



**FAIR LABOR**  
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*Improving Workers' Lives Worldwide*



**PATAGONIA**

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**ASSESSMENT FOR ACCREDITATION**

October 2008

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## INTRODUCTION

FLA-accredited Participating Companies have demonstrated that they have the systems and procedures in place to successfully uphold fair labor standards throughout their supply chains. The complexity and ever-evolving nature of global supply chains make it impossible to guarantee that a product is made in conditions free of labor rights violations. For this reason, FLA does not certify brands. Instead, FLA evaluates companies at the headquarter level – in addition to standard factory-level due diligence activities that are conducted annually – to determine whether they have social compliance systems in place to proactively identify and address risks or instances of noncompliance. Accreditation is the highest level of recognition for FLA-affiliated companies, and is reevaluated every three years.

The FLA Board of Directors voted to approve the accreditation of Patagonia's compliance program on October 28, 2008, based on proven adherence to FLA's Workplace Code of Conduct and the Obligations of Companies. Details on FLA's accreditation methodology can be found at [www.fairlabor.org/accreditation](http://www.fairlabor.org/accreditation).



## PATAGONIA'S CORPORATE SOCIAL RESPONSIBILITY PROGRAM

Patagonia is a privately owned company that designs, develops, and markets clothing and gear for a wide range of outdoor sports, travel, and everyday wear. Patagonia is headquartered in Ventura, California.

Patagonia began to focus on CSR in the early 1990s and started to conduct internal audits of its supply chain using third-party auditors in 1994. Patagonia was one of the companies invited by President Clinton's administration in 1996 to participate in the Apparel Industry Partnership (AIP), the organization that preceded the FLA.

Patagonia affiliated with the FLA in 2001. At the time of affiliation, Patagonia chose to implement the FLA program over a three year period. As a result of business changes and key personnel turnover in the labor compliance program, Patagonia sought an extension of the implementation period, a request that was approved by the FLA. Representatives of Patagonia regularly attend meetings of the Monitoring Committee and of the FLA Board, and participate in other activities of the association. A representative from Patagonia has served on the FLA Board of Directors and chaired the Small Participating Company Working Group.



*Patagonia's Ventura Headquarters.*

Patagonia's labor compliance program is headed by the Social Responsibility Manager. Patagonia does not have an internal monitoring staff and instead relies on third-party monitors to conduct internal auditing of its facilities; in 2006-2007, Patagonia used third-party monitors.

Patagonia collaborated with JO-IN, an initiative that brought together six leading multi-stakeholder initiatives, including the FLA, with the objective of: (1) maximizing the effectiveness and impact of multi-stakeholder approaches in the implementation and enforcement of codes of conduct, by ensuring that resources are directed as efficiently as possible to improving the lives of workers and their families; (2) exploring possibilities for closer cooperation between the organizations; and (3) sharing learning on the manner in which voluntary codes of labor practice contribute to better workplace conditions in global supply chains. Patagonia intends to participate in FLA 3.0 and has already identified factories that will participate in this innovative program.

Patagonia is making efforts to further integrate corporate social responsibility into its business decision making. The company has initiated a vendor scorecard that will permit it to connect factory performance on a range of topics with sourcing allocations.

The table below describes Patagonia's supply chain over the period 2003-2007, as reported to the FLA. Patagonia sourced from 66 applicable facilities in 2003, from 49 in 2004, 65 facilities in 2005, 73 facilities in 2006 and 117 facilities in 2007. During this period, Patagonia factories were subject to a total of 18 unannounced Independent External Monitoring events (IEMs) conducted by FLA-accredited independent external monitors.



*Sewing room at one of Patagonia's suppliers.*



*Assorted Patagonia apparel and footwear.*



*Patagonia gear being worn by a lover of the outdoors.*

Information on the results of the IEMs, and the remediation undertaken by Patagonia in response to IEM findings, are provided in FLA tracking charts and discussed, as appropriate, in the next section.

