



PATAGONIA

ASSESSMENT FOR REACCREDITATION

February 2013

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PATAGONIA'S LABOR COMPLIANCE PROGRAM

Patagonia was approved by the FLA Board for affiliation as a Participating Company in 2001. The FLA Board accredited Patagonia's labor compliance program in October 2008. This assessment for reaccreditation of Patagonia's labor compliance program covers the period 2009-2012. It is based on information provided by Patagonia in its annual reports to the FLA, verified through visits to the company's headquarter office, field observation, a review of FLA supplier-level assessments at Patagonia applicable facilities, and interactions with civil society organizations.

Since 2008, the Patagonia compliance program has undergone significant developments. The Director of Social and Environmental Responsibility (SER) now manages the program and reports directly to the Vice President of Sourcing and Product Development. Since joining Patagonia in January 2010, the Director of SER has experienced continued company growth and increased staffing. She currently oversees a global team of 5 compliance staff and interacts regularly with executives, departmental Directors, and Managers across business functions. Patagonia's Director of SER is a voting representative of the FLA Monitoring Committee, representing Participating Companies, and has taken an active role in encouraging Patagonia suppliers to affiliate with the FLA as Participating Suppliers. She was elected to serve on the FLA Board of Directors, with a term ending in December 2014. The Director of SER also serves on the Business Caucus's advisory group for the Principle 8 Working Group dedicated to making enhancements to the responsible purchasing/sourcing benchmarks for brands and suppliers.



Patagonia Director of Social and Environmental Responsibility speaks with the owner of a factory producing Yvon Chouinard's latest invention, River Crampons.



Factory producing Patagonia hats.

ACCREDITATION OF PATAGONIA'S LABOR COMPLIANCE PROGRAM

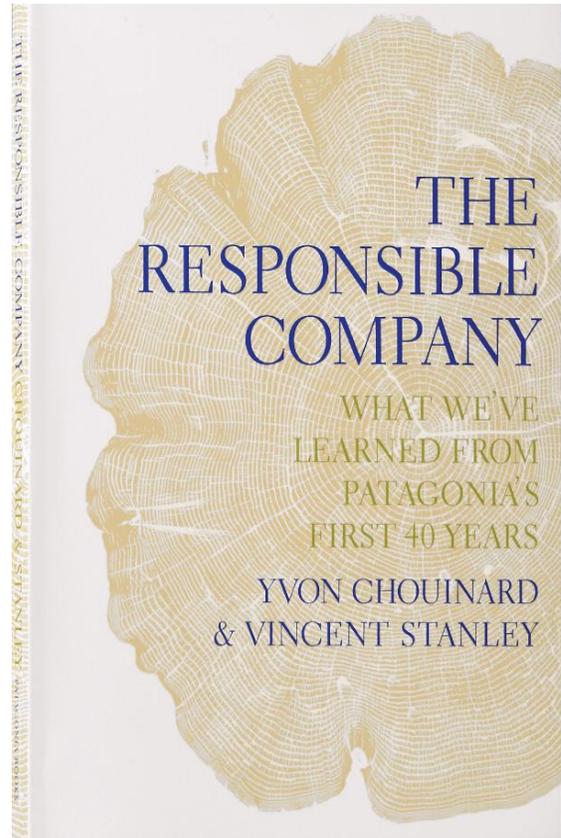
In October 2008, the FLA Board of Directors voted to accredit Patagonia's labor compliance program. The Board accepted FLA staff's recommendation based on an assessment that included visits to company headquarters and field observations. FLA staff interviewed Patagonia personnel at the headquarter office, examined documents, observed internal assessments, reviewed information in the

factory database, and analyzed findings from Independent External Monitoring (IEM) visits conducted at Patagonia facilities between 2003 and 2008.

By accrediting Patagonia’s labor compliance program, the FLA Board formally recognized that the program fulfilled the requirements set forth by the FLA. The assessment by FLA staff concluded that during the implementation period, Patagonia had aligned its compliance program with FLA standards, benchmarks, and protocols and met all the requirements of FLA participation with respect to its operations and applicable facilities. Patagonia’s accreditation report is available online at <http://www.fairlabor.org/report/patagonia-2008-accreditation-report>.



One of two solar arrays at Patagonia’s campus.



