

patagonia works[®]

Annual Benefit Corporation Report

Fiscal Years 2023 and 2024



Introduction

We now know we have three decades or less to learn how to adapt to climate change and prevent the conversion of nature into universal desert. To put things right requires an unprecedented level of cooperation and civic engagement on the part of human beings. We need responsive government; strong, engaged NGOs and nonprofits; and socially and environmentally responsible businesses to produce useful goods and services.

It is not enough for business to simply make incremental improvements and use resources more efficiently. In these times, every business should have a legitimate, clearly defined purpose. Each business must justify to its stakeholders the legitimacy of its products or services through the lens of their social and environmental cost. Every business should actively benefit its employees, customers and communities-and work effectively to minimize its adverse impact on our planet.

The B Impact Assessment (BIA) gives companies who want to do the right thing the common language-and tools-we need to assess the positive and negative impacts of our practices, make and measure improvements, and share what we learn. Becoming, and being, a Certified B Corp provides us colleagues in our common cause, opportunities to share what we learn-and what we are as yet unable to solve.

When we became a Certified B Corp in 2011 and California's first legal benefit corporation in 2012, Patagonia had only modest hopes for how the BIA might help us improve. We had already co-founded the Fair Labor Association to audit labor practices in the assembly factories. We had adopted the Bluesign standard to vet chemicals used in materials and processes. We had co-convened the Sustainable Apparel Coalition to help reduce the environmental impact of the industry as a whole.

The BIA turned out to make a big difference. Its five key areas of assessment—governance; treatment of workers and customers; and impact on communities and nature afford us a holistic rather than scattershot view of our social and environmental impact, with an eye not to available "best practices" of our peers but to the much better practices responsible businesses need to adopt to bring about social justice and a revival of the natural world.

Being a B Corp for the past dozen years, with its pressure tests of our capacity to "live an examined life" helped make Patagonia's revised purpose statement and new ownership model more imaginable and ultimately possible. And now, our new structure locks in our perpetual commitment to our purpose.

People at Patagonia are often asked, "What companies do you look up to?" We're happy to look up to our B Corp peers, to engage in common cause with other businesses who want to do right by the human community and the natural world we're a part of.

We're proud of this new score, our highest yet, prouder still of the work that made it possible, by our own people, and with our partners. We're humbled by how far we all have yet to go, grateful to have fellowship on the road ahead.

From May 2023 through January 2024, we underwent the B Corp Recertification process for our performance in fiscal year 2023, which ended April 30, 2023. This report is a brief snapshot of our performance in fiscal years 2023 and 2024 and is supplemented with a report B Lab created to reflect the B Impact Assessment that led to our recertification.

Patagonia Works (“Patagonia”) is an outdoor apparel company with more than a 50-year history of environmental conservation and activism.

In 2022, Patagonia’s founders transferred ownership of the company to two new entities: Patagonia Purpose Trust and the Holdfast Collective (including Holdfast Trust, Chalten Trust, Sojourner Trust, Wilder Trust and Tail Wind Trust), making “earth its only shareholder.”

This unique ownership structure ensures that every dollar that is not reinvested back into Patagonia will be distributed as dividends to fight the climate crisis and is aligned with our purpose: “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 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 2023 (May 1, 2022 – April 30, 2023) and fiscal year 2024 (May 1, 2023 – April 30, 2024) to advance public benefit and implement our specific benefit purposes.



Re-certified as a B Corp

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 combined global score from our most recent assessment, which measured our performance in fiscal year 2023, was 166.

Statement from the Board: The Board of Directors of Patagonia Works prepared the following statement pursuant to Sections 14630 and 14621 of the California Corporations Code: "In the opinion of the Board of Directors of Patagonia Works, the benefit corporation did not fail to pursue its general, or any specific, public benefit purpose in all material respects during the period covered by this report."