PATAGONIA APPLICABLE FACTORIES & IEMS, 2003-2007										
COUNTRY	2003 APPLICABLE FACILITIES	2003 IEMS	2004 APPLICABLE FACILITIES	2004 IEMS	2005 APPLICABLE FACILITIES	2005 IEMS	2006 APPLICABLE FACILITIES	2006 IEMS	2007 APPLICABLE FACILITIES	2007 IEMS
Bulgaria	0	0	0	0	0	0	1	0	1	0
Canada	1	0	1	0	0	0	1	0	1	0
China	4	0	5	0	12	1	17	0	24	1
Colombia	2	0	2	0	2	0	2	0	3	1
Costa Rica	2	0	2	0	1	0	1	0	1	0
Dominican Republic	2	0	2	1	1	0	1	0	1	0
El Salvador	0	0	0	0	1	0	1	0	2	0
France	3	0	2	0	1	0	0	0	1	0
Greece	1	0	1	0	0	0	0	0	0	0
Honduras	0	0	0	0	1	0	1	0	1	0
Hong Kong	6	0	5	0	3	0	2	0	3	0
Israel	1	0	1	0	1	0	1	0	1	0
Japan	0	0	0	0	0	0	0	0	1	0
Korea	2	0	2	0	1	0	0	0	0	0
Macau	0	0	0	0	0	0	0	0	1	0
Malaysia	1	1	1	0	0	0	0	0	0	0
Mexico	6	0	4	0	4	0	4	0	3	1
Morocco	2	0	2	0	2	0	1	0	2	0
Nicaragua	0	0	0	0	0	0	0	0	1	0
Peru	0	0	0	0	1	0	0	0	0	0
Philippines	1	0	1	0	1	0	1	0	1	0
Poland	0	0	0	0	0	0	1	0	1	0
Portugal	3	0	4	0	4	0	4	0	14	0
Romania	1	0	1	0	2	0	2	0	2	0
Thailand	5	1	5	1	8	1	7	2	12	1
Tunisia	2	0	2	0	2	0	1	0	2	1
Turkey	1	0	1	0	1	1	5	1	8	0
USA	18	1	18	0	13	0	14	0	24	1
Vietnam	2	0	2	0	3	0	5	0	6	1
<b>TOTAL</b>	<b>66</b>	<b>3</b>	<b>49</b>	<b>2</b>	<b>65</b>	<b>3</b>	<b>73</b>	<b>3</b>	<b>117</b>	<b>7</b>

# ANALYSIS OF PATAGONIA'S SOCIAL COMPLIANCE PROGRAM USING THE FLA OBLIGATIONS OF COMPANIES AND EVALUATION WORKING GROUP BENCHMARKS

Information used in this assessment originates from annual reports submitted by Patagonia to the FLA verified through: (1) visits to Patagonia's headquarters by FLA staff in early 2008; (2) shadowing of third-party monitors conducting audits for Patagonia and follow-up visits conducted by Patagonia staff in the United States, Thailand, China, and Turkey; (3) information gathered in-person and/or via phone interviews, and/or through email correspondence with Patagonia's Social Responsibility Manager and other key stakeholders; and (4) results of IEMs of Patagonia applicable facilities conducted by the FLA and by ensuring remediation.

## 1. ADOPTS AND COMMUNICATES A CODE

### 1.1 Formally adopts a code that meets or exceeds FLA standards

#### **Actions Taken:**

Patagonia adopted the FLA Code of Conduct (CoC) in 1997 and revised its CoC in 2007. The updated version of this code places high value on environmental and quality considerations. The CoC is available online: [www.patagonia.com/web/us/patagonia.go?assetid=30199#Code](http://www.patagonia.com/web/us/patagonia.go?assetid=30199#Code).

#### **Verification by FLA:**

Copies of Patagonia's Code of Conduct are available online and at the FLA offices. Patagonia's CoC exceeds the FLA Workplace Code of Conduct in several respects. While the CoC covers the areas included in the FLA Workplace Code of Conduct, Patagonia's CoC goes beyond, incorporating standards in 3 other areas: (1) rights of women and disabled workers; (2) environment; and (3) sub-contracting. The version of the CoC used in U.S. facilities also includes a special provision regarding disabled veterans.

### 1.2 Informs all suppliers in writing

#### **Actions Taken:**

The Patagonia CoC is communicated to suppliers through a supplier package, which also includes a letter to the factory management. All suppliers receive the Patagonia CoC. Sourcing staff generally meet with new suppliers and inform them of the code requirements.

#### **Verification by FLA:**

The FLA reviewed the supplier package that includes the CoC, a letter to factory management (or agent), description of internal monitoring, as well as a description of the company's relationship with the FLA and what this relationship means for the factory.

### 1.3 Posts the code in a prominent place in supplier facilities in the local languages of workers and managers

#### **Actions Taken:**

Patagonia sent updated CoC posters to all active suppliers.

#### **Verification by FLA:**

The FLA confirmed that Patagonia's CoC posters were sent to active factories.

During the factory audit observations, the FLA observed that posting of the Patagonia CoC was inconsistent.

During an audit in the United States, the CoC was found posted in a prominent place and in Thailand it was posted at the factory entrance, while during a factory audit observed in China, the code was only posted in a section of the factory that was not easily accessible to all workers. Moreover, in 13 of 18 IEMs/IEVs, noncompliances were noted in the area of code posting and communication. Patagonia has taken action in response to the IEM findings to address this issue.