The Responsible Company, written by Patagonia’s Yvon Chouinard and Vincent Stanley.



Patagonia staff watching a video of FLA President & CEO Aurret van Heerden during a Responsible Sourcing training.



The Social and Environmental Responsibility Team conduct a payroll assessment.

ASSESSMENT FOR REACCREDITATION OF PATAGONIA'S LABOR COMPLIANCE PROGRAM

FLA staff has assessed Patagonia's labor compliance program and its operations from 2009-2012 vis-à-vis the Principles of Fair Labor & Responsible Sourcing. In addition, the assessment sought to determine whether Patagonia's labor compliance program continued to meet or exceed performance standards demonstrated during the initial implementation period.

The assessment concluded that since Patagonia's initial accreditation, the company's labor compliance program continued to meet or exceed performance standards established during the initial implementation period. Described below are selected Patagonia actions and initiatives from the period 2009-2012 in the company's efforts to maintain high standards and strengthen its labor compliance program.

1. COMPANY AFFILIATE ESTABLISHES AND COMMITS TO CLEAR STANDARDS (WORKPLACE STANDARDS)

1.1 Company Affiliate establishes and articulates clear, written workplace standards that meet or exceed those embodied in the FLA Workplace Code of Conduct.

1.2 Company Affiliate leadership formally commits to uphold workplace standards and to integrate them into company business practices.

- Patagonia's Supplier Workplace Code of Conduct (Code) was enacted in 1997 and subsequently revised in 2007 and again in 2013 to account for the 2011 revisions to the FLA Workplace Code of Conduct. The 2013 Patagonia Code meets or exceeds the FLA's Workplace Code of Conduct on all code elements. Patagonia made corresponding updates to its Social and Environmental Compliance Benchmarks. FLA has copies of the 2013 Patagonia Code and Social and Environmental Compliance Benchmarks on file.
- Patagonia continues to communicate with the public about its corporate SER program including efforts, challenges and engagements. As an example, The Footprint Chronicles is a web-based tool for the public to explore Patagonia's supply chain. Patagonia's is one of the first companies to receive the status of a Benefit Corporation in California. This is a new legal structure that recognizes companies' efforts to integrate social and environmental practices into their business operations.¹ Patagonia's leadership is supportive of the company's Responsible Purchasing Practices Program that was piloted in 2012 and will expand in 2013 and beyond. These efforts to align business practices with the company's commitment to the Patagonia Code are described in more detail under Principle 8 below.

2. COMPANY AFFILIATE IDENTIFIES AND TRAINS APPROPRIATE STAFF (STAFF TRAINING)

2.1 Company Affiliate identifies all staff (and service providers, where relevant) responsible for implementing its workplace standards compliance program.

2.2 Company Affiliate ensures that all staff (including sourcing) and relevant service providers are trained on the company's commitment to standards and the integration of standards into business practices.

¹ For more information on Patagonia's status as a B-Corp., see <http://www.bcorporation.net/community/directory/patagonia>

2.3 Company Affiliate ensures that staff or service providers responsible for implementing workplace standards compliance functions have appropriate competencies and suitable training in all areas under their responsibility.

