

patagonia works

Annual Benefit Corporation Report

Fiscal Year 2019
May 1, 2018 - April 30, 2019



Introduction

Patagonia Works (“Patagonia”) is an outdoor apparel company with a more than 40-year history of environmental conservation and activism. In 2018, we changed our mission statement to amplify this directive: **“We’re in business to save our home planet.”** Patagonia became a registered benefit corporation in 2012, on the first day we were legally able to in the state of California. In doing so, Patagonia and our subsidiaries, Patagonia, Inc., Great Pacific Iron Works, Patagonia Provisions, Inc. and Fletcher Chouinard Designs, Inc., adopted six specific benefit purpose commitments (which you’ll find listed and described within) that govern our operations at the most fundamental level. This report shares the work we’ve done during our fiscal year 2019 (May 1, 2018 - April 30, 2019) to advance public benefit and implement our specific benefit purposes.



1% for the Planet®

Each year, we contribute one percent (1%) of our annual net revenues to nonprofit charitable organizations that promote environmental conservation and sustainability.

1% for the Planet®

A nonprofit we co-founded in 2002 that commits Patagonia to donating 1% of net revenues in cash and in-kind donations every year, primarily to grassroots environmental nonprofits.

\$116,000,000

Dollars, and dollar value of other forms of assistance, given to support environmental work since we started our tithing program in 1985.

\$10,000,000

Dollars of donations we made on top of our 1% commitment, using money we saved as the result of the Trump administration's corporate tax cuts.

994

Grants funded in FY19 to 929 organizations.

450

Employees who are actively involved in grant-making and deciding which environmental organizations Patagonia supports.

\$5,000,000+

In grants made to groups fighting to protect lands and waters.

\$400,000+

In grants made to groups working to advance renewable energy.

\$1,000,000+

In grants made to groups working to scale many of the tenets of regenerative organic agriculture and help more farmers implement practices to improve soil health.

Highlights

\$10 Million Tax Cut

For decades, Patagonia has paid what we call a self-imposed Earth Tax through our commitment to donate 1% of sales each year for the planet. Those funds go directly to thousands of scrappy, dedicated groups of people around the world fighting to protect their own backyards. Why? Because we believe these seemingly small battles are the most effective way to advance complicated environmental issues in the public mind. We also pay our fair share of federal and state taxes. This past year, when the Trump administration initiated a corporate tax cut, threatening critical services (including those required to support the health of our planet), Patagonia took \$10 million of the taxes saved and, instead of putting the money back into our business, put it back to work for the planet. As a result, in FY19 we gave away an additional \$10 million on top of our regular 1%, to nonprofits committed to protecting air, land and water and finding solutions to the climate crisis. Our home planet needed this break more than we do.

Fighting for takayna / Tarkine

In May 2018, the Patagonia Australia team launched *takayna*, a film about the fight for an ancient rainforest in northwestern Tasmania and the future of one of our last wild places. Tens of thousands of people watched the film online and 270,000 signed our petition urging the premier of Tasmania to nominate takayna / Tarkine for World Heritage protection. We hosted rallies and events to support the cause, culminating in a race along the rugged takayna / Tarkine coastline. Pro runners and Patagonia ambassadors Krissy Moehl (USA) and Grant Guise (New Zealand) ran in support of protecting takayna / Tarkine as a World Heritage Area. Runners raised over \$100,000 to support the Bob Brown Foundation, a grassroots environmental group dedicated to protecting Australia's wild and scenic natural places of ecological and global significance.

Saving the Blue Heart of Europe

In 2018, Patagonia Europe launched its Blue Heart of Europe campaign, aimed at protecting the Balkan region from more than 3,000 proposed hydropower projects and bringing international awareness to the issue. The multimedia campaign included a website, a documentary film and a petition that delivered 125,000 signatures to the headquarters of the European Bank for Reconstruction and Development in London, one of the big financial stakeholders in the project. One year later, the European Bank for Reconstruction and Development adopted stricter transparency standards for loans granted for renewable energy projects, specifically for small hydropower

plants in the Balkans. In addition, in December the European Parliament passed a resolution highlighting the environmental risks of small hydropower dams and pointing out that they are not in line with the European Union's own environmental standards. And the Council of Europe's environmental watchdog (the Bern Convention—Convention on the Conservation of European Wildlife and Natural Habitats) called on the Albanian government to halt the hydropower dams on the Vjosa River and recommended that the issue be examined by a group of experts to develop principles for hydropower plants in protected areas.

