

patagonia works[®]

Annual Benefit Corporation Report

**Fiscal Year 2020
May 1, 2019 - April 30, 2020**



Forward: The Longest Year

On March 15, 2021, our CEO, Ryan Gellert, sent the company an email with the subject line “The Longest Year.” We open this report with his email, but you’ll find that the content that follows it does not capture details related to our impact during much of this period, or reference the transformation the company, our employees, our industry or the world has experienced over the past 12 months. That is because the fiscal year covered in this report ended on April 30, 2020, just 6 weeks into what turned out to be The Longest Year. In our next Benefit Corporation Report, we will share how the events of this past year have transformed the way we think about benefit and our collective and urgent effort to advance equity and justice in the fight to save our home planet.

The longest year.

We witnessed a global pandemic. An overdue reckoning of pervasive racism. Record unemployment. Closed schools. Raging, deadly storms. The painful passing of parents and friends. Cancelled gatherings, holiday plans and travel. A horrifying domestic terrorist attack. And more.

Around the world, we shut down our stores and offices and did something most other businesses didn’t consider: We closed our distribution center, shutting down nearly our entire business in North America for close to four weeks. We learned how to connect remotely, reconfigured our distribution center, offered new ways to shop.

With everything seeming to fall apart all around us, you didn’t hesitate to get groceries for neighbors, and you took care of faraway family remotely. You welcomed babies and puppies and learned to be math teachers.

You had to say goodbye to colleagues and cut your hours and pay, but you launched a feature-length, award-winning film and exciting new products. The carbon neutrality announcement by Japan’s government presents the biggest call to action in our history of doing business there—and certainly in the context of 10 years since the tragic Fukushima nuclear meltdown. And after years of campaigning, we are at a pivotal moment to help bring permanent protection to the Vjosa River and the Blue Heart of Europe. We continue to boycott Facebook and Instagram and change how we deliver content—resulting in more diverse stories and better representation.

You contributed to record-breaking voter turnout, resulting in a new US president and new US senators, and as of today, historic leaders at the helm at the Environmental Protection Agency and the Department of the Interior—the two government agencies we work with the most in our efforts to protect our planet. You delivered a comprehensive justice and antiracism strategy that we are now implementing across the company.

Scientific breakthroughs are helping us to get back to important in-person connections. Demand for our business is strong, and we are building a more just and equitable community.

Thank you for welcoming me as your CEO. Thank you for your determination, your optimism and your commitment to our reason for being. And while there is still chaos and plenty of work, we are smarter, more resilient and going to be okay. Proof of nature’s resilience abounds.

So even after this longest year, I am hopeful and full of gratitude. Thank you.

—Ryan

Introduction

Patagonia Works (“Patagonia”) is an outdoor apparel company with an almost 50-year history of environmental conservation and activism. In 2018, we changed our official reason for being to amplify this directive: “We’re in business to save our home planet.” Patagonia became a registered benefit corporation in 2012, on the first day we were legally able to in the state of California. In doing so, Patagonia and our subsidiaries, Patagonia, Inc., Great Pacific Iron Works, Patagonia Provisions, Inc. and Fletcher Chouinard Designs, Inc., adopted six specific benefit purpose commitments (which you’ll find listed and described within) that govern our operations at the most fundamental level. This report shares the work we’ve done during our fiscal year 2020 (May 1, 2019 – April 30, 2020) to advance public benefit and implement our specific benefit purposes.

Patagonia Benefit Purposes

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1% for the Planet®

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

1% for the Planet®

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

\$147,000,000

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

986

Grants funded in FY20.

\$10,000,000+

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

\$3,400,000+

In grants made to groups fighting to stop climate change.

\$2,500,000+

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

\$2,000,000+

In grants made to groups focused on supporting environmentally marginalized communities and giving a voice to the groups of people who are impacted most by environmental disasters, climate change, pollution and other environmental degradations.