The FLA encourages Patagonia to work toward greater consistency in CoC posting.

#### **1.4 Ensures that workers are informed orally and educated at regular intervals (to take account of labor turnover)**

##### **Actions Taken:**

Patagonia is focusing on increasing workers' awareness about their rights and obligations throughout the supply chain, including on how to contact Patagonia if the factory's grievance systems are not working properly.

##### **Verification by FLA:**

The FLA reviewed the supplier package which encourages factories to train workers on the CoC. Despite this effort, IEM results revealed noncompliances in 13 of 18 IEMs with regard to training and worker awareness of code elements. This was also observed by FLA staff in the shadowing of an internal audit in China.

The FLA recommends that Patagonia analyze the degree of understanding on the part of supervisors and workers about the code and code provisions and that Patagonia fills any gaps through: (1) training of managers on the CoC; and (2) a renewed request to factories to train workers on the CoC, both at the time of hiring new employees as well as on an ongoing basis, to account for worker turnover.

#### **1.5 Obtain written agreement of suppliers to submit to periodic inspections/audits, including by accredited external monitors, to remediate instances of noncompliances with FLA Workplace Standards that arise, and to inform employees about those standards**

##### **Actions Taken:**

Patagonia's suppliers agree in writing to cooperate and submit to the FLA's IEM process.

##### **Verification by FLA:**

Patagonia requires suppliers to sign a commitment letter prior to inspections. The FLA recommends that Patagonia add to the supplier commitment letter language information on remediation and the obligation to inform workers about Patagonia's CoC.

## **2. TRAINS INTERNAL COMPLIANCE STAFF**

#### **2.1 Identifies the staff or service provider responsible for implementing their compliance program**

##### **Actions Taken:**

Patagonia's Social Responsibility Manager is based in Ventura, California. Patagonia uses third-party monitors to assess factory conditions worldwide and relies on agents and sourcing staff to communicate compliance messages to the factories.

##### **Verification by FLA:**

The FLA has interacted with Patagonia's Social Responsibility Manager both at the headquarter and field levels at the time of the shadow audits. FLA staff visited Patagonia on a number of occasions and has conducted headquarter visits in 2005 and early 2008; the FLA also observed audits and follow-up audits in Turkey, Thailand, China and the US. Patagonia has also contacted FLA staff regularly for discussions on compliance issues and other initiatives.

The FLA confirms that Patagonia works with third-party monitoring companies to assess factories worldwide and with agents and sourcing staff to communicate compliance messages.

## 2.2 Ensures that they had training in all the areas under their responsibility, including, as appropriate, international and national labor standards, local languages, occupational and production risk factors, and techniques for monitoring, interviewing and remediating

### **Actions Taken:**

[Monitoring organization] conducted a training program for compliance staff on Patagonia's compliance program and CoC. This training was intended to increase awareness of each code element with a special emphasis on Health and Safety. The training targeted Patagonia's staff that would be responsible for visiting suppliers worldwide. Designers, product developers, fabric development teams, environmental, sourcing, and quality staff participated in this training; about 70 Patagonia representatives attended. At the end of April 2008, there was follow-up training with other representatives who had missed the initial training.

Patagonia has started communicating to third-party monitors the Patagonia assessment benchmarks and expectations. Patagonia's Third-Party Monitor Guidelines have been developed to promote assessment consistency worldwide.

Patagonia is also training sourcing staff to conduct pre-sourcing visits that includes a quick review of health and safety concerns and check points.

### **Verification by FLA:**

Through a review of records, FLA staff confirmed that in 2007 [monitoring organization] conducted training for all Patagonia headquarter staff on CoC and safety and health issues.

The FLA has observed that the Social Responsibility Manager has been present in audits across the regions where production is being placed. Although audits at Patagonia suppliers are conducted by third-party monitors, the Social Responsibility Manager creates remediation plans and conducts follow-ups with audited factories.

Acting on a recommendation from the FLA, Patagonia has created a monitoring guidance manual to enable third-party monitoring companies to understand the specifics of Patagonia's compliance program, e.g. interviewing techniques, audit process, etc. Patagonia has developed Monitoring Guidelines that are being communicated to third-party monitoring companies. FLA staff has reviewed the Third-Party Monitor Guidelines and provided feedback.

FLA staff confirms that training of sourcing staff to support Patagonia's compliance efforts is taking place. FLA staff also reviewed a communication handout that is being provided to sourcing staff to serve as guidance for compliance messages they should convey during factory interactions.