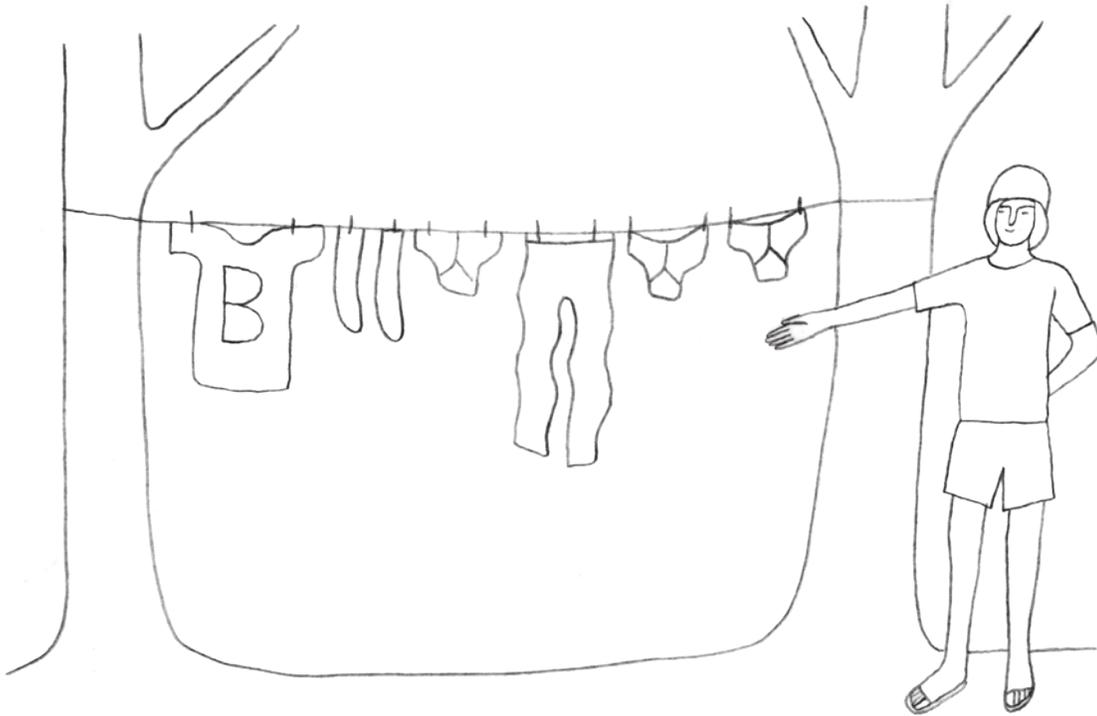
Climate Change and Public Lands

On February 13, 2019, Patagonia's director of environmental campaigns and advocacy, Hans Cole, testified to the House Committee on Natural Resources, Subcommittee on National Parks, Forests, and Public Lands at a hearing titled *Climate Change and Public Lands: Examining Impacts and Considering Adaptation Opportunities*. On the same day, we delivered a letter to all members of Congress outlining Patagonia's policy priorities as they relate to the climate crisis. One of these priorities is protection of our nation's public lands and waters. An average of 24% of all national emissions of carbon come from fossil fuels produced on federal lands and offshore waters. As a result, land and water protection can directly reduce our climate impact while contributing significantly to long-term carbon storage and climate resilience for wildlife and humans alike. During the same week that our testimony was delivered in D.C., the John D. Dingell, Jr. Conservation, Management, and Recreation Act of 2019—a bill championed by Patagonia and many of our grantees—was also moving through Congress. When signed into law on March 12, it became the largest omnibus lands protection act in over 10 years, protecting 1.3 million acres of wilderness and 620 miles of river, and providing permanent reauthorization of the Land and Water Conservation Fund, a federal program established in the 1960s that uses fees and royalties paid by oil and gas companies drilling in federal waters to pay for onshore conservation programs.

Challenges

Regulatory Rollbacks

The current administration has made de-regulation a top priority, claiming to have already canceled or delayed over 1,500 planned regulatory actions. One of the president's first executive orders was to reduce regulation and control regulatory costs. In reality, each of us bear the enormous costs of deregulation by losing basic protections, including the right to live and raise our children on a healthy planet. As the environmental rollbacks continue, placing polluters' profits above all else under the guise of reform, we will continue to fight for a healthy environment and the freedom to breathe clean air and drink clean water for ourselves and future generations.



Build the Best Product with No Unnecessary Harm

We endeavor to build the best products, while causing no unnecessary harm to the planet or its inhabitants by:

- 1) Designing and fabricating the highest quality products as defined by durability, multifunctionalism and non-obsolescence; 2) designing and fabricating products that are easily repaired and made from materials that can be reused or recycled;
- 3) designing and fabricating products with minimal impacts throughout the supply chain—including resource extraction, manufacturing and transportation—on water use, water quality, energy use, greenhouse gas emissions, chemical use, toxicity and waste; and 4) partnering with customers to take mutual responsibility for the life cycle of our products, including repair, reuse and recycling.

9.12

Average quality score on a 1-10 scale (10 being best), against our internal Patagonia Design Quality Attributes rating system for 212 new and redesigned products from Fall 2019, compared to an average score of 9.14 in the same period last year. This rating process serves as a way to push our design teams to improve the overall quality, performance and environmental and social responsibility of our products.

0.39%

Percentage of quality returns in 2019 as a percentage of sales, up slightly from .36% in the same period last year. Returns due to poor fit were at 1.4% as a percentage of sales, down from 1.63% in 2018.

40+

Patagonia product care and repair guides, in six languages, available on WornWear.com.

72

Global product repair centers (including our repair facility in Reno, Nevada, with 70 repair technicians; and our largest in-store repair center in our Bowery store in New York City), where we fixed more than 100,000 items last year.

32

Of our top 40 material suppliers are bluesign® System Partners.

49,200

Number of factory apparel workers who have earned a Fair Trade premium for their labor and received improved benefits from Patagonia's participation in the Fair Trade USA program.