2.4 Company Affiliate ensures that training is updated at regular intervals.

- There have been significant developments to compliance program staffing at Patagonia. At the time of accreditation in 2008, Patagonia had one Social Responsibility Manager and utilized third-party service providers to conduct internal monitoring. After the Manager's departure, the company elevated the position and hired the current Director of SER in January 2010. The Director of SER reports to the VP of Sourcing and Product Development. After some internal changes, the Director of SER received executive support to expand her team. During this transition, Patagonia engaged the services of a third-party monitoring organization to conduct internal monitoring. The SER team currently consists of the Director, 1 Manager, 1 Analyst, 1 Intern (all based at the Ventura, CA headquarters), and 3 Field Managers based in Thailand, Vietnam and Hong Kong. The 3 Field Managers were hired in November 2012 and are working with garment factories and subcontractors in Asia on audits, assessments, remediation, capacity building, continuous improvement programs, FLA initiatives, the Higg Index and special projects. FLA has an up-to-date organizational chart on file, received regular updates on SER departmental staffing, interviewed the Director of SER and SER Manager at the company's headquarters, and observed the Thailand Field Manager conduct an assessment at a Patagonia supplier.
- Company Executives, Directors and Managers in relevant departments are engaged in the company's commitment to workplace standards and the company's efforts to align business practices accordingly. The Director of SER has conducted a company-wide training on Responsible Sourcing and utilizes new staff orientation sessions to raise awareness of the company's commitments and efforts on this front. FLA interviewed the Director of Sourcing, Sourcing Managers, Production staff and the Supply Chain Manager for Fabric Development. Staff from the various departments confirmed participation in the company internal training provided by the Director of SER. FLA has on file training materials regarding steps for staff in design, buying, forecasting, production management and pricing/costing to minimize negative impacts on factory workplace conditions.
- The Director of SER joined Patagonia with 13 years of experience in the labor compliance field. She established a set of minimum criteria for third party monitors to conduct Patagonia audits (experience in training modules, management systems and root-cause analysis) and observed 10 audits conducted by third party monitors and provided them with feedback. In this regard, Patagonia has made great strides to address the recommendation raised in the original accreditation report to observe and evaluate company assessors, ensuring their adherence to Patagonia requirements and methodology. The Director has hired 4 SER team members with years of field-level experience in auditing, training and capacity building. In 2011-2012, the Director of SER focused on internal staff orientations and training. In December 2012, she spent several weeks observing the new Field Managers and engaging the team in cross training activities. FLA has copies of all SER Department job descriptions and staff resumés on file.
- At the time of hire, the SER Manager, SER Analyst and Field Managers underwent extensive orientation training at Patagonia headquarters. FLA has on file copies of the orientation presentations and materials and has interviewed the Thailand Field Manager on the training received. FLA has on file logs of SER Department internal trainings from June 2010 to the present. Training topics include: overview of Patagonia's SER program, SER awareness training, new hire orientations, factory conditions, database trainings, project management, conflict management, diplomacy, SER training for Quality Assurance staff, Bluesign program for raw materials suppliers, human trafficking, responsible purchasing practices, environmental initiatives, chemical management, fire safety, fair wages, Sustainable Compliance Initiative, etc. Many of the trainings were offered company-wide or were explicitly designed as cross-departmental learning opportunities.

3. COMPANY AFFILIATE SHARES COMMITMENT TO WORKPLACE STANDARDS WITH SUPPLIERS AND WORKERS IN THE SUPPLY CHAIN (COMMITTED SUPPLIERS)

3.1 Company Affiliate formally conveys workplace standards to suppliers and receives written acknowledgment of standards and commitment to uphold them.

3.2 Company Affiliate obtains written agreement of suppliers to (a) submit to periodic inspections and audits, including unannounced audits conducted by independent external monitors accredited by the FLA for compliance with workplace standards, and (b) collaborate with the Company Affiliate to remediate instances of noncompliance.

3.3 Company Affiliate conditions future business with suppliers upon continuous improvement of compliance performance.

3.4 Company Affiliate ensures that workplace standards are made available to workers, managers and supervisors in written form and appropriate languages.

3.5 Company Affiliate ensures that workers, managers and supervisors are informed orally and educated about workplace standards at regular intervals to take account of labor turnover.

