

Working With Factories

Patagonia engages in a range of due-diligence activities to promote and sustain fair labor practices, safe working conditions and environmental responsibility in the finished-goods factories (Tier 1) that make our products. Our Tier 1 monitoring program includes all direct sewing factories and their subcontractors (e.g., screen printers, washing facilities and embroidery).

These are a few of the key activities and tools we use:

Supplier Workplace Code of Conduct

The cornerstone of our Social and Environmental Responsibility program is our Supplier Workplace Code of Conduct and matching Benchmark document. Our code is based on International Labour Organization (ILO) core labor standards and requires compliance with all laws in each of the countries in which our factories operate.

We developed this document to make our expectations clear to the factories that manufacture our products. Patagonia does not own any factories; however, we work in close partnership with factories that are like-minded and share our philosophy. At Patagonia, we continuously push ourselves to “lead an examined life” and to improve social and environmental conditions. We encourage the factories that make our products to do the same.

Our Code of Conduct applies to every level of our supply chain from farm to garment factory, including all subcontractors and sub-suppliers. It outlines our policies on the following topics:

Law and Code Compliance

Child Labor

Forced Labor

Harassment, Abuse and Disciplinary Practices

Discrimination

Freedom of Association and Collective Bargaining

Employment Relationship

Wages and Benefits

Overtime Wages

Hours of Work

Health and Safety

Environment

Community

Subcontracting

Animal Welfare

Traceability

Code Communication

Quality

Fair Labor Association (FLA)

Patagonia is a founding member of the Fair Labor Association®. Our FLA accreditation provides our customers with an extra layer of assurance and transparency, and provides us with the perspective of an objective party, which enables us to evaluate where we are doing well and where we need to improve.

Our Fair Labor Association affiliation and accreditation status are at the heart of our social responsibility program. As part of our membership obligations, the FLA randomly audits a sampling of our supply chain to assess the quality of our factory-monitoring program, helping us identify opportunities for improvement. The results of these audits are posted on the FLA website and available to the public.

As an added measure of public accountability and transparency, the FLA also audits our Social and Environmental Responsibility (SER) program at our headquarters in Ventura, California. During this process, we must prove we are following and reporting annually on our compliance with the FLA's Principles of Fair Labor and Responsible Sourcing. During the onsite audit of our SER program, FLA assessors review our factory files, audit reports, corrective-action plans, factory and internal trainings, data analysis and activities with NGOs. Every three years, we undergo re-accreditation; the full reports are posted for the public to see on the FLA website.

The Patagonia 4-Fold Approach to Supply Chain Decisions

Since the mid-2000s Patagonia has implemented a system to pre-screen factories before we place orders. We call it our "4-fold" approach. This process includes screening potential new suppliers for the ability to meet our (1) sourcing, (2) quality, (3) social and (4) environmental standards. The SER supply chain team works closely with our sourcing and quality teams to decide whether to place an order with a new factory; all three teams have full veto power over sourcing from a new factory. These teams also collaborate on sourcing decisions for factories we currently employ. This is an effective process that screens out suppliers that cannot meet our strict 4-fold set of standards. Our 4-fold screening approach is in place for all finished-goods factories and their subcontractors. In 2011, we introduced the same process for our raw-materials fabric and trim suppliers (Tier 2). The 4-fold team meets every week to make supply chain decisions.

Monitoring Factories, Mills and Farms

The SER staff screens all new factories for social and environmental compliance with local laws and union contracts

(when applicable), the Patagonia Supplier Workplace Code of Conduct and the more detailed Benchmarks document. Where standards vary, we adopt the standard most beneficial to factory workers. We also assess the factory's SER management systems and train factory managers in our Code of Conduct and other program requirements.

Pre-screening is accomplished by either the SER staff or a reputable third-party monitoring firm. This step entails filling out our questionnaires and a full social audit, including payroll analysis and interviews with workers in the local language.

Our monitoring program was vetted and approved by the FLA as part of our accreditation process. Dedicated SER field staff visit our factories regularly to assess compliance with our Code of Conduct Benchmarks, local laws and collective bargaining agreements, if there are any. The team also follows up on corrective actions from previous audits and performs remediation visits for specific SER concerns.

We track the minimum or prevailing wages for each country where we make products, and we work toward a higher fair or living wage in our cost negotiations with factories. We have found that many of our factories already pay above minimum wage to some of or all their workers. We are committed to achieving a fair wage for all people who make Patagonia products. To this end, we have established a Fair Trade Certified™ program, which is another step in our commitment to achieving a living wage in our factories.

We audit 100 percent of our finished-goods factories for social and environmental concerns. This audit includes most subcontractors for our primary cut-and-sew facilities. We either perform a social audit ourselves, hire a third-party monitoring firm or—to reduce audit fatigue in factories—co-audit with other brands or obtain recent audit reports from a credible source on the Fair Factories Clearinghouse database or from the factory itself. Patagonia pays for all social audits we schedule directly.

We also monitor our largest raw-material suppliers (Tier 2 of the supply chain) and employ an audit and remediation process at these facilities similar to the one we use in Tier 1 factories. (See our Working With Mills Page for more information)

Our Supply Chain Environmental Responsibility program measures our suppliers' performance against our own environmental standards. The purpose of the program is to measure and reduce the environmental impacts of manufacturing Patagonia products and materials. We implement our program at supplier facilities all over the world and cover a broad range of impact areas, including environmental management systems, chemicals, water use, water emissions, energy use, greenhouse gases (GHGs), other air emissions and waste. This program utilizes industry-wide tools, such as the Higg Index, and recognizes third-party certification programs, such as the bluesign® system, as ways that our suppliers can show how they are meeting Patagonia's expectations. Beyond the program's minimum requirements, suppliers are encouraged to demonstrate environmental excellence by implementing better and best practices, so we can recognize them as environmentally responsible supply chain partners.