49,578

Number of people who attended Worn Wear Tour events in the US, Europe and Japan. Our Worn Wear team goes on the road with repair techs who fix products—regardless of brand—and teach customers how to repair and take care of their gear. In North America, we have been to nearly 120 locations, including Patagonia stores, specialty retailers, colleges, surf towns, ski resorts and climbing festivals.

54%

Percentage of our styles that are Fair Trade Certified™ sewn, up from 24% in FY18.

166

Number of organic cotton farmers involved in Patagonia's Regenerative Organic Certification pilots in India.

2020

The year we have set for our suppliers in Taiwan to have recruitment systems in place that will ensure migrant workers never pay for their jobs. We are working closely with our suppliers to achieve this target.

PATAGONIA APPAREL MATERIAL SOURCES

	2017	2018	2019
Virgin petroleum-based products (POLYESTER/NYLON)	51%	49%	48%
Recycled materials	29%	35%	31%
Cotton and other plant-based materials	19%	15%	16%
Wool and other animal products	1%	1%	5%

Highlights

Becoming a Carbon-Neutral Company

The climate crisis is no longer a forecast—for millions, it's become a frequent, difficult, even devastating reality, and every part of Patagonia's business is implicated. Our supply chain—the process of getting product from raw materials to finished gear for our customers—accounts for 97% of our carbon emissions. Our goal is to be carbon neutral across our entire business, including our supply chain, by 2025. Our ultimate goal is to become carbon positive—taking more carbon out of the atmosphere than we put in—even as our company grows. Below are some of the key steps we're taking to get there:

- 1) We will use only renewable or recycled materials in our products by 2025. As of fall 2018, 52% of our materials by weight were renewable or recycled; by fall 2019 we will be at 69%.
- 2) To reduce energy use throughout our supply chain, we will work with suppliers to convert to renewable energy and invest in renewable energy projects to cover the remainder of our carbon footprint.
- 3) We'll work to expand regenerative organic agriculture as the source of natural fiber for our apparel and our food for Patagonia Provisions, to restore topsoil and capture carbon in the atmosphere.
- 4) We will grow our Worn Wear program and make it a robust business focused on encouraging reuse, repair and recycling to extend the life of products and reduce their environmental footprints.

Raising the Product Quality Bar

Following Yvon Chouinard's design philosophy, which has guided the company since its inception, we are working on a major update to the Seasonal Product Design Rating criteria and process. This update has proved necessary in light of the improvements that the process, now five years mature, drove into our product design and the related achievement of ever-higher seasonal scores across our product line. These improved scores aren't just due to score inflation or other valid biases—they reflect significant advances over the past years achieved through quality improvement learnings, implementing programs and innovating product technologies. Improved quality toolboxes, development of new low-impact materials, focus on repairability and Fair Trade (to name a few), all made us better, but also made achieving a 10 (the highest rating) by the original standards easier and almost routine. It is clearly time to raise the bar.

As a result, we have worked to implement more objectivity in our rating process, create state-of-the-art benchmark standards for each design philosophy element (i.g. functionality, multifunctionality, durability), and give weight to certain elements that have a larger impact on our overall mission of saving our home planet. This revised system will be implemented into our product lines later this year and continue into future seasons.

Closing the Loop with Worn Wear

In 2017, Patagonia and its Tin Shed Ventures investment partner, Yerdle, launched WornWear.com, our re-commerce platform for selling repurposed Patagonia gear that's traded in for Patagonia store or Worn Wear credit. Overall, we believe that the best way to reduce the environmental and carbon footprint of your clothes is to keep them in use longer. That is why we make the highest quality gear that can endure the test of time and that can be easily repaired and reused. Purchasing a used Patagonia garment on WornWear.com, as opposed to buying a new garment, is the most important thing we can offer our customers to significantly reduce their apparel carbon footprint (up to a 60% reduction in CO₂e). Our partner, TERSUS Solutions, cleans the items using CO₂ technology, which avoids additional water use and allows the capturing of microfibers. In June 2019, we also began accepting direct mail trade-ins, which will allow a broader range of customers to participate in this program. The Worn Wear business grew 40% in FY19, and we hope to make it a meaningful piece of the overall Patagonia business in the years to come. Other companies, such as The North Face and Arc'teryx, have followed our lead and added resale programs within the past year.

Apart from WornWear.com, our repair centers around the globe continue to fix more and more Patagonia gear every year. In FY19, our Reno Service Center repaired over 56,000 garments and our retail stores took in over 67,000 garments from customers looking to trade them in. Our Worn Wear tours connected with nearly 50,000 people, fixing gear and sharing repair techniques to keep favorite jackets and pants in play for a little longer.

Arbor Pack Collection

In spring of 2018 we launched our new Arbor Pack collection, backpacks made from recycled and solution-dyed materials. Eight and a half plastic bottles are used to create each bag. The solution-dyeing process saves a half gallon of water per bag and produces 96% less carbon dioxide than conventional dyeing methods. The packs' simple aesthetic dates back to our Summit Pack from over 40 years ago, but the material innovations that minimize the overall footprint of our products continue to move forward.

Woolyester Fleece

Using recycled fibers is one of the ways we can lessen the environmental impact of our products. We use an innovative fleece blend in our Woolyester jackets and pullovers that combines postconsumer recycled wool (46% of the garment) with polyester and nylon. Using recycled wool reduces CO₂ emissions by 44% compared to virgin wool.