Patagonia has also been examining its agent relationships; the company has identified new agents and is seeking to train them on emphasizing code compliance requirements in their conversations with factories. Patagonia has acknowledged this to be a challenge in the past.

FLA staff recommends additional training for the Social Responsibility Manager and/or agents to increase their familiarity with local labor laws in the key countries where Patagonia manufactures products. It may also be desirable for them to be involved in detailed remediation discussions or audit follow-up at the factory level.

## 2.3 Updates that training at regular intervals

### **Actions Taken:**

The Social Responsibility Manager has communicated that a CSR training similar to the one provided by the monitoring organization would be provided each year.

### **Verification by FLA:**

In order to promote sustainability of labor compliance in audited factories, it is recommended that the training for the Social Responsibility Manager be expanded to include training on creating sustainable remediation action plans. FLA staff has also provided guidance to the Manager on how to develop a sustainable remediation plan and had discussions about complex compliance issues. The FLA confirms Patagonia has attended FLA trainings on FLA 3.0 methodology as well as a recent training on remediation (October 2008).

### 3. PROVIDES EMPLOYEES WITH CONFIDENTIAL REPORTING CHANNELS

#### 3.1 Encourages the establishment of grievance procedures at supplier facilities

##### **Actions Taken:**

Patagonia acknowledges that encouraging the establishment of grievance procedures is a challenge. Still, Patagonia continues its attempts to follow up on the establishment of grievance procedures through its monitoring process.

Additionally, Patagonia is now leading the small PC working group within the FLA to work on building collaboration with other small PC brands on how to address this need.

##### **Verification by FLA:**

The FLA has reviewed Patagonia's audit instrument and confirms that questions about factory grievance procedures are included. Moreover, during an internal audit at a Patagonia factory in the United States observed by FLA staff, it was noted that the factory maintained good communication channels with workers, but these channels were not formalized and therefore not sustainable. During a similar visit to a factory in China, the factory had an internal grievance procedure but workers were only aware of the suggestion box and had little trust in the factory grievance mechanisms.

The FLA recommends that Patagonia continue to support and encourage factories to create communication channels, including internal grievance policies and procedures, and provide training for management, supervisors and workers on these mechanisms.

#### 3.2 Provides channels for Company employees and workers at those facilities to contact the Company directly and confidentially if warranted

##### **Actions Taken:**

Based on FLA feedback, the company has taken some steps to address the noncompliance with this obligation. At a minimum, Patagonia is now requiring all third-party auditors to hand out business cards during their interviews with workers (a policy included in Patagonia's Monitoring Guidelines).

Patagonia has also included an email address on the CoC poster and has received a few grievances from workers, indicating that this channel is functioning for some workers.

##### **Verification by FLA:**

In 12 of 18 IEMs, a noncompliance was cited stating that no channel to communicate with the company was in place in the factory.

During the internal audit in the United States at which an FLA staff member was present, the monitor was not observed passing out his business card. During audits observed in China and Thailand, the practice of handing out business cards to the workers was inconsistent. The FLA recommends that Patagonia continue to direct third-party auditors to hand out business cards with local contact information, i.e. their local phone number, and establish a system for documenting and tracking worker complaints.

Consistent with the information gathered at headquarters, FLA staff found that the only mechanism for workers to report complaints directly to Patagonia's Social Responsibility Manager is through an email address mentioned on the CoC posters. As Internet access varies tremendously from country to country, the FLA recommends that Patagonia continue to identify alternative channels through which to receive worker complaints or grievances directly or via its agents.

The FLA understands that creating direct confidential reporting channels is difficult particularly if the company has no local presence in the manufacturing countries and because phone systems and infrastructure may vary from country to country. As agreed with the Small PC Working Group, this is an area where the FLA can share best practices or seek to identify some collaborative solutions for companies.

### 3.3 Ensures the channel is secure, so workers are not punished or prejudiced for using it

#### **Actions Taken:**

The email address posted on the CoC and the phone numbers provided by auditors allow for a secure channel to be accessed by some workers. Patagonia assures workers that they will not be retaliated against if they communicate with Patagonia staff.

Patagonia is now leading the Small PC Working Group within the FLA to work on building collaboration with other small PCs on how to address this need.

#### **Verification by FLA:**

During a factory visit performed by FLA staff in the United States, there was no evidence of written policies regarding non-retaliation. The FLA recommends that Patagonia include communication to factory management that workers should not be retaliated against for raising concerns to Patagonia. This could be included in CoC, in the monitoring guidelines to be communicated and reinforced by third-party monitors, agents and by Patagonia staff at meetings with suppliers.