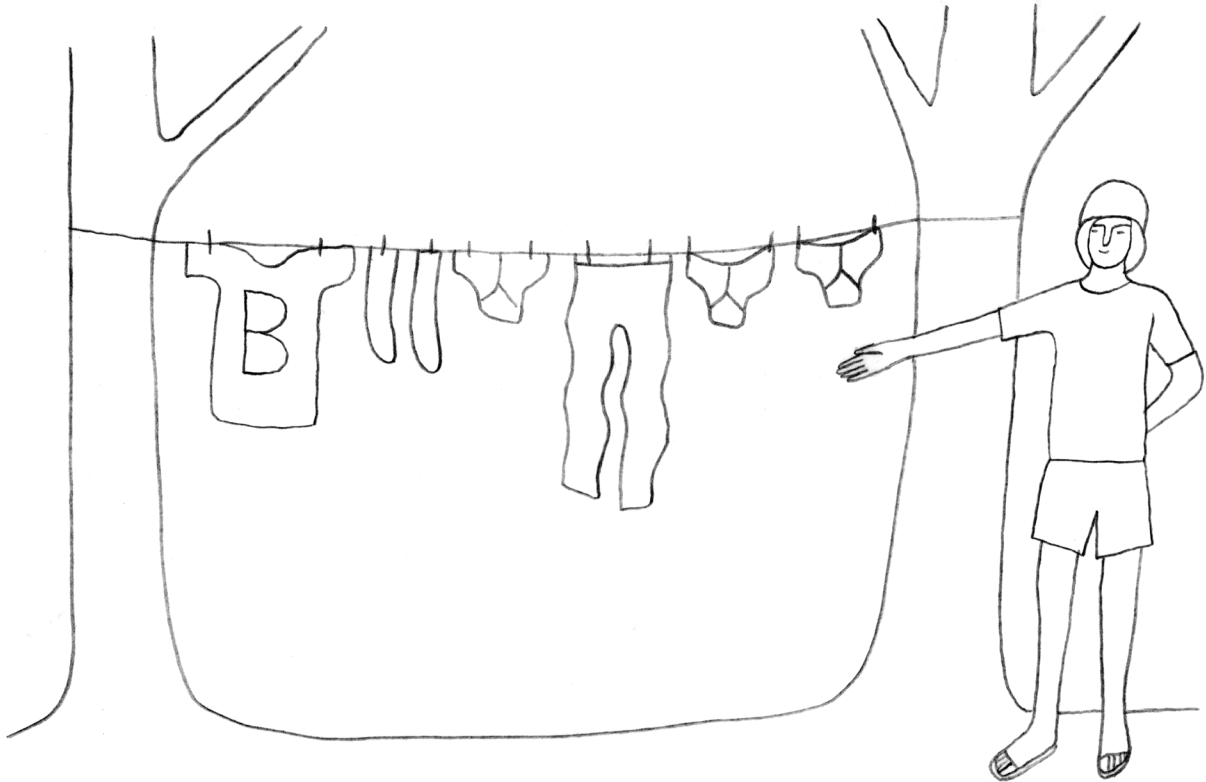
Patagonia Benefit Purposes

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1% for the Planet®

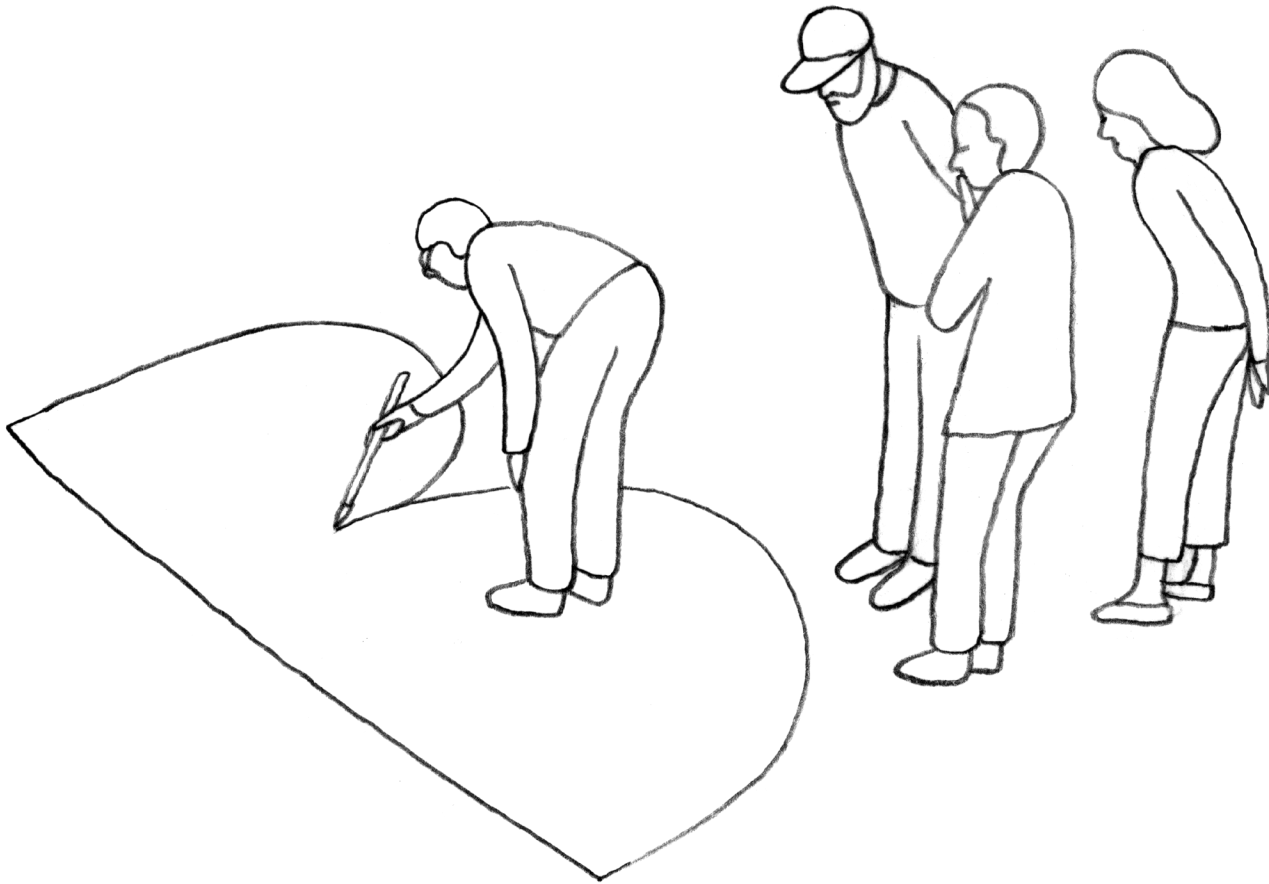
Each year, we contribute one percent (1%) of our annual sales to nonprofit charitable organizations that promote environmental conservation and sustainability.