Long Root Beer

Patagonia Provisions introduced Long Root® Wit to its product line to complement its Long Root® Pale Ale. This beer offers a Northwest spin to a Belgian wheat and, like Long Root® Pale Ale, is brewed with a perennial grain, Kernza, which was developed by the Land Institute. Kernza's long roots (up to 10 feet long) allow it to hold topsoil in place and prevent erosion. Hopworks Urban Brewery, another B Corporation and expert in organic beer, has helped us to brew our two Long Root beers and drive positive change in the beer industry.

Regenerative Organic Certification Pilots

Patagonia began pilots of the Regenerative Organic Certification (ROC) with two organic cotton suppliers in India—Pratibha and Arvind. The pilot in 2018 focused on the soil health pillar of the ROC and included over 150 smallholder farmers in Central India. During this first year, our supplier partners conducted numerous trainings and on-site visits to educate farmers about soil regenerative practices and help farmers implement them on their farms. Some of the regenerative practices were new for the farmers, while others were already being used, or were improvements on existing practices. For example, the practice of planting intercrops (other crops grown between the cotton crop) and cover crops (crops planted specifically to benefit the soil) was especially exciting, since these have the potential to increase farmer incomes by enabling them to grow more crops on the same amount of land and with the same resources. This first year pilot also included a partnership with the Organic Cotton Accelerator, an organization that works to create a prosperous organic cotton sector. As we enter the second year of the pilot (beginning in June 2019) and with the soil health pillar in full motion, Arvind and Pratibha will be incorporating the social fairness pillar of ROC in their work by preparing the farmers to undergo Fair Trade certification. As we continue working with them on their journey to ROC, we hope to better quantify the tangible results from both soil health and social fairness pillars and share them in our next report.

Paying a Living Wage Throughout the Supply Chain

Patagonia keeps close tabs on wages paid in all of the factories making our goods to ensure the workers are earning at least a minimum wage in the regions where they work. However, even a minimum wage, which is set by local government, is often not high enough to allow for the basic necessities in life. As a result, Patagonia has made the commitment to confirming that living wages are paid to all workers making our apparel by 2025. A living wage is one that allows someone to afford decent food, water, housing, health care, education, clothing, transportation, child care and other essential needs, including savings for unexpected events. This is not an easy task: not every country has a reliable living-wage estimate available, and there aren't set examples mapping out how to get to living wages over time. To address these challenges, our first step was to begin working with Fair Trade USA, which facilitates the payment of a financial premium that goes from Patagonia directly to the factory workers to spend as they determine. We have also been working with the Fair Labor Association (FLA) to research and compile living-wage estimates for multiple countries and to create baseline tools for gathering detailed wage data from our factories. We then partnered with the Massachusetts Institute of Technology (MIT) and our apparel suppliers to gather detailed wage data for 100% of our apparel suppliers. That data shows that 45% of our current apparel suppliers pay a living wage on average. Our work between now and 2025 will be to raise that number to 100%.

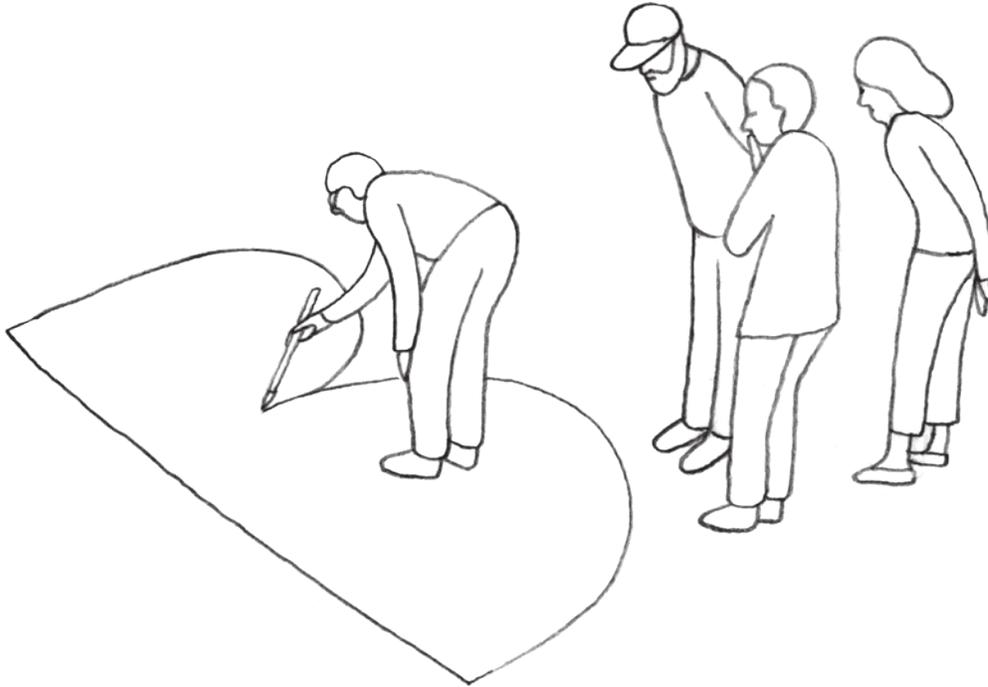
Challenges

Increasing Footprint, Even as We Decrease Use of Virgin Materials

We are working toward becoming a carbon-neutral company across our supply chain, but even as we make significant advances, such as the increased adoption of recycled materials, our footprint is increasing due to our growth of sales.

