

FORCED LABOR & HUMAN TRAFFICKING

Patagonia's approach for remediation

Introduction

Patagonia strictly condemns and prohibits any form of forced labor or slavery including human trafficking, prison labor, indentured labor and bonded labor as stated in our Code of Conduct. Our factory social responsibility audits specifically assess compliance to our Code and detailed forced labor benchmarks. All forms of forced labor, slavery and human trafficking are included in our “zero tolerance” policy.

All supply chain business partners involved in the manufacturing or finishing of Patagonia products are expected to uphold our no Forced Labor Code of Conduct standard. To this end all direct suppliers have been asked to sign a certification statement agreeing that they will make a concerted effort to ensure forced labor, slavery and human trafficking are not occurring in their supply chain and that they will comply with all the standards set forth in Patagonia's Code of Conduct and Benchmark document, the local law, and, where applicable, collective bargaining agreements.

Human trafficking is defined by the United Nations as:

“The recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation.”

Under these circumstances, victims of human trafficking are often subject to modern day forms of slavery and forced labor such as child labor, bonded labor, and indentured labor. In the supply chain, these consequences are most likely endured by workers who contract with labor brokers or other third party entities to gain employment in a foreign country or another region within their own country.

Remediation

The following remediation plan would be followed should the act of forced labor, slavery or human trafficking activities be found or alleged in our supply chain. Since the symptoms and root causes of forced labor are varied, the investigation and corrective actions would be tailored to the circumstances surrounding the case. At a minimum, Patagonia is committed to performing the following actions in all reported cases. The process will be overseen by the Director of Social and Environmental Responsibility and in conjunction with the Sourcing Vice President, Director and Manager.

Review and Investigate the Allegation(s):

- 1) Upon receiving information or allegations of forced labor, slavery or human trafficking, Patagonia's Corporate Responsibility (CR) and Sourcing teams will carefully and immediately activate the following investigation and remediation protocol. Simultaneously several actions would occur including but not limited to:
 - a. Review the findings and relevant local law to understand the key gaps and problem areas that need to be addressed.
 - b. Patagonia will communicate with the source that reported the issues (e.g., social compliance auditor, NGO, worker, victim) to obtain maximum information surrounding the allegation(s). The Fair Labor Association (FLA) and other international and local experts would be contacted for assistance and guidance on planning, further investigation, victim retrieval and safe harbor and other next steps.
 - c. Patagonia will communicate with factory management to inform them of the finding or allegation and gather supplemental information. The CR and sourcing teams

may also place the factory on temporary probation where orders are placed on hold while the investigation is occurring.

- d. Based on expert advice, Patagonia will assemble an investigative team of qualified specialists to conduct a more in-depth audit at the factory and, if applicable, the labor broker or other third party entities involved. Patagonia's Corporate Responsibility team would also be part of the investigative team. The engagement may include visiting with affected workers, factory management and any involved subcontracting parties, community leaders, local labor experts, government authorities, and NGOs.
- 2) If Patagonia is aware of other brands in the factory, we will consider engaging with any compatible brands to perform a joint investigation and to exchange information.
- 3) The Fair Labor Association (FLA) would be kept informed of our on-going progress.

Establishing Corrective Actions and Monitoring Cycles:

- 1) Once a full investigation has been conducted and the forced labor concern properly confirmed and understood, Patagonia will approach factory management and begin the corrective action process. Our factory disciplinary policy would be activated where a formal remediation letter would be sent requiring a written reply within the next 24 hours stating factory management is willing to address all concerns and agrees to comply with next steps to fully remediate the situation. The CR and sourcing teams may also extend the factory probation period until all concerns are sustainably remediated.
- 2) Per the laws of the country or countries involved, the incident would be reported to the proper authorities. The FLA would be kept abreast of our findings and next steps. If we have decided to partner with another brand then this process will be done jointly as agreed upon by both parties and in compliance with relevant US laws.
- 3) Victim reparations: In all cases of confirmed human trafficking, slavery and/or any form of forced labor Patagonia would work with international and local expert organizations and authorities to ensure the worker is offered safe harbor and provided with financial and other assistance and support. Examples of this would be:
 - a. Medical attention if needed, proper on-going counseling, return of deposits and fees from broker and/or the factory, payment of all legally required wages and benefits, option of free transportation to return home or to be placed in a safe and suitable transition housing
 - b. If deemed safe and appropriate by experts and local authorities and desired by the affected worker, he/she would be given the option of keeping his/her factory job.
 - c. Follow up visits to check on the victim's progress, health and safety would also be arranged with a local third party experts and in accordance with local law.
- 4) Factory management will be expected to acknowledge and with the help of local NGO expert analyze the identified issues.
 - a. A root cause analysis of each problem identified in the initial investigation and audit will need to be conducted and demonstrated to Patagonia.
 - b. If applicable, factory severance of business ties with the labor broker or third party entity if applicable would also be required.
 - c. If applicable, a capacity building engagement with the broker may be commissioned depending on access to and permission from the broker.
- 5) Once the root cause analysis process has been satisfied, Patagonia will work with the factory to develop a sustainable corrective action plans and timelines. Due to the complexities of the issues and symptoms of human trafficking, we will assist the factory in designing practical and operational solutions, and equally important, consider adopting policies and processes that are preventative in nature and not simply reactionary. Patagonia may consult with the FLA or other subject matter experts for support in this area.
- 6) Patagonia will monitor the factory's progress according to the corrective action timelines. A physical follow-up audit will be conducted at appropriate intervals and unannounced surveillance may be arranged. In all cases, interviews whether on-site or off-site as deemed appropriate, will be conducted with both affected and non-affected workers.

