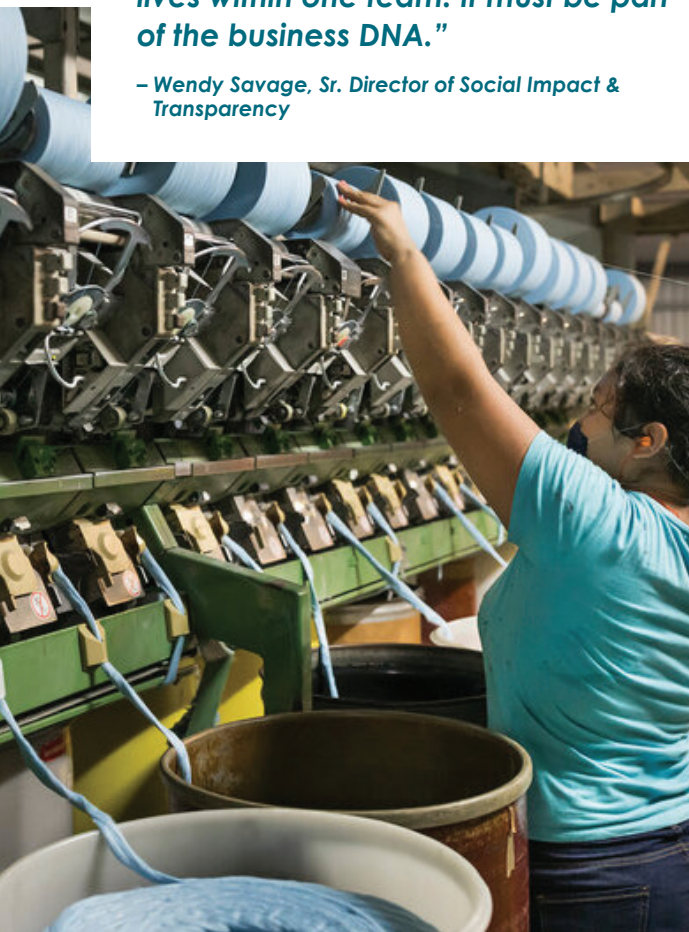


“Every day hundreds of business people within our organization make decisions that impact workers and factory owners. From the type of stitch in a shirt, to the colour used in a print, from establishing lead times, to demand planning and price negotiating, every business move has an effect. This is why at Patagonia, Responsible Purchasing Practices is part of everyone’s job from our CEO down. RPP cannot succeed if it only lives within one team. It must be part of the business DNA.”

– Wendy Savage, Sr. Director of Social Impact & Transparency



RESPONSIBLE PURCHASING PRACTICES CASE STUDY

INTERNAL INTEGRATION

patagonia[®]

At Patagonia, Responsible Purchasing Practices (RPP) is jointly managed by a taskforce including leaders in Sourcing, Planning, Product Development and Social Impact.

Ownership of RPP

Responsibility does not fall on the Social Impact team alone. Patagonia believes that to be effective, RPP must be fully integrated into daily business decisions and embedded into core functions like Sourcing, Planning and Product Development. Job descriptions of relevant staff have been revised to incorporate their responsibilities to implement RPP, in collaboration with the Social Impact and Transparency (SI&T) department. The SI&T team sits within Product Impact & Innovation and reports directly to the President. Serious RPP issues with the potential to result in negative impacts on workers and suppliers are

reported to the President & CEO. The Fair Labor Association (FLA) commented in their report that they “note Patagonia’s top management commitment as a key factor in the success of implementing these programmes.” The SI&T department is the facilitator of RPP meetings and helps to monitor and advise departments of their impact on workers and suppliers. As a result, a Responsible Purchasing Practices taskforce was formed, with representatives from select departments, to continuously examine the effectiveness of all related purchasing practices and assess what could be improved.



Regular RPP training for all supplier facing departments

Training and awareness raising on RPP at Patagonia started years ago with the CEO, COO and VPs, to gain their buy-in. Now departments with supplier relationships receive regular training with the Social Impact and Transparency (SI&T) team on RPP, to help them to understand the impact of their everyday purchasing decisions on suppliers and workers and what procedures are in place to mitigate problems.

Patagonia has also co-developed an e-learning tool on RPP for the industry to help scale training. This allows them to reach new employees faster and offers a starting point for discussions. When appropriate, training is reinforced at the 4 fold weekly meetings (see below) where detailed RPP cases are discussed as part of the normal buying process.

“Education is one of the core pillars of our RPP programme. It is essential to start at the top to secure full support for any changes in strategy along the way. Learning to identify the positive or negative impacts sourcing decisions may have on workers lives is not easy. It is even harder to learn to hold ourselves accountable when those impacts are negative. This is why the education piece around RPP takes time, it takes changing hearts and minds and finding a balance. But through those discussions, between business and Social Responsibility teams, you come to recognise that combining expertise is the answer to finding RPP solutions. We now have an army of RPP minds at Patagonia and this is especially important as we continue to grow.”

– Wendy Savage, Sr. Director Social Impact & Transparency



Weekly cross-departmental meetings and regular communication bringing coordinated decision making

A key factor that helps to drive the effectiveness of Patagonia's social and environmental responsibility programmes, including RPP, is what they call the '4-fold' approach. The 4 teams that work closely as the '4 fold' are Quality, Social Impact, Environmental Responsibility and Sourcing (business aspects such as price, capacity, delivery). There is a high level of engagement, regular communication and joint decision making across the teams that head up these areas. They believe this is the only way to ensure all the different teams interacting with suppliers are on the same page so that issues can be flagged and resolved and so that strong relationships with suppliers can be built.