Challenges with Garment Recycling

The number of units we have been able to recycle each year has dropped precipitously for reasons good and bad. On the good side, we have been able to reuse much of the product we might have recycled in the past by reselling it through our Worn Wear program. On the bad side, for those products that are truly at their end of life, we've found the recycling streams largely nonexistent. As a result, we are currently storing these end-of-life items in our Reno warehouse until we can identify viable solutions. This seems to be a better option than sending them to a landfill.



Conduct Operations Causing No Unnecessary Harm

We will conduct our operations in a manner causing no unnecessary harm by continually seeking to reduce the environmental footprint and impact of our operations in water use, water quality, energy use, greenhouse gas emissions, chemical use, toxicity and waste.

2025

The year by which we have committed to becoming a carbon-neutral company.

100%

Of our electricity use for our owned and operated facilities in the US met with renewable sources.

300

Hours spent by NYC and Connecticut retail employees at nonprofit composting sites to bring knowledge of the hows and whys of composting back to their stores.

50 kW

Solar array installed on farmland we've leased in Japan, which allows harvesting of both sun and food.

1,136,172

Single-occupant-vehicle trip miles averted through our employee Drive-Less Program, a 19% increase from FY18.

100%

Of our retail store receipt paper in the US is recyclable and is printed with nontoxic ink.

ELECTRICITY USE (KWH)

SCOPE 1 & SCOPE 2 EMISSIONS (TONNES CO₂E)

	FY18	FY19	FY18	FY19
North America	5,500,624	8,671,027	2,738	3,687
Japan	1,275,256	1,387,022	726	789
Europe	622,205	605,402	211	281
Australia	142,343	216,311	139	198
South Korea	174,571	182,658	90	96
South America	92,457	89,606	37	40
TOTAL	7,807,456	11,152,026	3,941	5,091

Highlights

Global Zero-Waste Week

Last year we rolled out Zero-Waste Week (a week devoted to finding ways to eliminate waste in our business operations and personal lives) to our global operations. What started with a pilot in our Vancouver store expanded to stores in Australia, Europe, Japan and the US. Highlights from the week include over 500 actions taken to reduce personal waste, avoiding over 300 single-use snack wrappers, hosting zero-waste markets, talks and dinners and cleaning up local beaches.

Polybag Recycling

Patagonia Australia conducted a polybag recycling pilot at our Torquay store, which we hope to roll out nationally in FY20, recouping and recycling 100% of our polybags at our stores and warehouse, and funneling them through a single recycling stream to solve issues around transparency and volume.

Revitalizing Landscape While Reducing Transport Time

In May 2018, we opened our East Coast Distribution Center, which was constructed on the site of a reclaimed mine in Pennsylvania. This allowed us, together with DHL, the third-party logistics provider operating the center, to revitalize the landscape and implement native xeriscaping, marking the first time the land hosted native plants in 100 years. Now, instead of shipping individual packages to customers across the US from our distribution center in Reno, we can ship from the new distribution center to customers closer to the area, reducing the overall impact of transportation. In designing the center and the operating practices on-site, Patagonia and DHL prioritized environmental and social considerations at every turn.

Getting to 100% Renewable

We are moving toward having 100% of the electricity needs in our globally owned and operated footprint met using renewable energy by the end of 2020. By improving efficiencies of our operations we can reduce our overall demand while we work to adopt renewable solutions for the remaining energy demand. In the US, 100% of our use is currently met with renewable energy, while globally we are at 76%. By changing energy providers and making investments in on-site and off-site solar projects (much of our footprint is in leased buildings where on-site projects are not feasible), we are moving quickly toward the 100% mark in the next months.

Reducing Single-Use Plastics

Seattle implemented a single-use plastic “swear jar,” in which the staff contributes donations any time they bring single-use items to work. They then choose a nonprofit to highlight each month that receives the donations.

Japan Energy Upgrade

Thirteen out of 25 Patagonia Japan locations (11 retail stores, one office and one repair center) changed their energy providers to Seikatsu Club Energy, a preferable community-based provider that supplies us with electricity derived 62.6% from renewable energy sources.

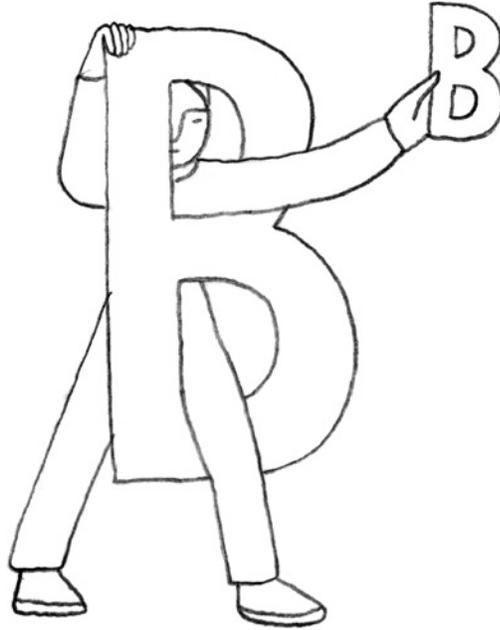
Challenges

Navigating Trade-Offs

In all aspects of the company, we have to make trade-offs between solutions, none of which are perfect. The plastic in polybags lasts forever, but uses far less CO₂ and water to produce than paper. Electric hand dryers are efficient, but paper towels are more sanitary. We use sound research to help inform our decisions on what is most important to us, but we know that there is rarely (if ever) a silver-bullet solution.