Build the Best Product with No Unnecessary Harm

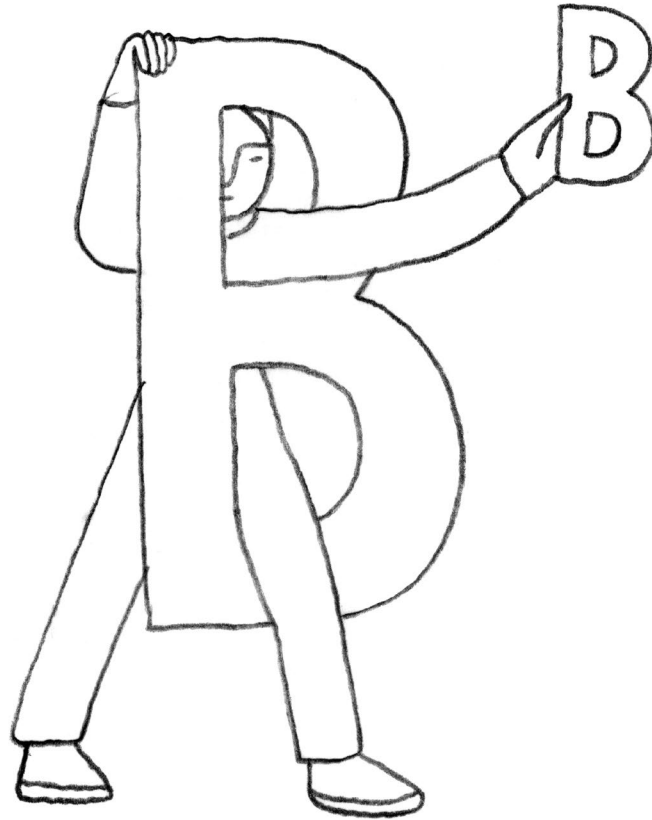
We endeavor to build the best products,
while causing no unnecessary harm to the planet or its inhabitants by:

- 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.



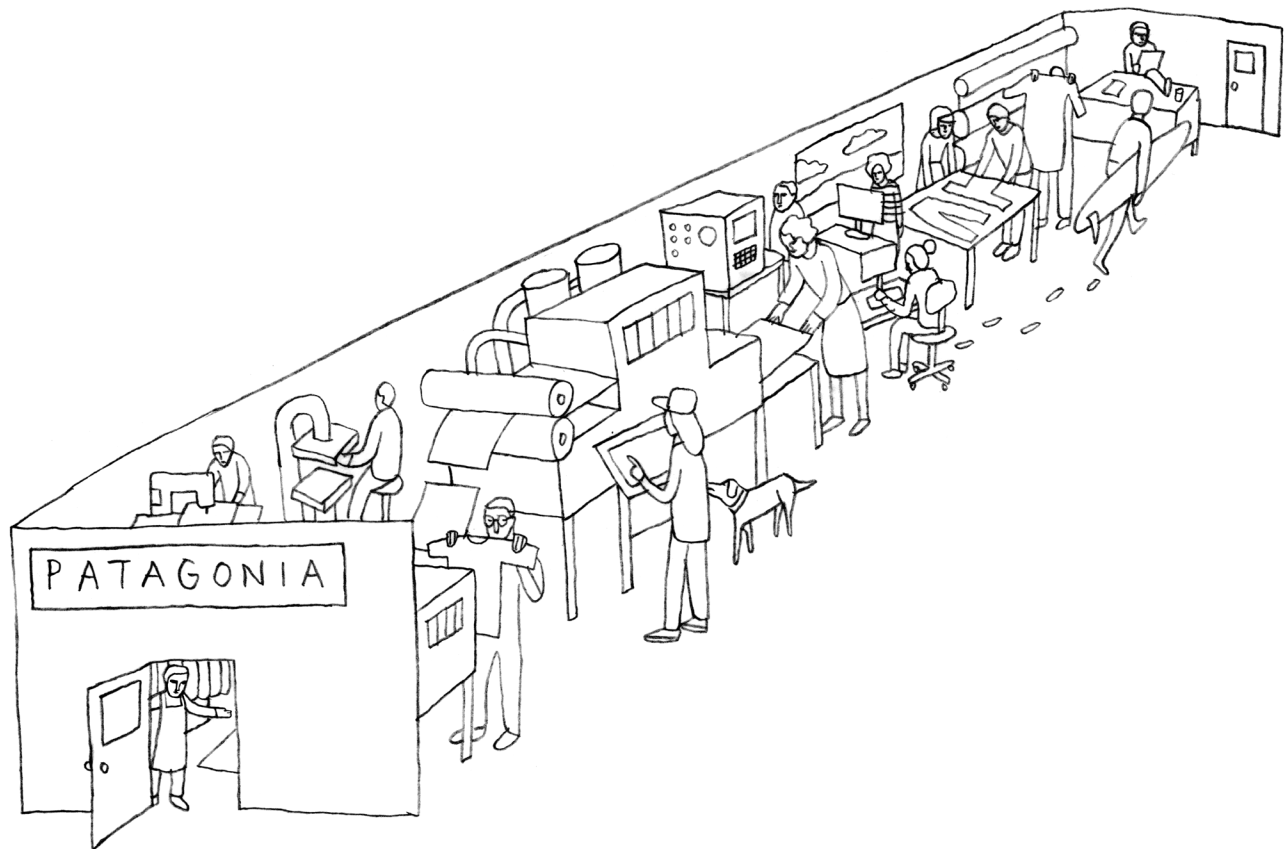
Conduct Operations Causing No Unnecessary Harm

