

who aligned with our policies to eliminate fees for workers. Another point of progress was partnering with suppliers to phase out other commonplace practices like deposits, curfews and passport retention that can put workers at higher risk of forced and bonded labor.

By 2020, our leading fabric suppliers had eliminated new labor fees in our supply chain—a meaningful change we helped bring about that's now saving approximately 3,000 workers in our supply chain a total of \$1.7 million per year. Forced and bonded labor was identified as another material topic in our Double Materiality Assessment (page 11), and we're now working on a large-scale effort with a coalition of other brands to seek reimbursement of recruitment fees paid by workers prior to 2020 and to push for legislative solutions. In 2022, we conducted a survey of over 1,600 migrant workers in Thailand and Taiwan; only 3% of workers owed money in labor fees and, in both countries, a large majority were hoping to renew their contracts. Through our annual audits, we continue to seek feedback from workers on their experiences and validate that they do not pay fees.

"We've worked to improve conditions supplier by supplier," Nguyen says. "But that won't change the whole industry. We need legislative support. Since labor fees are legal in these countries, it's important to keep pushing for local laws that say no more fees, period."



Employees at the Sheico wetsuit factory in Thailand.

Ryan 'Chachi' Craig

Our work on migrant worker fees helped save  
3,000 workers an annual average of

\$1.7M

in recruitment fees

# Our Pollution Problem

In FY2025, we focused on eliminating “forever chemicals,” reducing our carbon emissions, and cutting the textile waste our products create—whether that’s when they’re made or at the product’s end-of-life.

Our Head of Environmental Impact Kim Drenner and Supply Chain Environmental Impact Program Manager Eric Cheng inspect a coal boiler at De Licacy Industrial Co., Ltd., a textile mill in Taiwan. Earlier that morning, the factory had signed an agreement to pursue decarbonization of their facility with Patagonia’s assistance.  
Alex Lowther



## Getting Out of Forever Chemicals

For Spring 2025 and beyond, all of our new products are made without intentionally added PFAS (per- and polyfluoroalkyl substances), chemistries found in waterproof gear, smartphones, food wrappers and plenty more. That means we do not add fluorinated chemistries to achieve a specific function or technical feature in our gear. Our transition out of PFAS aligns with legislation that went into effect at the start of 2025, banning the intentional use of PFAS in multiple states, including our HQ in California, based on the scientific fact that these chemistries can harm human and environmental health.

We've been working to get away from "forever chemicals" for nearly 20 years. Now, we're avoiding more than 12,000 different chemistries, each containing at least one fully fluorinated carbon atom (PFAS).

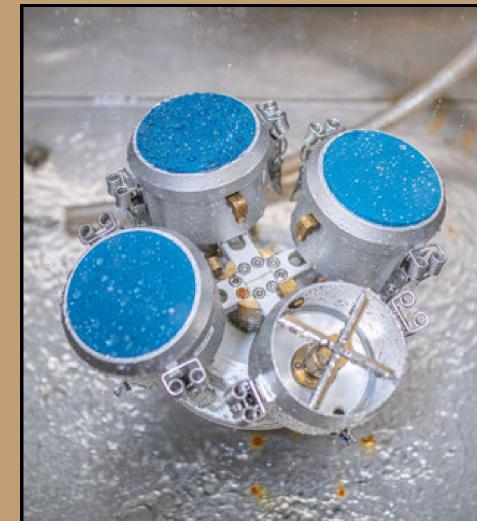
The technical challenges to get there, though, have been immense. PFAS are in hundreds of thousands of products for a reason. So, we tested thousands of alternatives to make sure they measure up. The shift isn't a one-to-one swap; you have to painstakingly and deliberately match the chemistry type to a specific fabric to get the best performance. As Malinda Scheff, our manager of material supplier quality, says, "Sometimes getting that perfect marriage of fabric and chemistry means completely redesigning a piece."

We're staying close to the science to ensure our supply chain and products reflect the most up-to-date research on these chemistries and their potential impacts on our health and the planet's, without sacrificing product durability and performance.

We stay accountable through our Restricted Substances compliance program that includes PFAS, which requires acknowledgments from suppliers, testing and audits. Each season, all new raw materials are either tested to verify compliance or confirmed as bluesign-approved. And each season, we audit that data and perform additional testing as needed.

We have also taken extra steps to ensure that our products specifically do not contain PFAS by creating a "no PFAS policy," which each supplier agreed to comply with, and also by getting PFAS compliance declarations from suppliers for each raw material used in Spring 2025 and beyond. Moving forward, we are continuing to work with our chemistry suppliers to find more responsible chemistries that stand up to our high standards.