Going Zero Waste

We are moving toward becoming a zero-waste-to-landfill organization through our own operations—which means all discards from our offices, distribution centers and stores will either have to be reused, recycled, donated, composted or upcycled. To do so, we will have to change many of our operations, purchasing practices and behaviors to make sure anything leaving our footprint heads to a recycling or compost stream. With the current fluctuating state of recycling globally, this is becoming a more daunting task. Many items that used to be recycled are no longer accepted by recyclers (largely because much of it was comingled with trash and ended up in landfills anyway). While this is making our goal more challenging it is also driving creativity in finding sustainable solutions to a global waste problem.



Sharing Best Practices with Other Companies

In support of our commitment to “use business to inspire and implement solutions to the environmental crisis,” we will share proprietary information and best practices with other businesses, including direct competitors, when the board of directors determines that doing so may produce a material positive impact on the environment.

14

Number of responsible businesses invested in, to date, through our venture capital fund, Tin Shed Ventures®. These businesses focus on building renewable energy infrastructure, practicing regenerative organic agriculture, conserving water, diverting waste and creating sustainable materials.

8.4 Million

Square feet of fishing net repurposed into products through our investment in Bureo, Inc.

93

Speaking engagements—at which Patagonia employees shared information related to our culture, mission and operations—at universities, sustainability and ecofashion events, outdoor industry gatherings, fabric and textile conferences, HR conferences and others.

26

Number of businesses and entities that Patagonia met with to share information and best practices about our on-site child care and family support benefits.

1,450

Free community events we hosted at our 36 North American stores, including films, community activism, yoga classes, bike rides and environmental presentations.

120,000

Number of workers in 53 of our supplier factories trained in comprehensive fire safety.

1,500+

Number of households that installed solar energy through our Tin Shed Ventures' solar investment.

17

Number of groups that Patagonia employees are involved with that are working to improve standards throughout the apparel and food industry, focusing on topics such as artisan production, responsible leather production, regenerative agriculture, organic cotton and more.

Highlights

Regenerative Organic Certification

In 2018, Patagonia, alongside Dr. Bronner's, the Rodale Institute and a coalition of like-minded farmers, ranchers, brands, nonprofits and other organizations that believed in the need for an all-encompassing regenerative standard, created the Regenerative Organic Certification. Our CEO, Rose Marcario, sits on the board of the Regenerative Organic Alliance, which oversees Regenerative Organic Certification. Made up of experts in farming, ranching, soil health, animal welfare and farmer and worker fairness, the Regenerative Organic Alliance administers the certification and will regularly reevaluate certification requirements and update the certification as necessary. In addition to helping launch a global certification, Patagonia is working with many of our food and fiber supply chain partners to see how they can adopt regenerative organic agriculture practices on the farms that supply us with materials as they follow their path to Regenerative Organic Certification. As leading members in this movement, we are working with various farms and brands beyond our own business to scale regenerative organic practices as fast as possible. Currently, the Regenerative Organic Alliance is working through a pilot program with over 20 farms and brands around the world.

B Corp Climate Leadership Summit

Patagonia, together with leaders from some of the world's most environmentally progressive companies, gathered in February in New Mexico at Taos Ski Valley (a fellow B Corp) to shape a short- and long-term collective action plan to address the threats of climate change. In attendance at the B Corp Climate Leadership Summit were more than 35 North American Certified B Corporations that have demonstrated leadership in environmental action and progress. The goal of the summit was to accelerate existing efforts while serving as a model for collective action for others to follow when it comes to combating the climate crisis.

Challenges

Developing Standards for Adoption

In the hope of effecting widespread change, we devote substantial financial and staffing resources to develop, implement and publicize environmental and social standards. But working alone to develop more stringent standards, versus working collectively, has its costs. For example, we are always weighing which is better—to go on our own (faster but not always scalable to the industry) or collaborate (slower and time-consuming but able to change the industry). Our decision to go one way or the other is based on many factors, including urgency to make positive change, our staff bandwidth and finding other brands or industry organizations that are ready and willing to take on the challenge.



Transparency

We will provide information through our website and print catalogs that describes the environmental impact of representative items across our different product lines based on the best science and data practicably available.

16

Years since we first posted a list of the factories we work with worldwide, which remains a leading practice in our industry.

46

Posts on our blog, The Cleanest Line, that address various social and environmental issues, including the fight to protect the Tarkine, stopping offshore drilling, youth climate activism, our work on the microplastics problem and the way we work with the workers in our supply chain.

124

Teams of university students that participated in the 4th Annual Patagonia Case Competition to propose solutions to lessen the environmental impact of single-use packaging for apparel and food products by 2025 (a 15% increase from the previous year).