## 4. CONDUCTS INTERNAL MONITORING

### 4.1 Internally monitors an appropriate sampling of suppliers to assess compliance, which includes worker interviews, records review, occupational safety and health review, practices of suppliers in relation to the FLA Workplace Standards

#### **Actions Taken:**

Patagonia mapped out a yearly plan for factory visits. Suppliers would start with an initial assessment. Both last year and this year, factories were chosen based on high risk and the time elapsed since the last audit. The Social Responsibility Manager has a color-coded risk grid of factories to indicate the risk and category and to keep track of the most recent audits. Approximately 20-25% of factories will receive a Patagonia assessment, plus 10% of collaborated or joint audits. The latter will be done by using the Fair Factories Clearinghouse (FFC) system and where a factory is shared with another company.

#### **Verification by FLA:**

The FLA reviewed Patagonia's risk analysis and confirms that often factories with serious and persistent issues and/or factories that have not recently been audited are treated as priorities for internal monitoring visits.

In terms of audit process, Patagonia has adopted the FLA benchmarks as the basis for building their benchmarks to assess factory conditions. These benchmarks have been uploaded into the FFC system. Patagonia has also created monitoring guidelines to cover all aspects of a social compliance audit.

The FLA recommends that Patagonia consider observing additional third-party monitoring companies to verify the process monitors follow in the field (how they handle worker selection, worker interviews and so forth) before contracting with them. During the audit observed in China, it was noted that the interviewer was weak in conducting worker interviews and the auditor for documentation review was not thorough in the review of payroll records.

### 4.2 Collects, verifies and quantifies compliance with workplace standards

#### **Actions Taken:**

Patagonia has created a comprehensive audit instrument, based on the FLA audit instrument, to evaluate compliance conditions in its supplier factories. Upon completion of an audit, findings are uploaded into the FFC system and a corrective action plan is created by Patagonia's Social Responsibility Manager.

#### **Verification by FLA:**

The FLA reviewed Patagonia's audit instrument which is based on the FLA audit instrument and confirms that it covers all code elements. A copy of the Patagonia audit instrument is on file at the FLA office. FLA staff has confirmed that Patagonia uses the FFC system to store and analyze audit results.

Additionally, Patagonia has taken a very innovative approach to assessing the environmental footprint of its supply chain and includes related questions in factory assessments.

#### 4.3 Analyzes the monitoring results and implements remediation plans to address noncompliance issues

##### **Actions Taken:**

Patagonia has recently sought to conduct more analysis of audit results in an effort to understand the audit findings, identify the root causes, and develop appropriate and sustainable remediation plans.

##### **Verification by FLA:**

For IEMs, the FLA confirms that Patagonia has discussed complex noncompliances and seeks to develop appropriate remediation responses. In the internal audit process, Patagonia relies on the suppliers to develop the remediation plan. The FLA recommends Patagonia work with factories to analyze root causes and in remediation plan development for all factories.

The FLA further recommends that Patagonia develop a protocol with factories to analyze and identify the most critical issues and address those issues on a priority basis.

#### 4.4 Tracks the progress of remediation

##### **Actions Taken:**

Patagonia tracks the remediation process in connection with the follow-up visit. Remediation actions are tracked in the FFC system. During such visits, Patagonia's third-party monitors seek to determine whether the activities undertaken by the supplier will contribute to resolving the issue.

##### **Verification by FLA:**

FLA staff has confirmed that Patagonia uses the FFC system to track progress of factory remediation.

FLA staff confirmed that follow-up visits to track the progress of remediation are conducted, depending on the issues raised and the importance of the supplier. The FLA followed closely the implementation of a difficult remediation plan with a supplier in South America. Patagonia steadfastly pursued the remediation of noncompliances.

## 5. REMEDIATES IN A TIMELY MANNER

### 5.1 Upon receiving the internal and independent external monitoring reports, contacts the supplier concerned (within a reasonable timeframe) to agree to a remediation plan that addresses all compliance issues identified by the monitor

##### **Actions Taken:**

Upon receiving the IEM, the Social Responsibility Manager will create a remediation plan. During internal audits, Patagonia will ask the factory create the remediation plan.

##### **Verification by FLA:**

In some instances, Patagonia develops the remediation plans and in other instances the supplier is expected to develop the plan. The FLA recommends that Patagonia engage in a dialogue with factories to jointly develop remediation plans so that all parties understand the factory context and root causes of the noncompliances from all perspectives in order to develop preventative and sustainable solutions.