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.



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.



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.



Providing a Just, Equitable, and Supportive Work Environment

We will endeavor to provide a supportive work environment where people from all backgrounds, identities, and experiences belong and are included, can be their whole selves, and have the power to contribute and lead. We endeavor to provide high-quality health care and high-quality child care including, but not limited to, on-site child care at our corporate headquarters and distribution center or through subsidized child care at our other facilities.

Bringing the Numbers to Life

The global score of 166 points achieved by Patagonia during its 2023 B Corp recertification is due to the many actions implemented by Patagonia’s teams and colleagues around the world. Below are a few highlights from Fiscal Year 2023 (May 1, 2022 – April 30, 2023), shared with the intention to reflect our real-world work and breathe life into the numbers that contributed to our score. We’ve also included the corresponding figures for Fiscal Year 2024 (May 1, 2023 – April 30, 2024).

	FY23	FY24
Dollars and dollar value of other forms of assistance given since 1985 to support environmental work through 1% for the Planet.	\$212,000,000	\$226,000,000
Dollars Patagonia matched in donations to non-profits through the company’s Employee Match Program	\$250,000	\$200,000
Number of organizations funded through Patagonia’s grants program in a fiscal year	799	848
Employees globally who are actively involved in grantmaking and deciding which environmental organizations Patagonia supports	844	814
Actions initiated by Patagonia’s community on behalf of grassroots organizations	750,000+	920,000+
Hours that Patagonia employees (1,299 in FY23 and 1,653 in FY24) participated in volunteering through Patagonia’s Activism Hours Program, for which employees are encouraged to use paid time off to engage in activism and support non-profits	12,589	22,074
Hours of skill-based volunteering donated (valued at over \$2.1M in FY23 and \$2.2M in FY24) through Patagonia Action Works	11,229	11,794
Community events held at Patagonia North America retail stores	650	707

Bringing the Numbers to Life

	FY23	FY24
Percent of Patagonia employees who are full- or part-time and who are bonus eligible	100%	100%
Percentage of cost of medical premiums for U.S. employees covered by Patagonia	100%	100%
Children enrolled in Patagonia's on-site childcare in 17 classrooms at three locations. Patagonia employs 66 teachers, including 17 full-time bilingual teachers	183	199
Percentage of Patagonia's workforce comprised of people who identify as female, with 47.7% of managers in FY23 and 47.3% in FY24 who identify as female (in North America, Japan and Europe).	53.7%	53.1%
Farms converted and converting to Regenerative Organic Certified with the support of Patagonia Provisions	2	4
Years in a row Patagonia earned a top three spot as one of America's most trusted brands	3	4
Continents where Patagonia has invested in on- or off-site renewable energy projects (North America, Japan, Australia, Chile, Europe - Italy)	5	5
Tons of mussels sold (which improve water quality and aquatic ecosystems as they grow)	106	124
Percentage of our electricity use for owned and operated globally that was renewable. In FY23; 78% of our electricity use for owned and operated stores in North America. In FY24; 100% of our electricity use for owned and operated stores in North America was renewable	61%	98%

Bringing the Numbers to Life

	FY23	FY24
Percentage of our products that are made in a Fair Trade Certified factory	87%	88%
Dollars Patagonia has paid in Fair Trade premiums to date since 2014, which goes directly to the factory workers	\$26,184,897	\$32,262,384
Patagonia products we repaired in 113 locations worldwide, including our own repair centers, repair partners and retail stores; 110 employees work on our Repairs team in Reno, Nevada	153,506	145,446
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	86,696	82,815
Metric tons of Bureo's NetPlus and HDPE material Patagonia has used since starting its program to help remove discarded fishing nets from the ocean	1,419	2,000

Patagonia Apparel Material Sources (Fabric & Trim)	FY22	FY23	FY24
Virgin petroleum-based product	15%	14%	16%
Recycled materials	72%	73%	73%
Virgin cotton and other plant-based materials	12%	12%	9%
Virgin wool, down, and other animal-based products	1%	1%	1%
Total products made without PFC/PFAS* (fabric only)	85%	86%	97%

* PFCs and PFAS refer to fluorinated chemicals. For decades now, the coatings used in apparel to improve water-repellency have relied on per- or polyfluorinated chemicals. This class of "forever chemicals" accumulates in air, water, food and even our bodies, and they raise serious health concerns, according to the Environmental Protection Agency.