Highlights

Patagonia–UC Berkeley–Haas School of Business Case Competition

In the fourth year of our case competition, graduate students from across the US tackled the interconnected business and sustainability aspects of a current, real-life issue facing Patagonia. Past cases have addressed how to accelerate the adoption of regenerative agricultural practices and how to achieve carbon neutrality across our business's supply chain. This year, students examined how Patagonia and Patagonia Provisions can lessen the environmental impact of single-use packaging of apparel and food products by 2025 through materials, technologies and supply-chain-related innovations, as well as how these solutions can be scaled to the broader food and apparel industries. This Case Competition allows Patagonia a productive and meaningful way to provide increased transparency into how the business operates, while receiving actionable solutions from the students.

Keeping Our Customers Up-to-Date on the Microfiber Problem

Together with industry partners, Patagonia commissioned Ocean Wise Plastics Lab to investigate microfibers, the tiny textile particles that shed from garments over their lifetime. The goal of the project is to understand where exactly microfibers come from, so we can more effectively act to reduce them. In February, following completion of the first phase of the project, we published an update, noting these initial findings: (1) textiles shed between 31,000 and 3,500,000 fibers per load during normal laundering in household washing machines; (2) not all textiles shed equally and fluffy textiles like fleece, as well as textiles made of spun staple yarns and textiles pre-treated with brushing, are the highest-shedding types; (3) some fabrics shed a large amount during the very first wash, and then shed little. These findings will inform the future phases of the project. We also published tips for reducing microfiber shedding at home: wash less, on a delicate cycle, in a front-loading washer that has a lint trap.

We Keep Pushing for More Transparency

We published The Footprint Chronicles® 16 years ago, but we're still trying to do more and take advantage of developments in the industry whenever possible. This last year, we engaged with a number of stakeholders that are working directly on supply chain transparency. First, we aligned our Tier 1 supplier list with the criteria set forth by the Transparency Pledge Coalition, a coalition of NGOs aimed at getting companies to publish a standardized list of factories with meaningful information. Second, we made that list available on the Open Apparel Registry (OAR) website, a platform that was developed to map garment facilities worldwide to brands. Finally, as a founding member of the Fair Labor Association (FLA), we support the FLA's new requirement for its company affiliates to publicly disclose their supplier lists, a move that is likewise supported by the Transparency Pledge Coalition.

Challenges

Opening Ourselves Up to Criticism

We work to be openly transparent about our business with our customers, nongovernmental organizations and other stakeholders, because we believe they deserve to know where and how our products are made—the good, the bad and the ugly. But airing our dirty laundry exposes us to criticism. And with so much information available in so many formats, it can be a challenge just to keep up.



Providing a Supportive Work Environment

We will endeavor to provide a supportive work environment and high-quality health care through measures including, but not limited to, providing on-site day care at our corporate headquarters or subsidized child care at our other facilities.

\$0

Amount full- and part-time Patagonia employees pay for health insurance premiums, beginning the first day of work with no waiting period.

37

Patagonia moms took maternity leave globally in FY19.

51

Patagonia dads took paternity leave globally in FY19.

1

Patagonia female CEO, Rose Marcario (5.2% of US companies are led by a woman).

3

On-site child development programs. We opened a new program in March 2019 at our Brooks campus in Ventura, California, and continue to operate one program at our headquarters in Ventura and another at our customer service and distribution center in Reno, Nevada, which provide child care for 157 children of 138 Patagonia parents and one Patagonia grandparent.

50%

Percentage of Patagonia board members who are women, compared with the national average of 20%.

52%

Percentage of Patagonia's workforce comprised of women, higher than the national average of 47%.

47%

Percentage of Patagonia executives who are women, compared with the national average of 27%.

\$350,000

Savings to the company attributable to post-maternity retention rates in the US in FY19.

4%

Annual voluntary turnover percentage in Patagonia corporate headquarters, compared to the national average of 11.6%.

23

Three-day weekends Patagonia employees enjoy each year through a 9/80 work schedule, providing more time to get outdoors with family and friends and take care of the things that need to get done in life.

14,312

Employee hours spent volunteering with environmental groups as part of Patagonia's environmental internship program, which allows fully paid leave of up to two months to work for a nonprofit environmental organization. Three hundred and fourteen employees participated in the program.

96%

Percentage of Patagonia's eligible US employees who put money away for retirement through the company's 401(k) plan.

Patagonia Child Care-Related Benefits in FY19

157

Children enrolled in Patagonia on-site child care.

54

Teachers employed by Patagonia.

15

Number of child-care classrooms.

88

Number of caregiver days spent on the road caring for babies traveling with their parents for work.

39,718

Square feet of outdoor learning space.

\$109,228

Subsidies provided for Patagonia child-care programs.

\$177,587

Total stipends paid globally for child care (to employees who don't have access to Patagonia child care).

Highlights

Environmental Internships

Patagonia is proud to support our employees' passion for grassroots environmental activism with our Environmental Internship Program. We cover 100% of our employees' regular wages while they take up to two months a year to dive into environmental conservation. The nonprofits benefit from the donated muscle and brain power, and our employees bring back inspiration and lessons from the front lines of environmental activism. This year over 300 employees committed a combined 14,000 hours to 70 different environmental nonprofits across the world and in our own backyards. Their work covered public lands, regenerative agriculture, climate change, endangered animals and everything in between.