- The practice of communicating the Patagonia Code in a supplier package continues. As of 2012, Patagonia's SER Department is undergoing a "harmonization" project to internally align the new company Code, benchmarks, audit tool, use of the Sustainable Compliance Initiative methodology, internal guidance and factory scale. In 2013, Patagonia sent to all finished goods suppliers a Code package which includes: Patagonia Code in all languages (low resolution and poster formats), Social and Environmental Compliance Benchmarks, Code comparison and implementation guidance document for suppliers, and instruction document for Code posting and training.
- As outlined in the SER Department's Standard Operating Procedures, suppliers are provided with a packet of materials during the vetting process. Suppliers must agree, in writing, to submit to inspections and audits and remediate noncompliances at the workplace. Suppliers also send in acknowledgement statements that they agree to abide by the Patagonia Code and benchmarks and will uphold Patagonia's efforts to combat human trafficking. This practice has been in place since 2011 and FLA staff viewed sample acknowledgement statements during the 2012 headquarter visit. FLA staff also viewed the 2013 Code package sent to suppliers which includes an acknowledgement form asking suppliers to confirm that they will comply with the Patagonia Code, benchmarks, FLA and Patagonia unannounced and announced assessments, and requirements of the California Transparency in Supply Chain Act.
- Since the time of accreditation, Patagonia has developed a more formal, written disciplinary process for suppliers. SER Standard Operating Procedures outline a 5-step process that includes notification of zero tolerance, additional audits, development of a corrective action plan, warning letter and probation and hold on orders. Suppliers that deliberately or repeatedly violate Patagonia standards may be terminated. Patagonia has also developed and shared with the FLA factory exit policy and procedures. The company has followed such steps in its dealings with one factory in Colombia in 2011-2012. In this particular instance, workplace conditions were not the sole reason for exiting.
- Patagonia continues to provide suppliers with translated versions of the company's Code and benchmarks. Factories are required to post the Code in a conspicuous area frequented by and accessible to workers. Expectations are outlined in the SER Department's Standards Operating Procedures and the company checks on Code posting during audits. During FLA visits to Patagonia factories between 2009 and 2012, monitors found that Codes were not consistently provided to workers. Patagonia worked with suppliers to remediate and provide training. FLA has on file copies of the 2013 revised Patagonia Code in Arabic, Bengali, Burmese, English, Hindu, Korean, Simplified Chinese, Spanish, Tamil/Sinhalese, Thai, and Vietnamese.

- In the original accreditation report, FLA recommended additional emphasis on Code training for workers and managers. In 2010, the Director of SER developed a training module on the Code for suppliers. Patagonia focused first on ensuring that workers, managers and supervisors in the Americas were trained on the Patagonia Code. During company internal monitoring visits, auditors would check to see whether training was in fact provided. There have been findings related to Code training in assessments/monitoring conducted by the FLA. As noted in a 2009 Independent External Verification (IEV) in Mexico, workers were not informed of the Code. Factory management remediated by setting up training for supervisors and workers. In a 2011 IEV in Vietnam, training for workers was not as thorough as that conducted for factory management. Factory management worked with Patagonia to remediate the issue by establishing a clear policy and procedure for training workers. Orientation training in this facility is now provided for workers within 10 days after their start date. FLA has on file a copy of the SER internal database report noting findings that factories did not provide Code training to workers. The Patagonia SER Department has distributed to suppliers a revised Code training module, based upon the newly revised company Code. FLA has a copy of the new training on file. FLA recommends Patagonia continue their efforts to extend training to all suppliers and promote greater Code awareness.

4. COMPANY AFFILIATE ENSURES WORKERS HAVE ACCESS TO GRIEVANCE PROCEDURES AND CONFIDENTIAL REPORTING CHANNELS (GRIEVANCE MECHANISMS AND CONFIDENTIAL CHANNEL)

4.1 Company Affiliate ensures there are functioning grievance procedures at supplier production sites.

4.2 Company Affiliate provides channels for workers to contact the Company directly and confidentially.

4.3 Company Affiliate ensures training and communication is provided to all workers about the grievance procedures and channels.

4.4 Company Affiliate ensures that grievance procedures and complaint channels are secure and prevents any punishment or prejudice against workers who use the systems.

- In the original accreditation report, FLA recommended that Patagonia focus on encouraging factories to establish communication channels, including factory-level grievance policies and procedures. Patagonia has made progress in analyzing the grievance mechanisms in place at factories, though there is room for a more proactive approach. During the 2012 headquarter visit, FLA staff discussed results of the company's gap analysis of grievance mechanisms in its supply chain. The company was able to verify the presence of robust and functioning grievance mechanisms only in a small percentage of Patagonia suppliers. As a result of that inquiry, Patagonia added to its audit questionnaire in order to collect more detailed information. In the latest Patagonia Code, Patagonia highlighted the importance of ensuring functioning grievance procedures at supplier production sites. From 2009-2010, a Patagonia supplier in El Salvador participated in the FLA 3.0 project related to grievance mechanisms.
- From 2009 to the present, Patagonia has made improvements to the confidential noncompliance reporting mechanism available to workers to contact the company directly. FLA visits to Patagonia suppliers revealed inconsistent implementation of a worker communication channel to Patagonia. Patagonia has agreed to remedy this and keeps the FLA updated on developments in this regard. In April 2012 Patagonia communicated to suppliers the company's partnership with a service provider on the subject of receiving grievances. Workers are now encouraged to contact Patagonia via toll-free local phone number, website, email or mail and they may do so in their local language. FLA has on file posters with the confidential channel information for workers in Bangladesh, China, Colombia, Costa Rica, El Salvador, India, Israel, Jordan, Korea, Mexico, Nicaragua, Philippines, Sri Lanka, Thailand, Turkey, United States and Vietnam. FLA also has copies of the poster in Chinese, English and Spanish for the various countries. Factories were asked to provide additional translations, as necessary. In 2012, FLA confirmed that such information is posted and available to workers in a Thailand factory. FLA