B Impact Assessment Results

Prepared by B Lab, an organization that certifies B Corps

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Executive Summary

This report reflects Patagonia's 2023 B Corp recertification. It covers fiscal year 2023 and reflects significant improvement from its previous recertification in 2020 (151.4) and from its initial certification in 2011 (107.3). This report details the key operational and Impact Business Model drivers of Patagonia's latest B Corp score and subsequently provides an analysis of the company's results compared to peer companies.

Patagonia's score has been calculated by B Lab, an independent nonprofit that measures and verifies the social and environmental performance of companies worldwide. Our score reflects responses from Patagonia on the 297 questions asked in the B Impact Assessment (BIA). As part of the recertification process, Patagonia's responses were thoroughly audited by B Lab.

Following the B Corp movement's principle of continuous progress, the BIA and this report are meant to support opportunities for improvement across all impact areas: Governance, Workers, Community, Environment, and Customers.

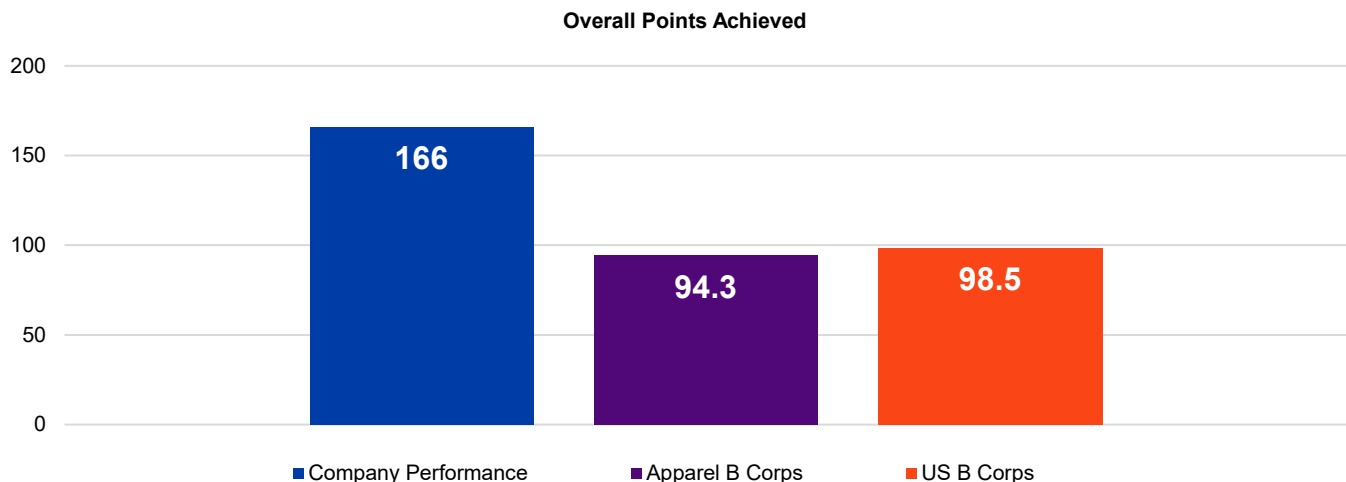
Six Impact Business Models are included in Patagonia's overall score, recognizing Patagonia's extraordinary business design and practices: Mission Lock, Supply Chain Poverty Alleviation, Designed to Give, Resource Conservation, Toxin Reduction/Remediation, and Land/Wildlife Conservation.

In its 2023 recertification effort, for the first time Patagonia was required to complete three distinct BIAs reflecting the company's global operations: one BIA each for North+South America, Asia-Pacific and Europe.

The chart below presents Patagonia's overall performance compared to benchmarked B Corps operating in a similar industry and in the same region as the company.



The 166 global score reflects the aggregated results from each of the BIAs.



Introduction: The B Impact Assessment

Used by more than 200,000 businesses, **the B Impact Assessment** is a digital tool that can help businesses measure, manage, and improve positive impact performance across five impact areas: Environment, Communities, Customers, Workers, and Governance. Receiving a minimum verified score of 80 points is the first step toward achieving B Corp Certification. There are multiple versions — or, as B Lab calls them, tracks — of the B Impact Assessment, with some specific questions relating to a company's size, location, and industry.

The B Impact Assessment assesses companies across two levels: operations and Impact Business models.

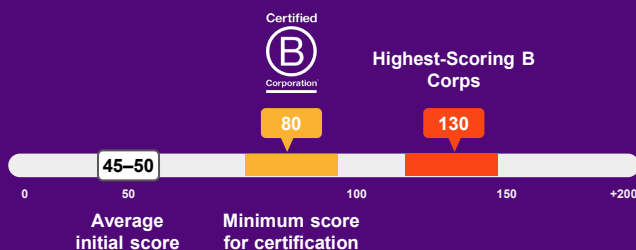
The operational questions focus on how the company carries out its functional activities or service provision, the labor conditions under which these operations are carried out, and, in general, all the matters associated with the standards and procedures inherent to Patagonia's functioning.

Impact Business Models (IBMs) are ways in which a business can be designed to create a specific positive benefit/result for one of its stakeholders. They can be based on Patagonia's product, a particular process or activity, or the structure of the business. Unlike operational questions, IBMs are extraordinary, infrequent, and do not apply to all companies that undergo the B Impact Assessment.

