates on projects at our popular "brown bag" lunches. At the lunches, we also show social and environmental documentaries, conduct presentations or have special guest lectures. Most trainings are done at our Ventura, California and Reno, Nevada locations. Some trainings are also conducted in our overseas offices and retail stores.

On December 7, 2011, we hired a third party expert to conduct a two-hour human trafficking awareness training, together with our Director of Social and Environmental Responsibility. Over 100 employees who work directly with our suppliers attended in person. We reviewed many important subjects on slavery and human trafficking, including an update on the changes made to our program to mitigate risk. We've also planned follow-up webinars and on-going new hire training on this subject.

We plan to launch a human trafficking awareness training for our suppliers. The training will be given at the time of our required annual Code of Conduct training (an FLA requirement). Since all factory employees must attend, we hope to educate at-risk workers and their supervisors of this practice.

Citations:

1 US Department of Health and Human Services, Human Trafficking Fact Sheet,
http://www.acf.hhs.gov/trafficking/about/fact_human.html

2 *Combating Forced Labor: A Handbook for Employers and Businesses*, pg. 13 (International Labour Organization),
http://www.ilo.org/sapfl/Informationresources/ILOPublications/lang--en/docName--WCMS_101171/index.htm

Informative human trafficking websites:**California Transparency in Supply Chains Act - Law Language**

http://leginfo.ca.gov/pub/09-10/bill/sen/sb_0651-0700/sb_657_bill_20100930_chaptered.html

Information and Statistics - General

United Nations Office on Drugs and Crime Report on Human Trafficking (February 2009)

<http://www.unodc.org/unodc/en/human-trafficking/global-report-on-trafficking-in-persons.html>

UN and partners launch initiative to end 'modern slavery' of human trafficking

<http://www.un.org/apps/news/story.asp?NewsID=22009>

<http://www.ungift.org/knowledgehub/>

US State Department, Office To Monitor and Combat Trafficking in Persons 2011 Trafficking in Person Report

<http://www.state.gov/g/tip/index.htm>

US Department of Health and Human Services, Human Trafficking Fact Sheet

Statistics and where to report human trafficking suspicions in the US

http://www.acf.hhs.gov/trafficking/about/fact_human.html

Information and Statistics - Supply Chain Related

Blog: "Perspectives in Responsible Sourcing"

Series of blogs on human trafficking in the supply chain

<http://csc.typepad.com/responsiblesourcing/2011/06/str-rs-multi-stakeholder-roundtable-on-ca-transparency-in-supply-chains.html>

<http://csc.typepad.com/responsiblesourcing/2011/07/made-in-thailand.html>

<http://csc.typepad.com/responsiblesourcing/2011/07/sri-lanka-toward-safe-migration.html>

<http://csc.typepad.com/responsiblesourcing/2011/08/bipartisan-bill-to-fight-human-trafficking-business-transparency-on-trafficking-slavery-act-hr-2759.html> (and others)

Verite Help Wanted: Hiring, Human Trafficking and Modern Day Slavery in a Global Economy (2010)

<http://www.verite.org/forced-labor>

Help for Suppliers and Brands

ILO Combating Forced Labor Employer's Handbook

http://www.ilo.org/sapfl/Informationresources/ILOPublications/lang--en/docName--WCMS_101171/index.htm

Verite Fair Hiring Tool Kit (see "suppliers" section)

<https://www.verite.org/helpwanted/toolkit>

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