



California Transparency in Supply Chains Act (SB 657) and
UK Modern Slavery Act Disclosure Statement
2017

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A. INTRODUCTION

“Human Trafficking is a crime against humanity. It involves an act of recruiting, transporting, transferring, harbouring or receiving a person through a use of force, coercion or other means, for the purpose of exploiting them.” – [United Nations Office on Drugs and Crime](#)

“If we want to make a significant change in the lives of the 21 million men, women and children in forced labour, we need to take concrete and immediate action.” “That means working with governments to strengthen law, policy and enforcement, with employers to strengthen their due diligence against forced labour, including in their supply chains, and with trade unions to represent and empower those at risk.” – [The ILO Director General](#)

1. Human Trafficking Background

Human trafficking is the second most prevalent form of illegal trade in the world, just after the illicit drug trade and equal to the sale of illegal arms. Sometimes referred to as modern day slavery, it is also the fastest growing illegal business in the world.¹ According to International Labor Organization (ILO) data, there are nearly 21 million forced labor victims and 9.1 million human trafficking victims worldwide. Men are affected, but women and children are particularly vulnerable.² These crimes affect nearly every country in the world, and are unbounded by industry or sector.

Human trafficking in any industry is a result of poverty and a lack of education, government action and political will. It’s often thought of as a problem in the illegal sex trade, but human trafficking can be found in garment factories, fabric and trim mills, and farms in the supply chain. Factories that use third-party labor brokers or unmonitored subcontractors are particularly susceptible. Even in the United States, where foreign migrant workers may seek employment through third-party brokers, factories sometimes employ human trafficking victims.

2. Cal. Civ. Code § 1714.43 (SB 657) - California Transparency in Supply Chains Act (“the Act”)

Beginning January 1, 2012, the Act “require(s) all retail sellers and manufacturers doing business in the state to disclose their efforts to eradicate slavery and human trafficking from their direct supply for tangible goods offered for sale.” The Act helps consumers make informed purchasing decisions by providing them with information on the efforts that companies are taking to ensure their products are not made under slavery or trafficking conditions.

The Act applies to all retailers or manufacturers doing business in the state of California with greater than \$100 million in annual worldwide gross receipts, and affects thousands of businesses with operations in the state. It is important to note that the act does not regulate a company’s labor practices, but instead requires businesses to disclose practices in five distinct areas: Verification, Audit, Certification, Internal Accountability and Training.

Patagonia, as a California business, is required to disclose our efforts. We are committed to sharing the practices we use within our own supply chain to detect, mitigate, and remediate forced labor and human trafficking in our business operations.

This statement was written following [The California Transparency in Supply Chains Act – Resource Guide](#) published by the State Attorney General.

3. **UK Modern Slavery Act 2015**

This statement also serves to fulfill the requirements of the [UK Modern Slavery Act 2015](#). Similar to the California Transparency in Supply Chains Act, “One key purpose of this measure is to prevent modern slavery in organisations and their supply chains. A means to achieve this is to increase transparency by ensuring the public, consumers, employees and investors know what steps an organisation is taking to tackle modern slavery.” Organizations, therefore, are required to make this information known through a public statement.

4. **[Patagonia History](#)**

Patagonia is an outdoor apparel and gear company for sports including surfing, climbing, fly fishing, skiing and trail running. Founded in 1973 in Ventura, California, the company remains privately held. Our products are sold in over 40 countries through our stores, retailers and online, and, our supply chain of finished goods factories and material suppliers spans across 25 countries.

Patagonia has long focused on preventing and, where necessary, remediating a wide range of issues in our supply chain, including forced labor, child labor and other human rights abuses. Patagonia has a dedicated team located in six countries that works full time on social and environmental responsibility. This team reports directly to the Chief Operating Officer.

In the mid-1990’s, we developed and implemented a [Workplace Code of Conduct](#) and factory monitoring programs in our finished goods factories to combat human trafficking and forced labor. Additionally, in 2011 Patagonia expanded its monitoring program to include our “Tier 2” suppliers who supply our finished goods factories with the materials that make up our products. Specifically, this work led to the [Patagonia Migrant Worker Employment Standards](#), developed in consultation with an independent third party, [Verité](#), to cover the entire employment life cycle in our supply chain partners including: pre-hiring interactions, labor contracts, wages and fees, retention of passports, living and working conditions, grievance procedures, and repatriation. A detailed timeline of our work on these issues can be found on our [Protecting Migrant Worker webpage](#).