Completing the B Impact Assessment is only the first step in a company's B Corp journey. After the assessment is submitted it goes through an extensive review process conducted by B Lab Global, during which a company's score will often fluctuate. The scores reflected in this report have been verified by B Lab and should be considered as Patagonia Works' official B Corp score. Patagonia's Asia-Pacific and Europe operations completed their own BIAs and received separate B Corp scores. All three entities' B Corp scores were aggregated in Patagonia's overall B Corp score.

Scoring Principles

The scoring within the B Impact Assessment is designed to allow comparability and to identify and track improvement opportunities over time. The scale ranges from 0 to 200. As an example, here are some reference scores:



B Impact Assessment Details for Patagonia:

Size: 1,000+

Revenue: U.S. \$1B+

Market:

Sector: Wholesale/Retail

Industry: Apparel

Industry Category: Wholesale

B Impact Assessment Structure



GOVERNANCE

The Governance impact area evaluates Patagonia's mission, ethics, responsibility, and transparency, and addresses issues such as the integration of social and environmental objectives into employee performance evaluations, disclosure of impact and transparency, and stakeholder engagement, among others.

- Mission and Commitment**
- Ethics and Transparency**
- Governance Metrics**
- Mission Protection**



WORKERS

The Workers impact area evaluates the extent to which the company contributes to the financial, physical, professional, and social well-being of its employees, and addresses issues such as paying a living wage, employee benefits, employee health and safety, and professional development opportunities, among others.

- Financial Security**
- Health, Well-Being, and Safety**
- Professional Development**
- Satisfaction and Engagement**



COMMUNITY

The Community impact area evaluates external stakeholder groups, including suppliers, distributors, and the local economy and community. It also addresses diversity in employees, job creation, civic engagement, and charitable donations.

- Diversity, Equity, and Inclusion**
- Economic Impact**
- Civic Engagement and Donations**
- Supply Chain Management**



ENVIRONMENT

The Environment impact area evaluates Patagonia's overall environmental management and addresses issues such as how the company manages environmental impact in general and more specific issues such as climate change, water consumption, sustainability, and impact on land and life.

- Environmental Management**
- Air and Climate**
- Water**
- Land and Life**



CUSTOMERS

The Customers impact area evaluates the value that the company brings to consumers and direct customers of its products or services and covers topics such as ethical and positive marketing practices, product and service guarantees and quality control, privacy and data security, among others.

- Customer Stewardship**
- Investment Focus**
- Leadership and Communication**
- Investment Criteria**
- Portfolio Management**
- Portfolio Reporting**
- Disadvantaged Populations**

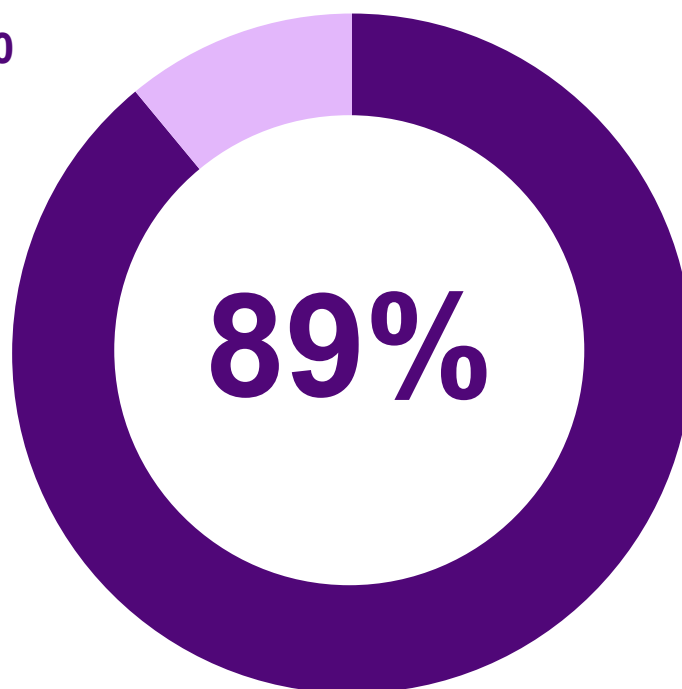
Governance: Results Overview

Results by Impact Area and Sub-Area:

17.8

points achieved
out of possible **20**

This is an aggregated score of the three BIAs across all of Patagonia's global operations (N. & S. America, Europe, and Asia-Pacific)



Operational Highlights:

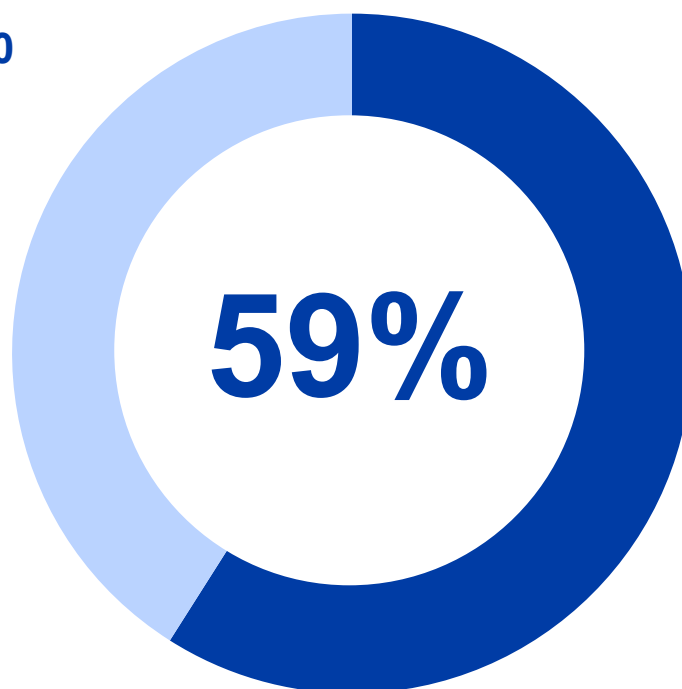
- The company achieved a Mission Lock score of 10.0, reflecting it has met B Lab's Legal Requirement. Patagonia has gone beyond status as a benefit corporation, and has reorganized into a Perpetual Purpose Trust, a steward-ownership model based on maximizing the purpose and independence of the company.
- The high score in this area reflects Patagonia's long-standing commitment to ethical business practices and responsible governance. There are very few opportunities for score improvement in the Governance impact area of the B Impact Assessment.

Workers: Results Overview

Results by Impact Area and Sub-Area:

23.7
points achieved
out of possible **40**

This is an aggregated score of the three BIAs across all of Patagonia's global operations (N. & S. America, Europe, and Asia-Pacific)



Operational Highlights:

- The company's high Health, Wellness, & Safety score reflects the company's strong commitment to its employees and their quality of life. Patagonia offers very strong healthcare benefits, including for part-time workers; a generous amount of paid time off; and many non-traditional benefits such as on-site and subsidized child care.
- The company's benefits extend to robust policies and practices for cross-skills training and continuing professional development and education for both salaried and hourly workers, and there is a high rate of participation among workers.
- Patagonia achieves high scores for employee satisfaction, with 81–90% of workers indicating high levels of satisfaction/engagement.

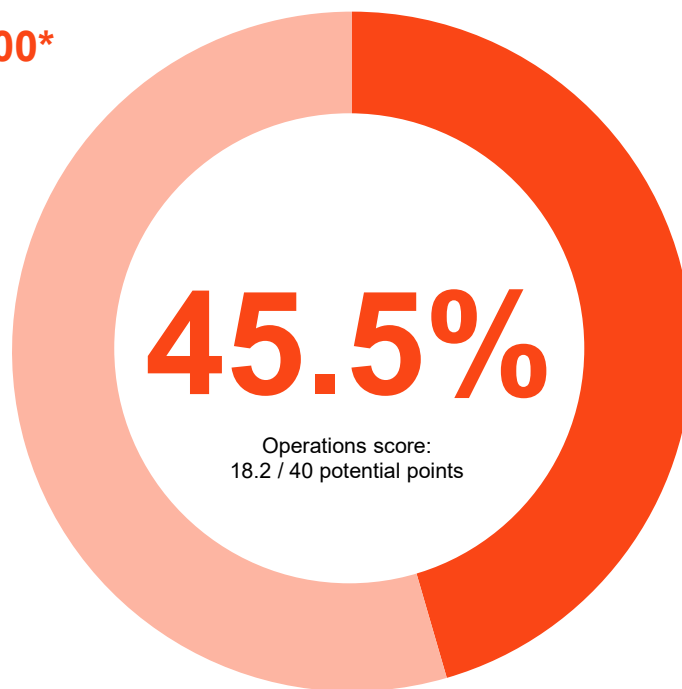
Community: Results Overview

Results by Impact Area and Sub-Area:

79.5
points achieved
out of possible **100***

**Total possible points = 40 points from Operations plus, 60 potential points from two Impact Business Models. When considering this "inflated" denominator, Patagonia's performance looks artificially high at 81%.*

This is an aggregated score of the three BIAs across all of Patagonia's global operations (N. & S. America, Europe, and Asia-Pacific)



Operational Highlights:

- The company creates inclusive work environments through a wide variety of best practices, trainings, and policy, and women are well represented in its leadership teams and general workforce.
- Patagonia's civic engagement and giving practices are legendary, encompassing financial and in-kind donations, community investments, community service, advocacy for social and environmental policies and performance, partnerships with charitable organizations, paid time off for volunteering, and more.
- The high score in this area reflects strong supply chain risk assessment and management, tracking and traceability, and Supplier Code of Conduct.

Community: Impact Business Model Results

The company has qualified for two Impact Business Models (IBMs) in the Community area:

Supply Chain Poverty Alleviation IBM

This IBM requires a company to purchase goods and/or services directly from underserved suppliers.