Whenever possible, Patagonia uses environmentally friendly materials, including materials derived from farms like organic cotton, Traceable Down, TENCEL™ lyocell, hemp and natural rubber. We are beginning to map supply chains to the farm level and, whenever possible, to rely on certifications such as the NSF Advanced Global Traceable Down Standard, GOTS (Global Organic Textile Standard), the Organic Content Standard and Fair Trade to ensure the farms we use are meeting our standards.

All substandard audit findings must be remediated in a timely manner. When an audit reveals problems that require in-depth analysis, our SER field staff (or a local expert consultant) discern the root cause of the problem and then decide whether to work long-term with the factory to solve it. Remediating systemic problems can take time, resources and continuous monitoring.

We view sustainable remediation as the most valuable outcome of our monitoring efforts. Thus, we spend most of our time helping factories identify and implement impactful solutions to their biggest challenges. We often require factories to participate in specific training, education or continuous-improvement programs, which Patagonia helps pay for in part or in full.

We are proud to work with some of the most socially and environmentally responsible suppliers in the world. We

recognize these factories' high level of performance and place them in a special category where they own and manage their monitoring programs. We meet regularly with these suppliers to receive updates and to share best practices and ideas to further advance our common efforts.

The SER staff evaluates factories on their performance, which helps us and them see where they stand on their journey toward corporate responsibility. Our internal scoring system rates risk and a factory's level of SER commitment. We are also using the Sustainable Apparel Coalition's Higg Index as part of our factory performance evaluation. Our scoring and regular feedback system educates suppliers while setting brand expectations for continuous, long-term improvement of social and environmental performance.

We exercise due diligence to prevent human trafficking and migrant-labor issues within our supply chain. Our California Transparency in Supply Chains Act (SB657) disclosure speaks to how we monitor our factories for all forms of forced labor, including human trafficking and slavery. We are actively working to prevent and eliminate any instance of human trafficking in our Tier 2 supply chain, and we have developed comprehensive standards for the employment of migrant workers and set remediation deadlines with our suppliers.

We have an FLA-approved responsible factory exit policy that requires our SER, sourcing and quality teams to minimize impacts on workers when ending business with a factory. While we favor long-term relationships with our factories, should the need arise to quit a supplier, our teams work together to provide sufficient notice so as not to adversely impact the workforce within the factory.

Responsible Purchasing Practices Program

Our Responsible Purchasing Practices program guides us in making business decisions that minimize negative impacts on workers in our supply chain. These mitigating decisions include refraining from disruptive acts, such as placing an order and, later, changing it dramatically; negotiating for unreasonably low prices; demanding short lead times; making late fabric deliveries and last-minute design changes. Such actions can result in excessive overtime hours for workers (beyond what our Code of Conduct or local laws allow), as well as layoffs, falsified payroll documents and/or nonpayment of legal wages. We began implementing checks and balances on our own sourcing business decisions informally in the 1990s. Then in 2011, we began to develop a formal Responsible Purchasing Practices program, as outlined in the FLA's Principles of Fair Labor and Responsible Sourcing(Principle 8). We must meet five main requirements, and we have procedures in place with our sourcing and SER team to do so. We are committed to continuously improving our program and have expanded it beyond our sourcing department to include our supply planning and forecasting teams.

Multi-Stakeholder Initiatives

We are a founding and fully accredited member of the Fair Labor Association.

We are a participant in the International Labour Organization's Better Work Vietnam program.

We also participate in other multi-stakeholder initiatives where possible. Past projects include FLA 3.0 and JO-IN.

We are a member of the Fair Factories Clearinghouse (FFC), where we obtain, and provide to other brands, third-party audit results of our factories. We also collaborate regularly with several brands on factory audits and other special engagements.

A portion of our finished-goods factories are Fair Trade Certified™. Fair Trade USA audits these factories, sets up worker-management committees and monitors the premium we pay directly to workers through a bank account the workers control. How much extra we pay is determined by Fair Trade USA, which bases its calculation on what the factory pays its workers and what is considered a living wage in the area. Workers can use the money to raise their standard of living, including, if they choose, taking a cash bonus that moves them closer to a living wage.

We are a member of the Outdoor Industry Association (OIA), and serve on its Sustainability Advisory Council.

Transparency

Our Footprint traces social and environmental impacts of our products and processes.

We publish a complete finished-goods factory list on our website.

We publish our Code of Conduct, Code of Conduct Benchmarks and Migrant Worker Employment Standards on our website.

Our blog, *The Cleanest Line®* keeps our customers and others updated on current issues in supply chain social and environmental responsibility.

Our e-commerce shopping site lists the social and environmental attributes of our products, including the names and whereabouts of factories where they were made.

We have special web pages for our Fair Trade, migrant worker, California Transparency disclosure and animal welfare programs.

Each year Patagonia SER and non-SER staff spend hundreds of hours sharing our work with other brands, NGOs, academics, students and customers via conferences, phone calls, industry working groups, trainings and other venues. We embrace learning from our stakeholders and work to influence others to start or continue their journey toward improved environmental and social responsibility.

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