5. **Patagonia Policy on Forced Labor**

Patagonia prohibits forced labor and human trafficking in all of its forms in [our supply chain](#). When we evaluate potential new factory partners, we will not place purchase orders if we find forced labor. If we find forced labor in one of our existing partners’ factories, that factory is subject to our escalation policy, including a remediation plan to demonstrate commitment to eradicating the practice at issue. In all cases, where a factory is a part of Patagonia’s supply chain, incidences or conditions contributing to slavery or human trafficking are grounds to end business relations if not eliminated.

We fully support the efforts of a growing number of anti-slavery activist groups, nongovernmental organizations (NGO’s), and our state and federal government to shed light on human trafficking, slavery, and child labor in the supply chain. We are hopeful

that these and other human rights concerns will continue to receive attention and analysis in the public and private spheres.

We welcome your feedback on our disclosure statement. Please email us at social_responsibility@patagonia.com.

B. DISCLOSURE of PATAGONIA PURSUANT TO THE CALIFORNIA TRANSPARENCY IN SUPPLY CHAINS ACT and UK MODERN SLAVERY ACT

Focusing on the five topic areas covered in the California Transparency Act, our statement discloses how we monitor our supply chain for child labor and all forms of forced labor, including slavery and human trafficking. The statement also serves to fulfill the disclosure requirements of the UK Modern Slavery Act.

1. Verification

Requirement: “[D]isclose to what extent, if any, [the company]...[e]ngages in verification of product supply chains to evaluate and address risks of human trafficking and slavery. The disclosure shall specify if the verification was not conducted by a third party.”

a. Verification Protocols

Patagonia is [committed to fair labor practices](#) within our supply chain. We are a [founding and fully accredited member](#) of the [Fair Labor Association \(FLA\)](#). The purpose of this multistakeholder organization is to improve working conditions in factories worldwide. The [NGO's code of conduct](#), which Patagonia has adopted in full and supplemented with additional standards, requires suppliers to prohibit any forms of forced labor, human trafficking, or child labor in the supply chain. Additionally, our Code has detailed [benchmark standards](#) that align with each code element.

We have [written policies and procedures](#) outlining how we identify, evaluate, address and remediate human trafficking and child labor. As an accredited member of the FLA, these policies and procedures also comply with the [FLA's Principles of Fair Labor and Responsible Sourcing](#).

To maximize coverage of our supply chain and to ensure checks-and-balances, we engage with third-party monitors and employ a team of full-time Field Managers based throughout Asia to audit our factories for human trafficking and slavery. These skilled and experienced monitors identify abuses using a multi-pronged approach, including interviews with workers and management, observational tours of the factory, documentation review and geographic and industry risk assessments. Our audit tool and protocol includes a robust section on child labor and migrant workers with specific questions that look for indications of human trafficking. In addition, the FLA randomly audits a sampling of the garment factories in our supply chain each year and posts the results for public viewing on their [website](#).

To ensure that our supply chain complies with our policies and procedures, all of our new factories undergo a four-fold prescreening audit process. The process includes screening by our social and environmental responsibility, sourcing and quality teams. The social and environmental responsibility team have equal voting power as the

other departments in the final selection of new factories. This measure ensures that we do not contract with factories that have substandard human rights and environmental practices to begin with.

For current factories, we audit all of our cutting, sewing and finishing factories, and their subcontractors, for compliance with our Code of Conduct and detailed benchmark document. This includes compliance with our policies on forced and child labor. This practice has been part of our social responsibility program since the mid-1990s. As of late 2011, we traced our materials supply chain and currently monitor our key mills that collectively make up close to 80% of our annual cost. We require immediate remediation if we find any noncompliance with our Code of Conduct, including slave labor, human trafficking and child labor. You can find additional factory social and environmental responsibility information on our [Corporate Responsibility](#) and [Footprint Chronicles®](#) site.

b. Frequency

Patagonia tracks and records its direct suppliers and material manufacturers on an ongoing basis. New and existing suppliers submit mapping documents that detail their supply chain and are required to keep Patagonia abreast of any changes. Patagonia uses this information to identify sites that will be monitored throughout the duration of our relationship with the supplier.

All new factories undergo a pre-sourcing audit and only when a factory is able to satisfactorily meet our standards can orders be placed. The supplier is then put on a monitoring cycle and programs tailored to the supplier's performance level. This includes audits, trainings, capacity building consultations, and other types of engagements that help the supplier identify root causes and achieve full compliance. Depending on the factory's needs and performance, these events can occur monthly up to annually, and for auditing events, they always include an evaluation of forced labor and human trafficking.