- 7) Monitoring will continue until the factory and/or labor broker has demonstrated adequate and sustainable remediation. Once this point is reached, monitoring will continue on an annual basis, at minimum and the factory would be taken off probation status.
- 8) The costs of victim reparations, audits and capacity building engagements shall be borne by the factory; however, Patagonia will consider joint responsibility of payments on a case-by-case basis.

Escalation Policy

As part of our factory disciplinary procedure, Patagonia has established an escalation policy in the event that a factory refuses to cooperate, makes little or no progress in remediation and/or demonstrates a lack of commitment.

- The Director of SER will notify the relevant Sourcing Vice President, Director and Manager of the situation and a joint in-person or video conference call with the factory would be arranged (whichever is faster) to discuss the non-compliant or uncooperative situation. Patagonia would make every effort to arrive at a reasonable arrangement where workers' rights are protected and full remediation is completed under a realistic timeline.
- If factory fails to improve within one week after the video discussion, the factory will be issued a warning stating their continued business with Patagonia is in jeopardy.
- If factory fails to show immediate cooperation after receipt of the warning letter, Patagonia will sever business with the factory and plan a responsible exit strategy for withdrawal as outlined in our factory exit policy and procedure.

CHILD LABOR

Patagonia's approach for remediation

Introduction

Patagonia does not and will not knowingly utilize suppliers who use child labor in our supply chain. Patagonia requires all business partners to adhere to Patagonia's Code of Conduct and detailed Benchmarks on Child Labor. The Code states:

“No person will be employed at an age younger than 15 or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15. Use of child labor is strictly prohibited. Business partners must observe all legal requirements for the work of authorized minors, particularly those relating to hours of work, wages, minimum education and working conditions. Patagonia supports the development of legitimate workplace apprenticeship programs and business partners will be expected to comply with all laws and regulations applicable to such apprenticeship programs.”

Patagonia strives to maintain a supply chain free from child labor starting with a 4-fold factory pre-screening process conducted before a first order is placed. The pre-screening process evaluates the potential supplier's ability to meet our (1) social, (2) environmental, (3) business and (4) quality standards and requirements. This “pre-sourcing” process screens out suppliers with egregious concerns. All forms of child labor are included in our “zero tolerance” policy. Should child labor be discovered at any of our suppliers, we will work with them to remediate this issue and eliminate the practice completely in a sustainable and preventative way that includes regular monitoring and follow up to ensure no recurrence.

Remediation

When child labor is discovered in our supply chain--as defined by local law or younger than 15, whichever is more stringent—Patagonia will take immediate action on the factory. The process will be overseen by the Director of Social and Environmental Responsibility and in conjunction with the Sourcing Vice President, Director and Manager. At minimum, the following actions will take place:

Review and Investigate the Allegation(s):

- 1) Patagonia will review the case to understand the child's circumstances: how old he/she is, why she is working at the factory, where does her family reside, how she was recruited, how much schooling she has had, etc. Auditors representing Patagonia have been trained to collect this data.
- 2) Local law, Fair Labor Association (FLA) and International Labor Organization (ILO) guidelines will be consulted in all circumstances to determine the best course of action for the specific incident and tier in the supply chain the child was found. In all cases the standard that provides the highest level of protection for the child will prevail.
- 3) Patagonia will work with a local expert NGO and the FLA to determine next steps.
- 4) If Patagonia is aware of other brands in the factory, we will consider engaging with any compatible brands to perform a joint investigation and to exchange information.