Patagonia reports intentionally purchasing from:

- Small-scale factories in underserved markets
- Fair Wage/Labor Certified plantation/estate farms in underserved markets

IBM Documentation

The company is currently earning 29.6 out of 30 points (verified) from this IBM. Documentation is critical to support successful verification of these business practices. Patagonia was required to provide analysis of supply chain purchases in the last fiscal year, which include:

- Spreadsheet documenting percentage of overall supplier spending by certification type (e.g., Fair Trade USA and Regenerative Organic Certification)
- Current Fair Trade USA and ROC certificates by supplier
- Evidence of capacity-building support provided to underserved suppliers

* * * * *

Designed to Give IBM

This IBM rewards a company for having a formal standing commitment to donate significant portions of company profits, revenue, equity, or time to charitable causes. Patagonia described its qualification in this way:

- 20% or more of my company is owned by a nonprofit organization
- It is noted that the company might also be qualified to opt into this IBM based on its track record of donating >2% of revenues annually to charitable causes

IBM Documentation

The company is currently earning 28.5 out of 30 points (verified) from this IBM. Documentation required during verification included:

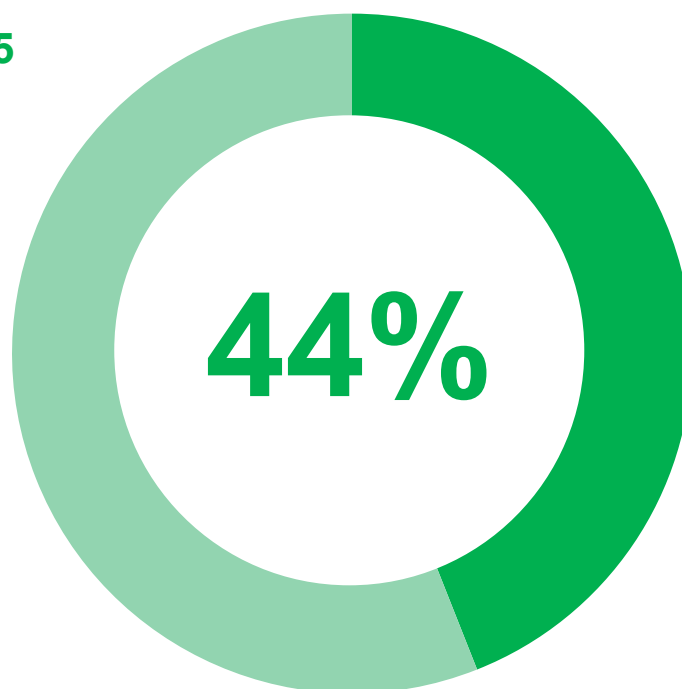
- Spreadsheet documenting donations to qualified charitable causes
- Calculation showing overall percentage of total revenues donated
- Report or other evidence of outcomes achieved as a result of the company's donations

Environment: Results Overview

Results by Impact Area and Sub-Area:

20
points achieved
out of possible **45**

This is an aggregated score of the three BIAs across all of Patagonia's global operations (N. & S. America, Europe, and Asia-Pacific)



Operational Highlights:

- The company's high score of **23.1** points in the Environment impact area reflects Patagonia's well-developed environmental management system and ongoing efforts to measure and manage the environmental impacts of its own operations and throughout its supply chain.
- The company engages its supply chain to measure and manage greenhouse gas emissions and chemical use, and provides support or resources to help suppliers improve their performance.
- Patagonia has set specific targets for reducing its environmental footprint, and monitors and reports on progress toward its targets.

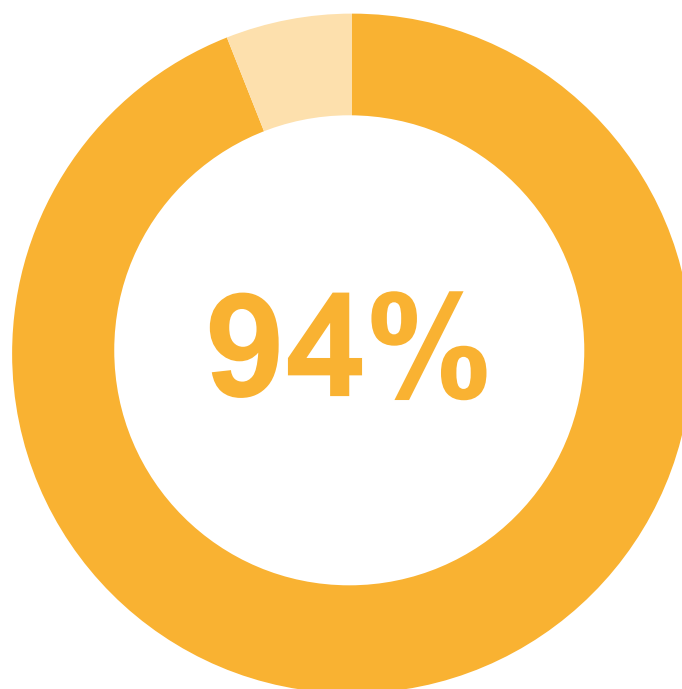
Customers: Results Overview

Results by Impact Area and Sub-Area:

4.7

points achieved
out of possible 5

This is an aggregated score of the three BIAs across all of Patagonia's global operations (N. & S. America, Europe, and Asia-Pacific)



Operational Highlights:

- The company has implemented all best practices identified in the B Impact Assessment for Managing Customer Stewardship, including offering product guarantees, implementing formal quality control mechanisms, ethical marketing policies, monitoring customer satisfaction, and managing customer data privacy.