staff has on file examples of cases where workers have been able to contact Patagonia directly. FLA has interviewed Patagonia staff and has on file email records related to Patagonia's responses to and follow-through on specific complaints. FLA supports Patagonia's intentions to track grievances directly to the company in a more centralized manner.

- While many Patagonia suppliers are providing training to workers on grievance procedures and channels, the company recognizes that there is room for a more proactive approach. Patagonia has been tracking worker training on workplace standards via annual auditing, as confirmed through review of the Patagonia assessment reports and on-site observation in Thailand. The observation in Thailand also revealed that workers were not adequately trained to use the system, though the information was posted in the factory. FLA has on file the latest Code and grievance mechanism training presentation that will be deployed to factories in 2013. It includes guidance to workers on their ability to contact Patagonia directly via toll-free hotline, website, email, or mail. Patagonia Field Managers will be responsible for training suppliers in their region.
- Patagonia expressly communicates to factory management that grievances mechanisms and channels must be confidential. FLA has no evidence of reprisals against workers who have used such systems.

5. COMPANY AFFILIATE CONDUCTS WORKPLACE STANDARDS COMPLIANCE MONITORING (MONITORING)

5.1 Company Affiliate conducts pre-sourcing assessment of suppliers to review compliance with workplace standards.

5.2 Company Affiliate monitors an appropriate sampling of suppliers regularly to assess compliance with workplace standards.

5.3 Company Affiliate ensures that monitoring includes as appropriate, but not limited to, worker interviews, management interviews, documentation review, visual inspection, and occupational safety and health review.

5.4 Company Affiliate ensures that, where relevant, monitoring is consistent with applicable collective bargaining agreements.

- Patagonia has in place a system to assess potential new suppliers. FLA reviewed SER guidelines and interviewed relevant staff on the process of working with a new factory. After signing required documents, the Sourcing team visits the factory, followed by Quality and SER. SER conducts a full social compliance audit. In about half of the instances, SER is able to conduct the audit prior to samples being placed at the factory. The supplier is then provided with the audit results and is expected to work on remediation. Patagonia has a 4-fold approach whereby representatives from SER, Sourcing and Quality departments decide on whether to move forward with a new supplier. Each department has equal veto power. Once approved as a supplier, SER sends a formal welcome email along with a copy of the Patagonia Code and training materials. During the 2012 headquarter visit, FLA staff reviewed a case where sourcing was denied based on the pre-sourcing workplace compliance assessment results.
- Patagonia conducts full audits at all finished goods suppliers once every 1-2 years. FLA reviewed and has on file Patagonia's standard audit tool (blank and samples). For factories that Patagonia would like to focus on more intently, the company conducts "continuous improvement visits" and tracks progress in the company database. In 2013, Patagonia intends to adopt a question set currently under development by members of the FLA's Business Caucus.
- The Director of SER provided information on the observations and quality review of STR in their capacity as assessors for the company's internal monitoring program. FLA staff observed an internal assessment of a Patagonia supplier in Thailand in December 2012. The assessment was conducted by Patagonia's Field Manager and included worker interviews, management interviews, document review, visual

inspection and occupational safety and health review. The FLA provided Patagonia with a separate report on the field observation, which noted areas of strength as well as a few areas for improvement (e.g. location of worker interviews, accessing all areas of the factory, more in-depth root cause analysis).