450

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

\$22,300,000

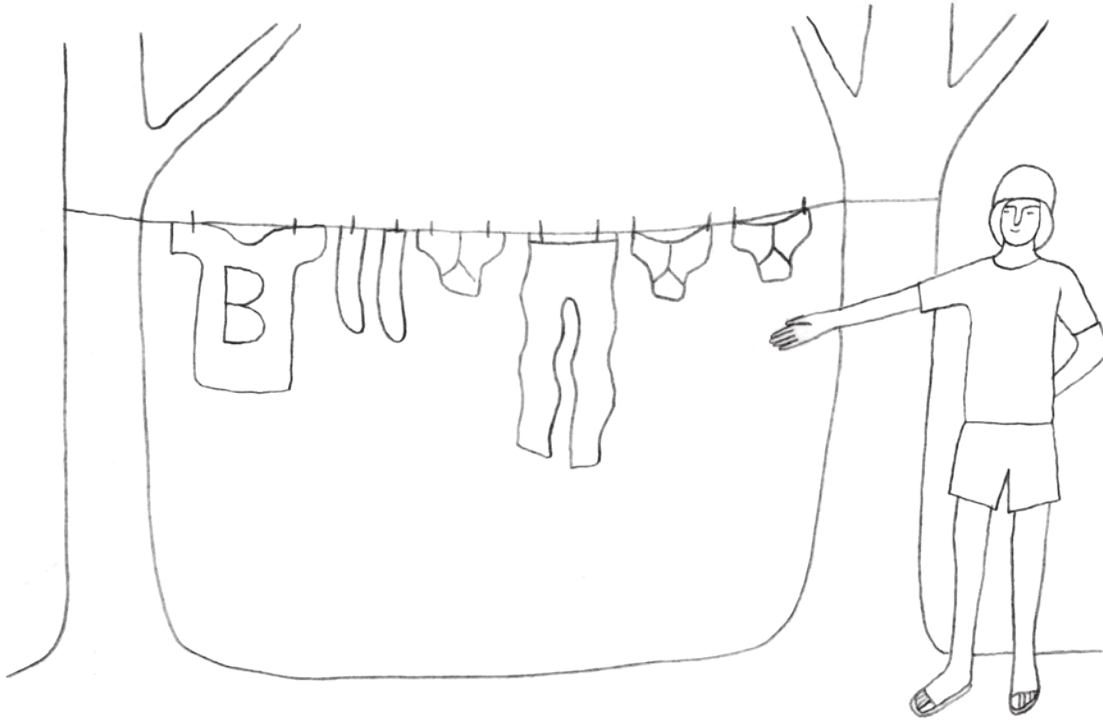
Dollars given to our grantees through Patagonia Action Works donations and Patagonia matched funds. On Black Friday, we committed to matching individual donations made to grassroots environmental grantees by the end of the year. In 17 days, our community raised \$10 million to support these groups.

100

Percent of stores across the globe that we closed so that our employees could join youth activists in calling on governments to take radical action on climate change.

14,000

Hours of skill-based volunteering donated (valued at over \$3M) through Patagonia Action Works.



Build the Best Product with No Unnecessary Harm

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

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

9.12

Average quality score on a 1-10 scale (10 being best), against our internal Patagonia Design Quality Attributes rating system. This rating process serves as a way to push our design teams to improve the overall quality, performance and environmental and social responsibility of our products.

0.30%

Percentage of quality returns in 2020 as a percentage of sales, down from .39% in the same period last year.

40+

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

72

Global product repair centers (including our repair facility in Reno, Nevada, with 70 repair technicians; and our largest in-store repair center in our Bowery store in New York City).

101,706

Products we fixed at our repair centers around the globe.

30

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

66,000

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

76,562

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

3,050

Number of people who attended Worn Wear Tour events in Korea, where our program just took root this year.