The implementation of remediation plans is verified when the monitoring organization visits facilities and follows-up on outstanding remediation items. The monitoring organization brings a brief with issues identified in the initial audit and action plans to verify and compare with remediation plans that had been developed. FLA staff has documentation and photos on file and was present during a remediation discussion with Chinese factory management in July 2010.

## **5.2 Implements a remediation plan regarding the noncompliances and the actions taken to prevent the recurrence of such noncompliances**

### **Actions Taken:**

Patagonia seeks to develop remediation plans that encourage the development of policies, procedures, communication, implementation, and oversight mechanisms to prevent the occurrence of future noncompliances.

### **Verification by FLA:**

The FLA has seen improved remediation plans focusing on sustainable and preventative remediation plans submitted by Patagonia during the 2007 IEM cycles. The FLA encourages Patagonia to replicate such efforts in other audits outside of the IEMs.

## **5.3 Within sixty (60) days, supplies the FLA with the remediation plan citing all progress made and a timeline for outstanding items**

### **Actions Taken:**

Patagonia has aimed to meet time guidelines for submitting remediation plans to the FLA.

### **Verification by FLA:**

For the 2006-2007 IEM cycles, all remediation plans have been received.

## **5.4 Confirms the completion of remediation**

### **Actions Taken:**

Patagonia confirms the completion of remediation efforts in accordance with the circumstances. For instance, for health and safety issues, photographs were used to confirm the remediation of noncompliance issues. In most cases, however, remediation efforts are tracked by repeated visits to the factory. Based on the factory location and the region, these visits can be conducted by Patagonia's staff or third-party monitors (usually by those accredited by the FLA). Special attention has been placed on factories with pervasive non-compliances.

### **Verification by FLA:**

The FLA staff reviewed factory audits in which confirmation of remediation had been noted and saw samples of photographic evidence.

## **5.5 Conditions future business with contractors and suppliers upon compliance standards**

### **Actions Taken:**

Patagonia has language stating that business is conditioned upon compliance performance in its agreement with cut-and-sew suppliers.

Patagonia has also introduced a more rigorous assessment of new suppliers, prior to allowing production of Patagonia product to take place. All new factories must undergo a pre-sourcing audit. In order to receive orders, new factories must meet standards in four areas: environment, social, quality, and business.

Patagonia would like to institute a more formal warning system and disciplinary procedure for factories, giving them advance notice of potential changes in sourcing. This would include a responsible exit strategy in cases where business termination is the outcome. Once finished, the strategy will then be communicated out to all suppliers. The goal of Patagonia's approach, however, is to allow for continuous improvement to occur.

### **Verification by FLA:**

During the headquarter visit, FLA staff confirmed that Patagonia currently conditions business on compliance efforts among its cut-and-sew suppliers and reviewed copies of the agreement.

FLA reviewed Patagonia's grading system for factories based on compliance risk, which is set out in the Social Responsibility Manual, an internal document developed by the Social Responsibility Manager. Since Patagonia only has 2 seasons a year, compliance meets with production formally twice per year to discuss factory rankings

and placement of orders. FLA confirmed during the headquarter visit that such meetings and factory reviews are taking place.

The FLA recommends that Patagonia develop a warning system for non-responsive factories, highlighting what the company considers to be critical issues.

## 6. TAKES ALL STEPS NECESSARY TO PREVENT PERSISTENT FORMS OF NONCOMPLIANCE

### 6.1 Analyzes compliance information to identify persistent and/or serious forms of noncompliance

#### **Actions Taken:**

In 2007, Patagonia joined the FFC to track and manage factory assessments including the FLA IEMs. This system is used primarily to manage the factory list and track open issues. Patagonia has conducted some preliminary analysis and determined non-payment of overtime wages and benefits among the critical issues for its supply chain.

Similarly, Patagonia has analyzed its supply chain to identify where serious noncompliances may occur. As an example, Patagonia has identified wetsuit production as a high-risk production process because of the glues and vulcanization involved. Production of wetsuits only occurs in specialized factories, and Patagonia finds serious noncompliances in health and safety to be a risk factor.

#### **Verification by FLA:**

The FLA encourages Patagonia to continue with its analysis of critical issues and risk in its supply chain and to deepen its analysis to examine what noncompliances recur by product type and by country. This will help Patagonia to determine whether a different remediation strategy is required for recurring issues, possibly based on business model or country context.

### 6.2 Establishes and implements programs designed to prevent the major forms of such noncompliance

#### **Actions Taken:**

Patagonia has participated in the Jo-In Project with the hopes of learning about strategies for addressing persistent noncompliance issues and proactive remediation.

Patagonia has proposed and started the FLA 3.0 process in a factory in El Salvador.