6. COMPANY AFFILIATE COLLECTS, MANAGES AND ANALYZES WORKPLACE STANDARDS COMPLIANCE INFORMATION (COLLECTION AND MANAGEMENT OF COMPLIANCE INFORMATION)

6.1 Company Affiliate maintains a complete and accurate list of all suppliers.

6.2 Company Affiliate collects and manages information on suppliers' compliance with workplace standards.

6.3 Company Affiliate analyzes noncompliance findings to identify trends, including persistent and/or egregious forms of noncompliance and reports to the FLA on such analysis.

- Patagonia maintains a complete and accurate list of all suppliers. Patagonia maps information on subcontractors as well as raw material suppliers. In late 2011, Patagonia expanded its SER program to raw materials suppliers (fabrics and trims).
- Patagonia has developed an audit scale with the following categories: meets management system criteria; meets code standards; meets zero tolerance standards; and fail. During the headquarter visit in 2012, FLA staff reviewed factories in each category. Only those at the top rating (meets management system criteria) are on a 2-year audit cycle; there are 6 suppliers at this level. FLA has a copy of the scale report on file. Patagonia has developed a SER database to house compliance information. This has been an enhancement in data collection and management over the past 3 years. FLA reviewed the internal database during the headquarter visit and received updates on its development via email and supporting evidence. The database collects factory profile information, status (active, inactive, scale, FLA Participating Supplier status), audit data, details on individual noncompliances, corrective actions, information on migrant workers and third-party labor brokers or agents, and relationships with other suppliers. The system also has the ability to generate reports. FLA has screen-shots of these database functionalities on file.
- Patagonia analyzes compliance data to identify trends. Patagonia utilizes its own internal SER database for analysis and reporting as well as the Fair Factories Clearinghouse. Patagonia is able to run reports on noncompliances by Code and benchmark, by factory, by participation in a continuous improvement plan, etc. FLA has copies of reports on file. During the headquarter visit, FLA staff reviewed the compliance database, including the total number of open noncompliances and those that are designated as "continuous improvement." At the time of the headquarter visit, 21 factories had active continuous improvement plans in place. According to analyses, the most common noncompliances occurring in Patagonia applicable facilities are related to health and safety, hours of work, code awareness, wages and benefits, and the environment. Other than in March 2012 when an issue of abuse was sustainably remediated, audits of Patagonia applicable facilities show no zero tolerance noncompliances.

7. COMPANY AFFILIATE REMEDIATES IN A TIMELY AND PREVENTATIVE MANNER (TIMELY AND PREVENTATIVE REMEDIATION)

7.1 Company Affiliate, upon completion of the monitoring visit, contacts the supplier concerned within 14 days and collaborates with the supplier to create a remediation plan within 60 days that addresses all noncompliances.

7.2 Company Affiliate takes steps to conduct root cause analysis, apply sustainable supply chain solutions and prevent the occurrence of noncompliances in other suppliers.

7.3 Company Affiliate updates the FLA periodically on progress of remediation and confirms completion.

7.4 Company Affiliate records and tracks the progress of remediation.

- Patagonia continues to contact the supplier soon after the completion of a monitoring visit and this expectation is outlined in Patagonia audit guidelines. When using third party monitors to conduct Patagonia audits, the monitoring organization composed the remediation plan on-site and factory management signed a copy. The practice of promptly contacting the supplier after an assessment is strengthened with the addition of internal Field Managers, as confirmed during the 2012 observation of an assessment in Thailand.
- Patagonia investigates the root causes of noncompliances. SER staff track root cause in factory reports. FLA viewed numerous examples. Field Managers are trained to investigate root cause. As evidenced by Patagonia’s dialogue with factories on the topic of hours of work and capacity, the company is seeking to identify root causes and implement solutions across the supply chain to alleviate negative impacts.
- Patagonia provides updates to the FLA on the progress of remediation and communicates regularly with FLA on particularly challenging remediation items.
- Remediation is tracked in Patagonia’s internal database and is confirmed via follow-up (full) audits conducted the following year. FLA staff reviewed sample assessment reports that confirmed that Patagonia assessors follow up on previous findings and indicate progress on remediation.

8. COMPANY AFFILIATE ALIGNS SOURCING CRITERIA AND WORKPLACE STANDARDS (RESPONSIBLE SOURCING)²

8.1 Company Affiliate analyzes orders to ensure that sourcing criteria are consistent with workplace standards.

8.2 In the event of conflicts between sourcing criteria and workplace standards in an order, Company Affiliate provides a mechanism to resolve them in a timely manner to avoid negative impacts on workplace standards and reports to the FLA on those mechanisms annually.