Patagonia headquarters is also formally audited by FLA staff every three years for compliance with the FLA's 10 Principles of Fair Labor and Responsible Sourcing. In addition, we are required to complete an extensive annual self-assessment to maintain our accreditation in between formal audits. Lastly, as a B-Corporation, we are required to submit a self-assessment every two years, allow onsite audits by B-Lab our certifier, and publish an annual B-Corp report which includes efforts on social and environmental responsibility.

c. Labor Brokers

The use of labor brokers to hire migrant workers increases the risk of human trafficking and forced labor. In recognition of this, we have taken concrete steps to improve identification of the presence of labor brokers in our supply chain through our social audit tool and protocol. Our social audit tool includes a section devoted to uncovering and understanding labor broker participation while our worker and management interview protocol covers questions on the recruitment process that would reveal whether a labor broker was involved and any fees paid to the labor broker(s) in the sending and receiving country which could contribute to a human trafficking situation.

If we find a factory to be at high risk for human trafficking through these initial audits, we will follow-up with an in-depth migrant worker audit. We developed the migrant worker audit in late-2014 after we discovered that many of our Taiwan mills were hiring migrant workers through labor brokers. This focused audit looks at the migrant worker life cycle from the recruitment process before the worker left his home country to the working conditions while he is employed to the repatriation policy when his contract expires. The audit also evaluates the destination labor broker who is required to be present during the audit.

2. Supplier Audits

Requirement: “[D]isclose to what extent, if any, [the company]... [c]onducts audits of suppliers to evaluate supplier compliance with company standards for trafficking and slavery in supply chains. The disclosure shall specify if the verification was not an independent, unannounced audit.”

a. Audit Methodology

Our social audit program consistently monitors all of our finished goods factories and their subcontractors (Tier 1), and, key material and trim suppliers (Tier 2, that account for close to 80% of our total material cost). These factories and mills all undergo our social audit and, if red flags for human trafficking are found, suppliers will undergo our in-depth, specific migrant worker audit. Our factories and mills are subject to annual auditing or more frequently if any labor or environmental issues are found. Key “sophisticated suppliers” (ones that have demonstrated advanced CSR management systems to remain in compliance) are audited less frequently but independent third party audit reports are collected annually to reduce audit fatigue. Our sophisticated suppliers are instead offered free trainings and other engagements that helps the factory further elevate their CSR program.

Through our Migrant Worker Employment Standards, we have established clear and specific standards for our Tier 1 and Tier 2 monitored suppliers to prevent the occurrence of forced labor and child labor. These standards relate to ethical recruitment, labor broker due diligence, human resource policies, record inspection and tracking.

In all social audits, we employ a triangulation method for detecting and substantiating findings which consists of:

- 1) Interviews with management and a diverse set of workers from various departments. We will also interview migrant workers in their native language and labor brokers in the destination country, as applicable.
- 2) In-depth review of documents that may signal forced labor or debt bondage such as proof of age, payroll, time records, production records, disciplinary notices, grievances, employment contracts, human resource policies and personnel files.
- 3) Visual observations throughout the audit and particularly during the factory tour and health and safety walkthrough.

Patagonia has a special section in our social responsibility audit tool which helps us to identify indicators of human trafficking. Using the triangulation method above, our internal and third party auditors must assess and fill out this section for every audit.

Beyond auditing, Patagonia engages in numerous [activities](#) with our factories to ensure compliance with forced and child labor laws and our Code of Conduct. These activities include special trainings, continuous improvement programs, capacity building initiatives, like the [ILO Better Work program](#) and [Fair Trade](#), and collaboration efforts with other brands and the FLA.

b. Audit Statistics

Presourcing

Patagonia conducts prescreening audits for all new finished goods factories and fabric mills prior to initiating purchase orders.

Tier 1: [Finished Goods](#)

The scope of the Tier 1, finished goods, monitoring program includes 100% of the finished goods factories and their subcontractors producing for Patagonia.

Tier 2: [Raw Materials](#)

The scope of the Tier 2, raw materials, monitoring program includes suppliers that make close to 80% of the total cost of raw materials purchased by Patagonia annually.

The majority of our audits are conducted by appointment with the factory. We use this approach as it conveys our desire to build trust and an equal partnership. In our experience, unannounced audits have not yielded higher rates of findings, if anything it encourages supplier non-transparency and suspicion. To identify problem factories, we rely on: the professional skills, extensive experience and expertise of our field management staff; carefully selected third party auditors; the robustness of our audit methodology; and our factory pre-screening process. With that said, we do conduct unannounced inspections and surveillance of suppliers on an as needed basis.

c. Auditor Information

Patagonia monitors suppliers using a combination of internal auditors and professional third parties. We employ four full-time Field Managers dedicated to monitoring and supporting our supply chain on social and environmental responsibility. This team is strategically based throughout Asia to reflect the distribution of our supply chain. All field staff receive ongoing refresher and skills building training and field evaluations. Our Social Responsibility staff in headquarters are also trained auditors with an average of 12 years or more of industry experience.