73%

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

567

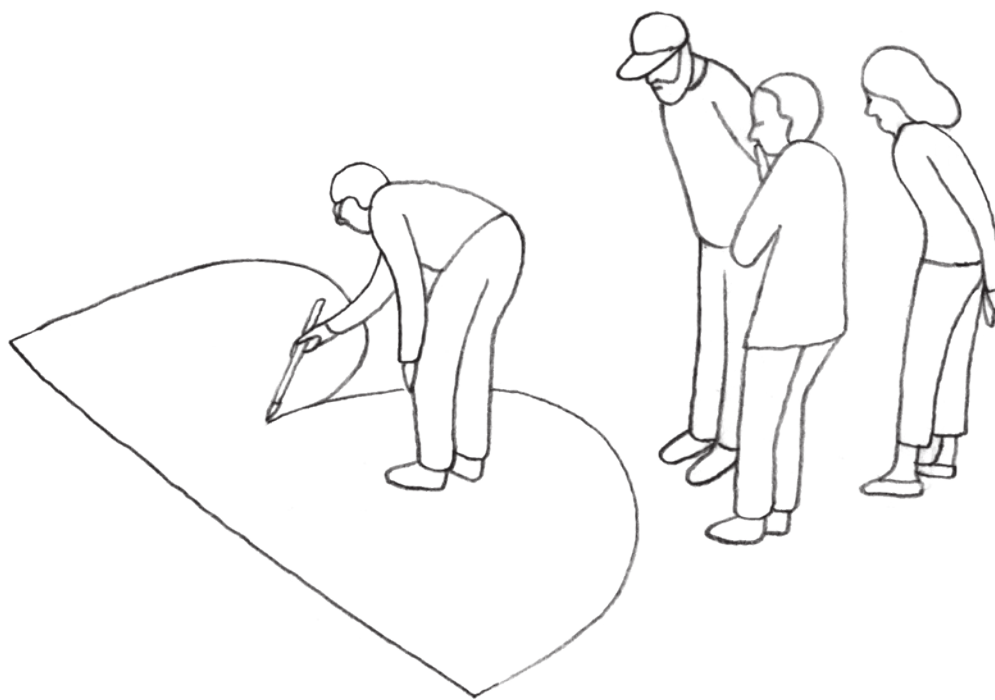
Number of organic cotton farmers involved in Patagonia's Regenerative Organic Certification pilots in India.

47,622

Pounds of old Patagonia garments that could not be repaired or reused that were responsibly recycled.

PATAGONIA APPAREL MATERIAL SOURCES

	2018	2019	2020
Virgin petroleum-based products (POLYESTER/NYLON)	49%	48%	20%
Recycled materials	35%	31%	65%
Virgin cotton and other plant-based materials	15%	16%	14%
Virgin wool and other animal products	1%	5%	1%



Conduct Operations Causing No Unnecessary Harm

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

2025

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

100

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

82

Percentage of the electricity use for our global owned and operated facilities met with renewable sources. We aim to be at 100% by the end of 2021.

108

Hours spent by our Japan Zero Waste Team to reduce office waste and educate staff on zero-waste living principles.

679

Kilowatts of solar energy installed on farmland we've leased in Japan, which allows harvesting of both sun and food.

1,179,791

Single-occupant-vehicle trip miles averted through our employee Drive-Less Program, a 19% increase from FY19.

16

Classrooms in our Child Development Centers participating in zero-waste efforts.

100

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

45

Percentage of reduction in plastic packaging in North American eCommerce achieved by switching to paper.

2,130,000

The number of kilowatt hours produced from the solar arrays at our Reno Distribution Center and office buildings.

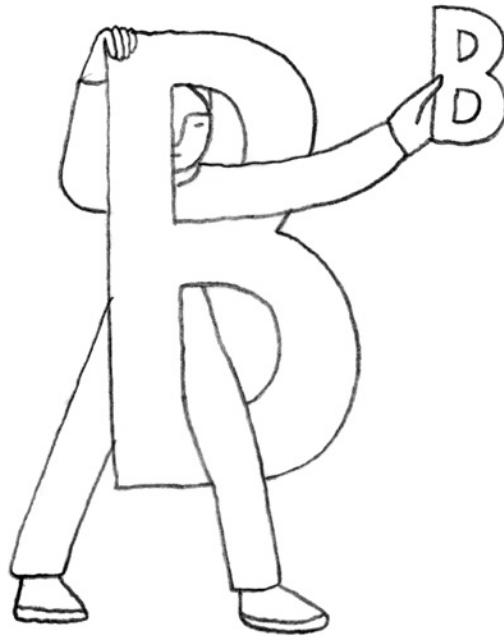
217,800

The number of kilowatt hours produced from the solar arrays at our Ventura Campus.