There is a weekly '4 fold' meeting involving 10-20 people from these departments to review proposals for new finished goods and raw material suppliers, and current suppliers where an issue has arisen. The meeting is managed and facilitated by the Supply Chain Performance Management department, which helps supply chain departments maintain and analyse important metrics.

The 4 fold is attended by the leaders from Social and Environmental Impact, Quality, Sourcing, Material Development, and Product Development. To flag issues for discussion, a dashboard has been developed that reviews metrics for each of the 4 departments.

In terms of sourcing strategy and criteria for taking on new facilities, Patagonia supplying factories are screened based on 4 aspects: Sourcing (or business reasons like price, capacity, delivery), Quality, Social Impact and Environmental Impact. This process is implemented at the finished goods factories as well as deeper into the supply chain with textile mills. A key aspect of the 4-fold process is that each team has equal veto power in screening new factories and textile mills. This means that if a new supplier does not pass one of the 4 fold areas' requirements, then that supplier cannot come into the Patagonia supply chain. This includes not passing their social and environmental audits. The directors of the 4 areas also meet to review particular suppliers and their capacity and orders. This integrated approach has been happening for over

10 years. Topics discussed might include flagging that the material is going to be delivered late to a particular factory and discussing ways to minimise any negative impacts. Many discussions are long and difficult and the process adds a layer of complexity to the business, however, the company feels it is well worth the extra effort.

The Social Impact and Transparency (SI&T) team has regular communication with the Head of Sourcing, being copied in on emails about potential issues and how to resolve them. In one example given, the materials hadn't arrived in time to a cut and sew factory, so the workers were not going to have enough work and there was a possibility of retrenchment. The factory notified the Social Impact team. Because of the regular and swift communication between the sourcing and Social Impact teams, Patagonia was able to move excess orders from another factory which didn't have capacity for all their orders, and therefore prevented retrenchment in one factory and excessive overtime in the other.



Gaining feedback from suppliers

Patagonia has several channels for gathering feedback from suppliers, including regular in-person meetings throughout the year and various online supplier data gathering mechanisms. A 'reverse score card' was developed in 2018 to allow suppliers to score Patagonia on its performance in sourcing, quality, product development, social and environmental responsibility and RPP with the option to respond anonymously. This allowed suppliers to give feedback if the company's business decisions and actions had negative impacts on working conditions. The company has also partnered with Better Buying Institute to conduct annual confidential surveys with their suppliers to quantitatively and qualitatively rate Patagonia's performance in core purchasing areas. In both cases, feedback is reviewed internally to produce an action plan for changes that need to be made, and these improvements are then communicated to suppliers. The company wants to gain feedback in order to continuously improve their processes, become better business partners and add additional human rights and environmental safeguards.

Joint problem solving to bring gradual improvements

Patagonia suppliers are expected to provide full transparency regarding challenges with working conditions. The approach the company takes to gain this full transparency is one of partnership and mutual respect to foster the commitment needed for continuous improvements. This approach builds trust and encourages suppliers to share accurate information and authentic documents during audits. Patagonia puts a high value on problem solving together with its suppliers to understand root causes and find sustainable solutions.

"Honesty and transparency is at the heart of the relationships with our supplier partners. They respect our high standards and we respect and value their know-how. It is equal partnership, mutual respect and transparency that allows us to work together and make gradual improvements on any issue at hand."

– Wendy Savage, Senior Director of Social Impact & Transparency.



Review of orders vs forecasts

Patagonia Sourcing and Planning teams meet to review the original forecast against the actual buys placed, both on a monthly ongoing basis and quarterly for a retrospective review. The ongoing reviews highlight variations, the reasons for them, identify any buys that were way under or over what was expected, and any means of balancing buys for the remainder of the season. The Social Impact team is alerted of any notable variations, and will reach out to the factory to see if there will be an issue such as potential retrenchment or excessive overtime. If issues are identified Social Impact works with the Sourcing team and the factory to find solutions to mitigate negative impacts.

Source: Case study based on interview with Wendy Savage, Senior Director, Social Impact & Transparency, Patagonia, 2019 and 2023. And the Fair Labor Association Reaccreditation Report for Patagonia: <http://www.fairlabor.org/report/patagonia-assessment-reaccreditation-october-2017>.

See also Patagonia's [RPP page](#), an initial effort to provide consumer education on the topic.

This resource has been developed as part of the 'Learning and Implementation Community' (LIC), supported by the MSI Working Group on Purchasing Practices, which developed the Common Framework on Responsible Purchasing Practices (CFRPP). This resource has joint ownership and right to use between the MSIs involved in running the LIC (Ethical Trading Initiative, Ethical Trade Norway, Fair Wear, Partnership for Sustainable Textiles (PST) joined by Solidaridad). The LIC is funded by the Initiative for Global Solidarity (IGS) implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (supported by the German Federal Ministry for Economic Cooperation and Development) and the Sustainable Textile Initiative: Together for Change (STITCH) (supported by the Dutch Government).

Patagonia is not a participating company in the LIC but Wendy Savage was an invited speaker at one of the sessions.