Patagonia's Earth University

Patagonia Europe launched its Earth University Program in February 2018. This allows employees to work with some core questions related to our values through a series of experiences to help navigate the inherent tension between reducing our impact while growing our business. This past year, 18 Patagonia employees were joined in the mountains by Andres Roberts, partner in the Patagonia Earth University and founder of the Bio-Leadership Project and Way of Nature UK; Anne Owen, a specialist in how teams work and how learning happens in organizations; and Zoe Hart, a specialist in bringing experiences, stories and perspectives of working with teams to learn about communicating more effectively as teams across the company, sharing responsibility in different ways, and offering each other better support, challenges and feedback.

Creating Lifelong Stewards of the Earth

Our child development centers reflect the ideals and values of the company, including the drive to save our home planet. One way we do that is by creating a community of lifelong environmentalists. This connection to nature is strengthened through our outdoor classrooms. When you walk through the classrooms, you'll see children tending to garden boxes, picking fruit or herbs to incorporate into an afternoon snack, children and families enjoying a meal outdoors, infants napping peacefully under a sycamore tree, preschoolers turning leftovers into compost and our school-age kids caring for local animal habitats and watersheds. As our founder Yvon Chouinard likes to say, the kids coming out of our program are our best product.

Challenges

Rising Housing Costs

The high cost of housing continues to be a struggle for employees in our Ventura headquarters, Reno distribution center and many of our retail locations. Whether it's renting a shared apartment or buying a first home, employees across the spectrum are met with an increasingly challenging market. The causes are wide-ranging, from restrictive zoning laws and misaligned tax incentives to climate change disrupting economies around the country, but the results are clear: people are having a hard time finding a place to live. We're working on creative ways to help.

Living Wages

Saving our home planet is going to require each and every one of us. That's not easy for anyone, but it's nearly impossible when your immediate concern is whether you can feed your family or afford the high cost of child care. This, among other reasons, is why Patagonia has committed to paying a living wage or more to all of our long-term employees. With the help of MIT's living wage calculator, we make sure our starting rates in every location are sufficient to cover the cost of basic needs in that area, including housing, transportation, food and other necessities. As the cost of living has increased over the last few years, especially in urban areas, Patagonia has kept up to make sure all our employees are paid a living wage; however, we recognize that this is still often far from where we'd like our employees to be.



In Closing

Patagonia is a Certified B Corp, which means that our company's overall environmental and social performance is measured and independently verified by third-party B Lab. To be a Certified B Corp, a company must score a minimum of 80 out of 200 points on B Lab's Impact Assessment. We chose B Lab for the third-party verification required under the California Benefit Corporation statute because we believe their experience certifying hundreds of companies and their social and environmental performance standards are the most comprehensive and aspirational available. Our new score is 151.4, essentially flat to our score three years ago of 151.5.

Patagonia's B Corp Score

	2012	2014	2016	2019
Governance	14.7	17.1	17.3	16.9
Workers	25	24	24.9	20.8
Community	19.9	30.9	58.7	63.8
Environment	47.5	34.7	44.8	43.5
Customers	-	7.1	5.8	6.3
OVERALL	107.3	113.9	151.5	151.4

By the Numbers

A snapshot across our six benefit purposes.

\$116 Million

Dollars (and dollar value of other forms of assistance) given to support environmental work since we started our tithing program in 1985.

\$10 Million

Dollars of donations we made on top of our 1% commitment in FY19, using money we saved as the result of the Trump administration's corporate tax cuts.

450

Employees who are actively involved in grant-making and advocacy and deciding which environmental organizations to support.

\$1,000,000+

In grants made to groups working to scale many of the tenets of regenerative organic agriculture and help more farmers implement practices to improve soil health.

52%

Percentage of fabrics by weight that are made from recycled (31%) or renewable (21%) sources.

49,200

Number of apparel workers who have earned a Fair Trade premium for their labor and received improved benefits from Patagonia's participation in the Fair Trade USA program, up from 42,000 in FY18.

54%

Percentage of FY19 styles that are Fair Trade Certified™ sewn, up from 24% in FY18.

45%

Percentage of our apparel suppliers that pay a living wage on average. Patagonia has made a commitment to confirming that living wages are paid to all workers making our apparel by 2025.

46

Posts on our blog, The Cleanest Line, that address various social and environmental issues, including the fight to protect the Tarkine, stopping offshore drilling, youth climate activism, our work on the microplastics problem and the way we work with the workers in our supply chain.

150+

Number of organic cotton farmers involved in Patagonia's Regenerative Organic Certification pilots in India.

50 kW

Solar array installed on farmland we leased in Japan, which allows harvesting of both sun and food.

1,136,172

Number of single occupant vehicle trip miles averted through our employee Drive-Less Program, a 16% increase from FY18.

1,500+

Number of households that installed solar energy through our Tin Shed Ventures solar investment.

124

Teams of university students—a 15% increase from the previous year—who participated in the 4th Annual Patagonia Case Competition to propose solutions to lessen the environmental impact of single-use packaging for apparel and food products by 2025.

\$0

Amount full- and part-time Patagonia employees pay for health insurance premiums, beginning the first day of work with no waiting period.

96%

Percentage of Patagonia's eligible US employees who put money away for retirement through the company's 401(k) plan.

47%

Percentage of Patagonia executives who are women, compared with the national average of 27%.

157

Number of children age 8 weeks through 9 years enrolled at our two Patagonia on-site child care centers in Ventura, California, and Reno, Nevada.

39,715

Square feet of outdoor learning space.