8.3 Company Affiliate analyzes its supply chain on a quarterly basis to identify negative impacts of sourcing decisions on compliance and makes necessary adjustments.

- Since April 2012, the Director of SER, with support from company executives, has been investigating the impacts that Patagonia business has on factory compliance with workplace standards. Patagonia has paid particular attention to cases where orders have resulted in excessive overtime hours. In 2011 Patagonia suppliers completed the FLA RESPECT project survey related to responsible purchasing practices. In 2012, Patagonia conducted a pilot project to analyze the company’s Fall 2012 orders. In March of 2012, the Directors of SER and Sourcing reviewed each order vis-à-vis reported factory capacity and identified 12 cases where the factory accepted orders beyond reported capacity. Patagonia conducted root-cause analysis in 5 of those instances, accompanied by in-depth interviews with factory management, to determine whether there was in fact a link between Patagonia orders and potential excessive overtime. In most cases, the supplier and Patagonia were diligent in setting back production dates so that hours were not impacted. Patagonia also investigated possible linkages between Patagonia orders and worker lay-offs, especially in one factory. Though Patagonia does not represent a large percentage of production in that particular supplier, the company and the supplier have been in dialogue about ways to reduce the number of lay-offs during the low season (e.g. recruiting buyers outside of the outdoor industry). Learnings from this pilot were shared with the Director of

² There is a multi-stakeholder Working Group tasked with making revisions to Principle 8 for both buyers and suppliers. Revisions will not be final until approved by FLA Monitoring Committee and Board.

Sourcing and the VP of Sourcing and Product Development. Patagonia documented the interviews with factory management and their outcomes and FLA has copies on file.

- Patagonia has outlined a multi-year phased plan to implement Principle 8. FLA has on file a copy of Patagonia’s Responsible Purchasing Practices objectives, policy and procedures. At the outset, the document outlines the complexity and acknowledges that Patagonia internal business practices may need to change. The document identifies Patagonia staff responsible for implementation and outlines existing initiatives and processes within Patagonia that the program will leverage (e.g. the company’s corporate culture to “lead an examined life”, its 4-fold approach to vet new factories, gradual factory exits, minimum wage considerations in costing, provisions of financial support in times of transition, etc.). The SER staff work closely with other key departments within Patagonia, including: Environmental Strategy, Fabric Development, Sourcing/Production, Quality, Edit, Accounting and staff working on Patagonia’s Footprint Chronicles. FLA interviewed staff from various departments and has on file copies of emails detailing communication specific to factories (e.g., spreading out orders where possible to minimize impact on factory working hours). FLA recommends continued and sustained dialogue with factory partners, a desire echoed in interviews FLA staff conducted with factory management. Pending approval by the FLA Monitoring Committee and Board of any revisions to Principle 8, Patagonia will be expected to keep FLA apprised of progress.
- As a result of the pilot in 2012, which introduced the practice of periodic meetings between the Directors of SER and Sourcing, the Director of SER is working with the Sourcing Department to institute a monthly tracking system of orders and factory capacity to ensure that orders do not exceed capacity. This system is to be implemented by 4 Sourcing Managers.

9. COMPANY AFFILIATE ESTABLISHES & MAINTAINS RELATIONSHIPS WITH LABOR NON-GOVERNMENTAL ORGANIZATIONS, TRADE UNIONS & OTHER CIVIL SOCIETY INSTITUTIONS (CONSULTATION WITH CIVIL SOCIETY)

9.1 Company Affiliate reviews sourcing base and develops a civil society outreach strategy that reflects the geographical distribution of sourcing.

9.2 Company Affiliate develops and maintains links to civil society organizations (CSOs) involved in labor rights in sourcing countries to gain understanding of local compliance issues as referenced in FLA guidance.

9.3 Company Affiliate engages with CSOs and knowledgeable local sources in the design and implementation of compliance program strategies, trainings, worker communication channels, or remediation plans specific to production sites.

9.4 Company Affiliate consults with legally constituted unions or worker representative structures at the production site during audits and remediation.