To help expand our coverage and to create checks-and-balances, we also partner with several vetted and pre-approved NGO's and monitoring firms to conduct audits. Included is the FLA who randomly selects and audits a sampling of our supply chain in a given year and publishes the results online. We hire third parties to audit less than a quarter of our finished goods factories and about half of our material suppliers.

If human rights abuses are detected, the problems will be escalated internally through the four-fold process and immediate action is taken, including intervention by

our business units. In all cases, we conduct a root cause analysis to uncover the underlying cause(s) of the violation to determine the best course of action.

3) Certification

Requirement: “[D]isclose to what extent, if any, [the company]... [r]equires direct suppliers to certify that materials incorporated into the product comply with the laws regarding slavery and human trafficking of the country or countries in which they are doing business.”

a. Certification Requirements

All our direct suppliers are required to sign a statement that certifies the materials incorporated into their products comply with slavery and human trafficking laws in the country or countries in which they do business. We are also introducing this process with our material suppliers to ensure that they also receive this information directly from Patagonia. We know that education and awareness can be the best form of prevention. To this end, we send our suppliers materials to educate them about areas where human trafficking can be found, as it can inadvertently occur in the hiring process if factory management uses a labor broker or third party.

Patagonia shares the following materials with direct suppliers and raw material suppliers: the Patagonia [Migrant Worker Standard](#); a summary from the [FLA on SB 657](#); a list of activities that Patagonia does to reduce the risk of human trafficking in the supply chain; a Frequently Asked Questions sheet on migrant worker issues; a questionnaire that identifies human trafficking risks in hiring practices; and a list of helpful websites about the issue. To further enhance our efforts, we include human trafficking awareness training when we onboard new suppliers and during annual Code of Conduct training for existing ones (an FLA requirement).

b. Accountability Efforts

Along with the compliance statement, suppliers are expected to be able to demonstrate their compliance as well. Verification of this happens during audits where our suppliers are asked to present evidence, including, but not limited to: age documents, payroll and time records, production records, disciplinary notices, grievances, employment contracts, human resource policies, personnel files and training records. Interviews are also conducted with management and workers to substantiate the documents reviewed.

If migrant workers are employed we take additional measures to investigate the situation. As follow-up, the supplier will be asked to complete a survey to provide information on any labor brokers and migrant workforce including composition, fees paid, conditions of employment and so forth. If the survey reveals indicators of human trafficking or slavery, we will move quickly to arrange a focused migrant worker audit. The results of the audit and the supplier’s willingness to make continuous improvements are analyzed and presented to the 4-fold team for discussion of next steps.

4) Internal Accountability

Requirement: “[D]isclose to what extent, if any, [the company]... [m]aintains internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking.”

a. Identification of Policies

Patagonia headquarters is formally audited by FLA staff every three years against the FLA’s [Principles of Fair Labor and Responsible Sourcing](#), with an [annual self-assessment](#) in between years. In 2013, the FLA reaccruited our Social and Environmental Responsibility program. Since then we have also submitted self-assessments with supporting documents to demonstrate our ongoing compliance. We are anticipating our reaccruited audit in 2017. Additionally, as a B-Corporation, we are required to submit a self-assessment every two years, allow onsite audits by B-Lab, our certifier, and publish an annual [B-Corp report](#) which includes efforts on social and environmental responsibility.

We have also developed and applied our [Migrant Worker Employment Standards](#) throughout the supply chain. In Taiwan where we have identified pervasive migrant worker employment in our fabric mills, we held a seminar in late 2014 for our suppliers where we announced these Standards, provided education on the issues facing migrant workers and showed how to identify and prevent human trafficking.

Patagonia prohibits any form of forced labor, including slavery and human trafficking. If this grave concern was to be found in our supply chain, the factory would be subject to our factory disciplinary policy. Disciplinary actions include immediate remediation and possible termination of business. Aside from serious, unremediated zero tolerance issues, it is Patagonia’s policy to form long-term relationships and work with our contracted factories, in the spirit of continuous improvement.

b. Worker Protections

Factories producing goods for Patagonia are required to post the [Patagonia Code of Conduct](#) and separate grievance hotline poster in a conspicuous place visible to all workers. The hotline is a resource provided by Patagonia through a 3rd party who is able to field calls in the worker’s language around-the-clock. Information that gets collected is then disseminated to Patagonia to take action.