PATAGONIA'S GREENHOUSE GAS FOOTPRINT

(In metric ton carbon dioxide equivalent)

	FY18	FY19	FY20
Scope 1	1,082	1,041	1,442
Scope 2	3,027	4,114	3,744
Scope 3	162,948	223,285	219,379
TOTAL	167,057	228,440	224,565



Sharing Best Practices with Other Companies

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

14

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

37,056

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

88

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

32

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

1,700

Free community events we hosted at our 37 North American stores, including films, activism events, yoga classes, bike rides and environmental presentations.

168,000

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

1,500+

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

180

Number of companies that attended Patagonia Korea's events to learn and discuss responsible business practices.



Transparency

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

17

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

60

Pages on our website that are devoted to explaining the impacts of our business.

59

Posts on our blog, *The Cleanest Line*, in FY20 that address various social and environmental issues, including the fight to protect the Blue Heart of Europe, climate and environmental justice activism, and the way we are addressing our carbon footprint.

130

Teams of university students that participated in the 5th Annual Patagonia Case Competition to propose solutions to reduce waste generated throughout the entire life cycle of our products—from design and manufacturing to the consumer behavior side.



Providing a Supportive Work Environment

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

100%

Cost of medical premiums for employees covered by Patagonia. In spite of 4% cost increases each year nationally, Patagonia has kept the cost to employees of all health insurance benefits flat for four years.

100

Percentage of Patagonia employees in the US who are paid at least Living Wage.

96

Percentage of Patagonia's eligible US employees who put money away for retirement through the company's 401(k) plan, matched up to 2.5%. Patagonia also contributed an additional 13% to all employee 401(k) accounts.

1.5

The number of men who took advantage of three months fully paid parental leave for every woman who did the same.

51

Percentage of Patagonia's workforce comprised of women, higher than the national average of 46%.

47

Percentage of Patagonia senior leaders who are women, compared with the national average of 23%.

3%

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

March 14, 2020

The date Patagonia shut down operations to keep employees safe during the early phase of the COVID-19 pandemic, in advance of any state or federally required closures.

\$4.5 Million

Precautionary pay hours paid to hourly employees who were unable to go into a Patagonia facility due to COVID safety shutdowns of our stores, distribution centers and offices.

\$55,951.25

Dollars invested in employees' ongoing learning through our Tuition Reimbursement program.

4,768

Hours employees participated in Patagonia-arranged volunteer workdays supporting local nonprofits. Five hundred and eighty-six employees participated in these activities.

\$152,001

Dollars matched through our Employee Charity Match Program.

Patagonia matches charitable contributions made by employees, doubling the funds donated to the organizations and causes employees care about most deeply.

17,000+

Employee hours spent volunteering with environmental groups as part of Patagonia's environmental internship program, which allows fully paid leave of up to two months to work for a nonprofit environmental organization.

608

Reno employee attendees at local environmental Brainfood presentations. Fifteen local organizations participated in these educational events.

17

Patagonia Korea staff who protested in front of city hall to urge the mayor to remove a dam on the main river in Seoul.

100

Patagonia Korea staff and customers who joined the People's Climate March in Seoul.

Patagonia Child Care-Related Benefits in FY20

184

Children enrolled in Patagonia on-site child care.

59

Teachers employed by Patagonia.

16

Number of child-care classrooms.

80

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

39,718

Square feet of outdoor learning space on our Ventura and Reno campuses.

\$108,734

Subsidies provided for Patagonia child-care programs.

\$33,600

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



In Closing

Patagonia is a Certified B Corp, which means that our company's overall environmental and social performance is measured and independently verified by third-party B Lab. To be a Certified B Corp, a company must score a minimum of 80 out of 200 points on B Lab's Impact Assessment. We chose B Lab for the third-party verification required under the California Benefit Corporation statute because we believe their experience certifying thousands of companies and their social and environmental performance standards are the most comprehensive and aspirational available. The score from our most recent assessment performed in calendar year 2019 was 151.4.

Patagonia's B Corp Scores

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