Patagonia has initiated health and safety trainings and worker health committee trainings in China. The objective is to make a positive impact in persistent noncompliance issues in China.

Moreover, in response to the risks at the wetsuit facilities, Patagonia is collaborating with other brands that source from the same wetsuit factories to identify/prioritize the serious violations in order for factories to concentrate on their prevention.

#### **Verification by FLA:**

Patagonia is involved in a collaborative initiative with [CSO] on a social management systems assessment in China; the two companies are working with another factory on root cause analysis with [CSO] in China. The FLA confirms Patagonia's participation in the project and Patagonia has also enrolled one factory in FLA 3.0, a sustainable compliance initiative.

The FLA can also confirm that Patagonia has sought to implement preventative remediation plans in certain instances, through participating in these special projects and initiatives.

### 6.3 Takes steps to prevent recurrence in other Applicable Facilities where such noncompliance may occur

#### **Actions Taken:**

Patagonia develops internal trainings or arranges for external trainings focused on the most critical noncompliance issues and targets these trainings to suppliers where such noncompliances are likely to occur.

Patagonia would like to move towards a system of supplier ownership over their social compliance management. In China, Patagonia has required all suppliers to work with nominated social consultants to get at the root causes of the noncompliances found in an attempt to implement preventative systems. Depending on the success of this model, Patagonia would like to roll this out to suppliers in other countries.

**Verification by FLA:**

The FLA can confirm Patagonia's initiatives mentioned above. The FLA encourages Patagonia to continue to apply the lessons learned in the various projects and initiatives to the broader set of factories.

**7. SUBMITS TO INDEPENDENT EXTERNAL MONITORING**

**7.1 Provides the FLA with an accurate, up-to-date factory list, factory profile, access letters, etc.**

**Actions Taken:**

Patagonia provides FLA with regular updates of its factory base and submits access letters and other documentation as required.

**Verification by FLA:**

Patagonia has regularly provided the FLA with an updated factory list.

All the documentation or information needed to conduct IEMs has been received by the FLA on timely basis.

**7.2 Ensures that the suppliers selected for IEMs cooperate with the FLA monitors**

**Actions Taken:**

Patagonia informed all of its suppliers of its affiliation with the FLA.

**Verification by FLA:**

The FLA can verify that Patagonia suppliers cooperate with FLA-accredited monitors conducting IEMs.

**7.3 Cooperates with FLA requests for information, clarification and follow-up in the IEM process**

**Actions Taken:**

Patagonia cooperates with FLA requests for information and follow-up during the FLA process.

**Verification by FLA:**

Patagonia has promptly responded to the FLA with regard to information requests and other requests for clarification.

**8. COLLECTS AND MANAGES COMPLIANCE INFORMATION**

**8.1 Maintains a database**

**Actions Taken:**

Patagonia has maintained audit information in a spreadsheet up until 2007. In October 2007, Patagonia joined the FFC.

Patagonia will transfer and maintain factory information, keep track of active factories, and track remediation in the FFC system. Patagonia's sourcing team has been trained to use the FFC database in order to identify any open issues for follow-up discussions during factory visits.

**Verification by FLA:**

Patagonia currently uses the FFC to maintain IEM findings, remediation and follow up.

Patagonia has several audit scopes currently in the FFC: (1) FLA IEM audit (holding historical data); (2) Patagonia audit instrument; and (3) environmental data. The FFC holds audit reports and brand collaboration letters as well as supporting documentation.

## 8.2 Generates up-to-date lists of its suppliers when required

### **Actions Taken:**

All information regarding the suppliers is entered into the FFC. Also, Patagonia creates a factory list every quarter and sends updated information to the FLA.

### **Verification by FLA:**

Patagonia has provided the FLA with updated factory list when requested.<sup>1</sup>

## 8.3 Analyzes compliance findings

### **Actions Taken:**

Patagonia analyzes compliance findings to determine risks and priority issues and to measure progress and impact of the remediation steps.

### **Verification by FLA:**

The FLA also has on file examples of analysis Patagonia has done to measure the progress and impact of remediation taken at the factory level. The FLA encourages Patagonia to strengthen its analysis of findings to track frequency and recurrence of noncompliance and assess causes so that preventative steps can be taken at the factory level.

## 8.4 Reports to the FLA on those activities

### **Actions Taken:**

Patagonia submits information on these activities on request from FLA and in the annual report.

### **Verification by FLA:**

The FLA has on file samples of reports analyzing compliance findings.