Establishing Corrective Actions and Monitoring Cycles:

- 1) Once a full investigation has been conducted and the child labor concern properly confirmed and understood, Patagonia will approach factory management and begin the corrective action process. Our factory disciplinary policy would be activated where a formal remediation letter would be sent requiring a written reply within the next 24 hours stating factory management is willing to address all concerns and agrees to comply with next steps to fully remediate the situation. The CR and sourcing teams may also place the factory on probation where orders are placed on hold.
 - a. Patagonia will communicate to the factory in writing that the child must be safely removed from the workplace under supervision by Patagonia CR staff and/or the local expert NGO. The removal plan will include financial safeguards and other support to ensure the child will not seek other employment and become at risk of falling into worse forms of child labor.

- b. Depending on the circumstances of the child, various types of financial safeguards and other support must be provided to her and/or the family once the decision is made to remove the child from the workplace. Those types of support may include a combination of one or more of the following:
- i. Purchase of ground or air transport to return the child safely to her family. Patagonia CR staff and/or a local NGO expert may be sent to witness the child's return (i.e., by car, bus, train, or flight) to her family.
 - ii. Timely payment of all owed wages and benefits.
 - iii. Arrangement of a medical check-up to ensure the child has not endured any negative health effects as a result of the job. Medical treatment, if necessary, will need to be arranged for the child.
 - iv. Administrative and financial support in enrolling the child into her local school, or a legal equivalent such as a vocational school, and bearing any such cost of this schooling and related expenses (uniforms, supplies, books, etc). Relevant arrangements would be made to ensure that the child continues to receive at least minimum wage as an incentive to complete school and not return to work.
 - v. Payment of wages and benefits due to the child until she becomes of legal working age; or a stipend paid to the family in proportion to the amount the child was contributing financially to the household income; or suitable alternative arrangements in situations in which there are no formal or informal education systems available or situations in which the worker does not want to go to school.
 - vi. Guaranteeing the child her position at the factory if she so chooses to return after she has met the legal working age.
- c. The costs shall be borne by the factory, however, Patagonia will consider joint responsibility of payments on a case-by-case basis.

- 2) The factory with the help of Patagonia's CR team and a local third party expert will develop a corrective action plan involving root cause analysis, human resources management systems gap analysis and capacity building engagements that will prevent the reoccurrence of employing child labor.

Follow-up

Once child labor has been discovered it is critical that the child's identification information is accurately recorded, including full name, parents' names, government-issued ID number, worker number, home address, and home phone number. Patagonia will use this information to track the child's progress through a local third party expert to ensure that she is no longer working at the factory, has collected on her severance package and the agreed upon financial safeguard and support program continues to be followed.

The factory will subsequently undergo a follow-up audit 1-3 months after the previous audit to demonstrate immediate action has taken place to prevent child labor in the workplace.

Escalation Policy

As part of our factory disciplinary procedure, Patagonia has established an escalation policy in the event that a factory refuses to cooperate, makes little or no progress in remediation and/or demonstrates a lack of commitment.

- The Director of SER will notify the relevant Sourcing Vice President, Director and Manager of the situation and a joint in-person or video conference call with the factory would be arranged (whichever is faster) to discuss the non-compliant or uncooperative situation. Patagonia would make every effort to arrive at a reasonable arrangement where workers' rights are protected and full remediation is completed under a realistic timeline.
- If factory fails to improve within one week after the video discussion, the factory will be issued a warning stating their continued business with Patagonia is in jeopardy.
- If factory fails to show immediate cooperation after receipt of the warning letter, Patagonia will sever business with the factory and plan a responsible exit strategy for withdrawal as outlined in our factory exit policy and procedure.

Special Note on Remediation for Issues Relating to the Employment of Juvenile Workers

Juvenile or “young” workers are defined in our Benchmark document as those between the minimum working age and the age of 18. These employees are allowed to work per local law and our Code of Conduct and are subject to special working arrangements in most countries. Restrictions such as total working hours, overtime, and type of work, along with handling requirements such as registration with the labor department and health checks, are required by our Benchmark document and often legally imposed when employing juvenile workers. When any of these conditions are not fulfilled by the factory, Patagonia will require the factory to immediately remedy the situation by resolving the immediate issue and developing a corrective action plan that involves root cause and systems management gap analysis and capacity building that will prevent the reoccurrence of such issues.

The factory will subsequently undergo a follow-up audit 3-6 months after the previous audit to demonstrate the improvements were made.