In addition, we require our suppliers to create and maintain their own internal grievance mechanism. We have developed clear standards, a guidance document and in-person training module to support our suppliers in this effort. We evaluate the strength of their grievance system in our audits.

5) Training

Requirement: “[D]isclose to what extent, if any, [the company]... [p]rovides company employees and management, who have direct responsibility for supply chain management, training on human trafficking and slavery, particularly with respect to mitigating risks within the supply chains of products.”

a. Training Methodology

Internal Training

Trainings on Patagonia's social and environmental responsibility efforts and the issues affecting our industry are conducted throughout the year. We employ different training and communication methods to educate or update our employees including:

- On a regular and as-needed basis we will conduct new hire trainings on our corporate responsibility program during employee orientations.
- Our social and environmental responsibility team visit our stores around the world to provide trainings. This includes our company's efforts on addressing migrant worker issues.
- We create and distribute Frequently Asked Questions sheets on particular social or environmental issues. We have developed one on migrant worker issues and human trafficking that has been shared with staff who work directly with our suppliers.
- The SER team holds regular meetings with our business units to update them on the migrant worker program including supplier progress, remediation strategy and engagement and activity with stakeholders.
- We maintain a dedicated [webpage](#) on our Taiwan migrant worker efforts for both internal and external stakeholders.

When we launched our response to the Act in 2011, we held a companywide human trafficking awareness training in that same year. Since that time our efforts in this area have expanded and deepened and we remain committed to keeping these issues in the forefront.

External Training

Our training efforts also include reaching external parties such as suppliers, other companies, government, media and the general public.

All of our audited factories and mills are informed of the Act and given, at minimum, an introductory training on human trafficking and slavery. For our suppliers in higher risk regions we devote a substantial amount of time on training and remediation. Specifically for our suppliers in Taiwan we have held workshops, webinars, and coordinated 3rd party trainings on many subjects related to the prevention, detection and remediation of human trafficking. Education has been vital for bringing change and we will continue to use this approach with our suppliers.

Migrant worker issues are complex and affected by many stakeholders including companies, government, consumers and the media. We have made wide-ranging efforts to engage with each of these actors. Through the [media](#), we have made public the challenges we face in our Taiwan supply chain and the strategy we would employ to make improvements. This has helped to raise awareness of the issues and as a result has started meaningful discussions with US and Taiwan governments, companies across different sectors, NGO's and our customers.

b. Personnel Being Trained

General training on human trafficking and slavery has been provided companywide on an ongoing basis. Focused and more in-depth training on these issues have been

provided to key staff members who are in a prime position to help prevent, detect and/or remediate such issues. These staff members include:

- The leadership team including our CEO, COO and VP of Supply Chain.
- The SER team consisting of 15 members, four of whom are Field Managers based in Asia and spend much of their time in our factories and working with our suppliers.
- The business units who work directly with our suppliers including material developers, product developers and sourcing. Ongoing training is provided to the directors and managers in each of these teams.



Ryan Gellert
Managing Director, Patagonia Europe Coöperatief U.A.

[Signature as required by UK Modern Slavery Act and not California Transparency Act]

C. HELPFUL LINKS

Information on the CA Transparency in Supply Chains Act

- California Transparency in Supply Chains Act - Department of Labor
<https://www.dol.gov/ilab/child-forced-labor/California-Transparency-in-Supply-Chains-Act.htm>
- California Transparency in Supply Chains Act – Law Language
http://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_0651-0700/sb_657_bill_20100930_chaptered.pdf
- The California Transparency in Supply Chains Act – A Resource Guide
<https://oag.ca.gov/sites/all/files/agweb/pdfs/sb657/resource-guide.pdf?>

Information and Statistics on Human Trafficking - General

- United Nations Office on Drugs and Crime
<https://www.unodc.org/unodc/en/human-trafficking/what-is-human-trafficking.html>
- US State Department, Office to Monitor and Combat Trafficking in Persons 2016 Trafficking in Person Report
<http://www.state.gov/j/tip/rls/tiprpt/>

- Verité Help Wanted: Hiring, Human Trafficking and Modern Day Slavery in a Global Economy
<http://www.verite.org/forced-labor>
- ILO Combating Forced Labor Employer's Handbook
http://www.ilo.org/sapfl/Informationresources/ILOpublications/lang--en/docName--WCMS_101171/index.htm
- Know the Chain
<https://www.knowthechain.org/>
- The Global Slavery Index
<http://www.globalslaveryindex.org/index/>