

Reading time: 3 mins

Patagonia's Big Shift

By [Gemma Alexander](#)© DEC 7, 2022 [nonprofit](#), [Patagonia](#), [philanthropy](#).

When Patagonia announced that it would dedicate all profits to environmental charities, it generated a lot of “This changes everything!” rhetoric. But can one company really change everything? What did Patagonia actually change? On the surface, this seems like exactly the sort of [investment in the Earth](#) that EarthDay.org calls for. Has Patagonia really found the path to a sustainable green economy? Or is this just another case of corporate greenwashing?

Patagonia

Patagonia has a long history as a socially and environmentally conscious business. Patagonia founder Yvon Chouinard is famous for being a reluctant capitalist who got his start as an outdoor enthusiast making gear for his friends. Since 1985, Patagonia has donated an “[Earth tax](#)” to environmental causes as one of a few corporations participating in a [1% for the Planet](#) scheme. The company [encourages customers](#) to donate to environmental nonprofits as part of an unusual approach to [Black Friday](#).

In contrast to [fast fashion](#), Patagonia’s products are respected as sturdy, long-lasting investment pieces that you rarely, if ever, have to replace. It makes [jackets from plastic bottles](#) and recently launched a [clothing take-back](#) program. In 2018, it changed its mission statement to state, “We’re in business to

What Do You Think?

Are you considering moving because of climate change?

- I'm researching my options to decide
- Yes
- No

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save our home planet.” It’s a lot more than most businesses do, but all of these steps are arguably half-measures, and some people could even consider them [greenwashing](#).

Patagonia’s Big Shift

Patagonia took a much bigger step in September. [In an open letter](#), Patagonia founder Yvon Chouinard announced a complete restructuring of the company. Now 100% of Patagonia’s voting stock is held by the Patagonia Purpose Trust. All of the nonvoting stock was given to the environmental nonprofit Holdfast Collective. Except for money reinvested in developing the company, all profits will be distributed as a dividend to these stockholding organizations. Essentially, Chouinard donated his entire business to charity – albeit charities that the Chouinard family still runs, and with some fat tax breaks thrown in for good measure.



Patagonia has a long history as a socially and environmentally conscious business. Photo: Tada Images – stock.adobe.com

Broken Ground

Designing a business to donate all profits to charity is not new. Possibly the first to do it was the organic food brand Newman’s Own, which has given 100% of profits to charity since 1982. In the decades since, a [handful of other companies](#) have done the same, although until now, none of them were as big as Newman’s.

Patagonia’s restructuring is not quite a copy-paste of Newman’s Own. Patagonia’s perpetual purpose trust structure relies on a tricky – and [sometimes sketchy](#) – tax code better known for funding politics than ecosystems. After the initial fanfare, that had a lot of people raising eyebrows. Neither the Patagonia Purpose Trust nor the Holdfast Collective exists or operates separately from Patagonia. As a 501(c)(4) not-for-profit organization, the Collective has a lot of spending freedom. It can advocate for causes and political candidates as well as make grants and investments. With no Charity Navigator score or public track record to examine, only time will tell where the money will end up or how effective it will be.

Limits of Philanthropy

There is also the issue that Patagonia is part of the problem it’s trying to solve. By its own admission, [each piece of Patagonia clothing](#) emits several times its weight in greenhouse gases, generates at least another half garment’s worth of

scrap, and draws down freshwater resources. No matter what it does with its profits, any company that produces retail consumer goods is causing environmental damage.

Philanthropy – whether corporate or individual – provides an important public service. But as the Carnegie Endowment for International Peace (itself funded by one of the nation’s biggest historical philanthropists) [points out](#), philanthropy is stop-gap measure to fill needs left unattended by government. Unlike government action, philanthropy is unregulated, unstructured, and essentially unaccountable for its actions and outcomes. Some people have even argued that modern philanthropy [reinforces colonial and racist structures](#) in society. Most people wouldn’t go that far, but there are limits to how much good a global corporation can do.



The outdoor outfitter is raising the bar for corporate environmental responsibility. Photo: [Glenna Haug](#), Unsplash

Patagonia in Perspective

Restructuring one outdoor gear company does not change everything. But the company does seem to be doing as much as a company can. Philanthropy and incremental operational changes are not a replacement for meaningful government action to meet Paris Agreement goals. Nor does it replace responsible individual choices. But they are a critical complement to those things. And Patagonia is raising the bar for corporate environmental responsibility a lot higher than before. It is directing [\\$100 million a year](#) toward environmental causes. In six years, it will have matched [40 years’ worth](#) of Newman’s Own’s donations. That’s a pretty big shift.

Feature image by [Charles DeLoye](#) on Unsplash

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