## 9. CONSULTS WITH CIVIL SOCIETY

### **9.1 Maintains links to organizations of civil society involved in labor rights and utilizes, where companies deem necessary, such local institutions to facilitate communication with Company employees and employees of contractors and suppliers in the reporting of noncompliance with the workplace standards**

#### **Actions Taken:**

Patagonia has been very engaged in environmental debates in the United States but less engaged in relation to labor issues in the US and overseas.

Patagonia has developed a CSO engagement policy and procedure based on the FLA guidelines. This was used in CSO engagement in June 2008 in China. The purpose of this engagement was to find appropriate consultants for social compliance capacity building for Chinese suppliers.

In addition with the small PC working group within the FLA, Patagonia is working on developing a collective engagement strategy with CSOs globally as it is a challenge for brands with few compliance staff.

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<sup>1</sup> Patagonia has begun to publish its contract factory list. The list, as of mid-2008, is available at [www.patagonia.com/pdf/en\\_US/PatagoniaFactoryList.pdf](http://www.patagonia.com/pdf/en_US/PatagoniaFactoryList.pdf).

**Verification by FLA:**

The FLA confirms Patagonia has been very engaged in environmental debates in the United States. The FLA also confirms Patagonia has not made significant strides with respect to civil society outreach on labor issues. This is consistent in all regions where Patagonia products are being manufactured.

The FLA encourages Patagonia, relying on support from the FLA, to identify the objectives for reaching out to CSOs, conduct research as to the types of CSOs in key manufacturing countries, and then develop a plan to contact organizations that are actively involved in those countries and relevant industries (e.g. apparel).

The FLA understands that establishing relations with foreign CSOs is difficult particularly if the company has no local presence in the manufacturing countries. As agreed to by the Small PC Working Group, this is an area where the FLA can share best practices or seek to identify some collaborative solutions for companies.

**9.2 Consults knowledgeable local sources as part of its monitoring activities**

**Actions Taken:**

Patagonia has a continuous dialogue with other brands, organizations and service providers in production markets.

**Verification by FLA:**

The FLA confirms Patagonia's interactions with other brands and service providers in some key countries where their manufacturing takes place. The FLA encourages Patagonia to continue this approach and to work with the FLA to identify other knowledgeable local sources to consult with as part of its monitoring activities.

**9.3 Consults periodically with the legally constituted unions representing employees at the worksite regarding the monitoring process and utilize the input of such unions where appropriate**

**Actions Taken:**

Patagonia uses an audit instrument which includes questions on the existence of unions and asks union members to be included in the sample of interviews conducted.

**Verification by FLA:**

The FLA has reviewed a copy of the audit instrument and confirms such questions are included. A copy of the Patagonia audit instrument is on file at the FLA.

**9.4 Assures the implementation of monitoring is consistent with applicable collective bargaining agreements**

**Actions Taken:**

The audit tool requires that monitors check whether there is a collective bargaining agreement (CBA) in place and whether it is being implemented.

**Verification by FLA:**

FLA has verified that Patagonia's audit tool requires monitors to check on whether there are CBAs and their implementation.

**10. PAYS DUES AND MEETS ITS OTHER PROCEDURAL REQUIREMENTS**

**10.1 Pays annual dues**

**Actions Taken:**

Patagonia has paid its annual dues to the FLA.

**Verification by FLA:**

Patagonia is up-to-date on its annual dues. Documentation is available at the FLA offices.

## 10.2 Pays IEM administrative and monitoring fees

### **Actions Taken:**

Patagonia is up-to-date on all relevant fees to the FLA.

### **Verification by FLA:**

Patagonia has paid all relevant fees to the FLA. Documentation is available at the FLA offices.

## 10.3 Signs and honors required FLA contracts

### **Actions Taken:**

Patagonia has signed and honored required FLA contracts.

### **Verification by FLA:**

The FLA confirms that Patagonia has signed and honored required FLA contracts.

## 10.4 Submits factory lists, a standardized annual report and other information in complete form and on time

### **Actions Taken:**

Patagonia submits factory lists, annual report and all requested information in a complete and timely manner.

### **Verification by FLA:**

The FLA confirms that Patagonia submits the factory list regularly. Annual reports have also been received on a timely basis.

# CONCLUSION

Accreditation of the Patagonia compliance program should not be interpreted as a guarantee against issues and risks in the supply chain. Rather, accreditation indicates that the company has the systems in place to proactively identify and remediate those risks. Accreditation is not granted automatically, and is only renewed every three years following a satisfactory FLA evaluation of labor compliance systems and activities during the timeframe. FLA will continue to conduct standard due diligence activities on Patagonia. To check an affiliate's accreditation status, visit [www.fairlabor.org/accreditation](http://www.fairlabor.org/accreditation).