- Since accreditation, Patagonia has developed a written strategy on engagement with civil society. The strategy is integrated into the SER Department’s Standard Operating Procedures and specifies that a yearly planning phase will help target civil society organizations for engagement based upon supply chain needs, stakeholder needs, needs within the company, or for education purposes. FLA has a copy of the written strategy on file. During the headquarter visit, FLA reviewed with Patagonia SER staff the rationale and purpose behind specific engagements, such as those with [various CSOs]. Patagonia continues to engage extensively with environmentally focused CSOs (details on file with the FLA). Since the time of accreditation, Patagonia has experienced greater campaign coverage and the company has responded first with a reactive approach and is now moving toward a more proactive approach.
- The 2008 accreditation report raised a recommendation for Patagonia to continue to work to build relationships with civil society organizations in sourcing countries. Patagonia has made progress in this

regard although FLA recommends further development of local engagements. Engagement with civil society organizations has primarily been the responsibility of the Director of SER and the SER Manager, with the VP of Sourcing and Product Development and other departmental Directors participating as and when necessary. Beginning in late 2012, responsibilities for local civil society engagement was integrated into the roles of the newly hired Field Manager positions (China, Thailand, Vietnam). Patagonia consistently tracks engagements including those with [various CSOs]. FLA has a copy of this tracking document on file and utilized the contacts to crosscheck and verify engagements.

- In 2010, [CSO] led a campaign related to the conditions of work at a Patagonia supplier in El Salvador. In 2010 and 2011, Patagonia engaged third-party monitors, the Ministry of Labor and other brands as part of a special investigation into the allegations. In a Patagonia supplier in Colombia, the company utilized the services of an outside monitor to conduct a special investigation into workplace conditions in a case when the company was exiting the factory. FLA has received regular email and phone updates from Patagonia regarding the investigations at the two factories in the Americas. FLA recommends further engagement with organizations that can contribute to the development of future program initiatives.

10. COMPANY AFFILIATE MEETS FLA VERIFICATION AND PROGRAMMATIC REQUIREMENTS (VERIFICATION REQUIREMENTS)

10.1 Company Affiliate participates in FLA due diligence activities, including unannounced production site monitoring and company headquarter visits, as applicable.

10.2 Company Affiliate completes a standardized annual report on fulfillment of Principles of Fair Labor and Responsible Sourcing.

10.3 Company Affiliate maintains a complete and accurate list of applicable suppliers with the FLA.

10.4 Company Affiliate responds to FLA requests for documentation, contracts, information and clarification in a timely manner.

10.5 Company Affiliate pays annual dues and any other applicable fees.

- Patagonia continues to be responsive to the programmatic and administrative requirements of FLA affiliation. Between 2009-2012, Patagonia participated in FLA's factory-level due diligence program and was subject to the following visits: 1 IEM (Mexico) and 1 IEV (Mexico) in 2009, 1 IEM (Costa Rica) and 1 IEV (Turkey) in 2010, 1 IEV (Vietnam) in 2011, and 2 SCIs (China, Jordan) in 2012. FLA staff has conducted two headquarter visits (June 2010, April 2012) as part of the reaccreditation process and observed an assessment conducted by the newly-joined Field Manager in Thailand (December 2012).
- Patagonia has submitted annual reports covering activities from 2009-2011. The report covering Patagonia compliance program activities in 2012 is not yet due.
- Patagonia continues to submit accurate and up-to-date information on its applicable facilities to the FLA. Patagonia currently reports 79 active factories in the FLA platform (China 19, Vietnam 16, Sri Lanka 9, United States 7, Thailand 6, Turkey 3, Mexico 3, Jordan 3, Colombia 2, El Salvador 2, India 2, South Korea 2, Bangladesh 1, Costa Rica 1, Indonesia 1, Nicaragua 1, Philippines 1).
- Patagonia continues to respond to FLA requests for documentation, contracts, information and clarification in a timely manner.
- Patagonia continues to pay annual dues and fees in a timely manner.

CONCLUSION

Reaccreditation of Patagonia's compliance program should not be interpreted as a guarantee against issues and risks in the supply chain. Rather, reaccreditation indicates that the company has the systems in place to proactively identify and remediate those risks. Reaccreditation 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.