## How is PFAS *unintentionally* added?



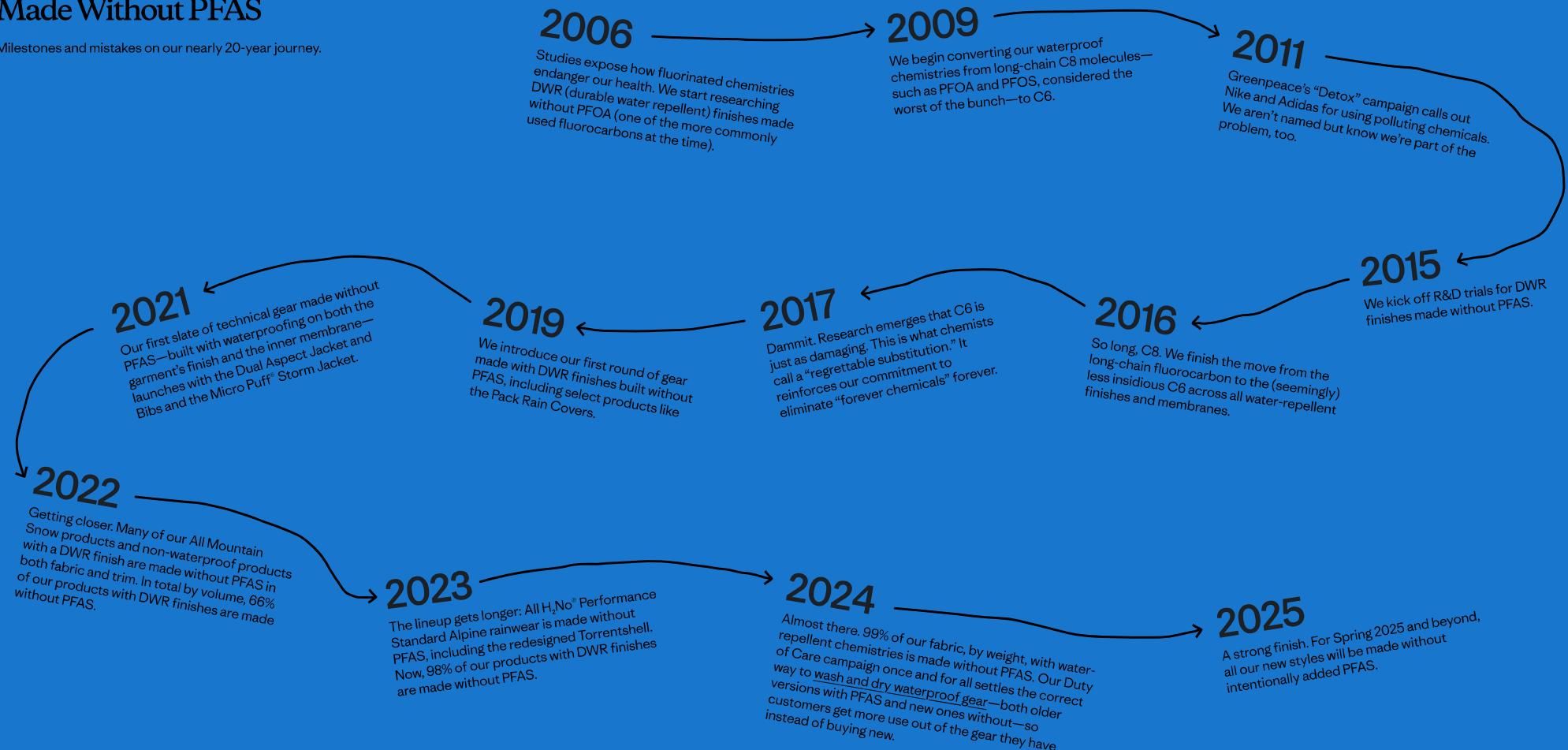
Test, rinse, repeat.  
Tim Davis

"PFAS" is shorthand for a really big family of chemical compounds that include PFCs and are frequently called "forever chemicals" because they don't break down for years (and years) and instead build up in our bodies. They could just as easily be called "everywhere chemicals" because they're so pervasive now that it's virtually impossible to claim an item is "PFAS-free."

And that's why we don't make that claim, even though we spent nearly 20 years coming up with viable alternatives and have stopped using them. When the new PFAS regulations went into effect in January 2025, we were already compliant.

## The Path to Gear Made Without PFAS

Milestones and mistakes on our nearly 20-year journey.



## Greenhouse Gas Emissions

### OUR MESS TO ADDRESS

A NOTE FROM THE EDITORS:  
 THIS SECTION MIGHT READ A  
 LITTLE DIFFERENTLY BECAUSE  
 WE ARE WORKING TOWARD ADHERING  
 TO THE RIGOROUS EUROPEAN  
 SUSTAINABILITY REPORTING  
 STANDARDS (ESRS). STAY WITH US.

### UNDERSTANDING OUR CLIMATE IMPACTS, RISKS AND OPPORTUNITIES

We are part of an industry that estimates say contributes somewhere between 2% to 8% of global greenhouse gas (GHG) emissions, so we've long known that this is one of the primary impact areas of our business to tackle. However, our individual climate change-related impacts, risks and opportunities (IROs) were identified and assessed using the same Double Materiality Assessment (DMA) methodology for all IROs described in the general DMA section and Appendixes of this report.

### WHAT WE FOUND

Some of the flags raised by the assessment were the GHG emissions in our own operations; the environmental and social impacts in our supply chain; and the operational, regulatory and reputational risks to the business of inaction—as well as the financial, strategic and reputational opportunities if we do what needs to be done.

The result was that GHG emissions Scope 1, 2 and 3 were identified as material or having real importance.

In the Appendixes, learn more about how we scored our impacts, risks and opportunities, as well as the European Sustainability Reporting Standards (ESRS) topics that were mapped to our GHG emissions (Scope 1, 2 and 3) material topic.

### ENERGY CONSUMPTION AND TYPES

We consume energy across our value chain for our offices, stores, distribution centers, small vehicle fleet, transportation of materials and products, as well as within the manufacturing that produces the materials and finished goods. We predominantly use energy from electricity and natural gas in our own operations and across our supply chain.

A further breakdown of energy consumption and mix for our owned and operated can be found in the tables that follow. Energy consumption data is calculated using primary data and modeled estimations. Where primary data is not available, the data is estimated for the relevant months. Estimations are done based on region and site type (e.g., store, office, distribution center).

### Work in Progress Report

Energy Intensity per Net Revenue for Own Operations	FY2025	FY2024	FY2023
Total energy consumption from activities in high-climate-impact sectors (MWh)*	19,640	19,637	18,976
Net revenue from activities in high-impact climate sectors (in million USD)	1,470	1,500	1,568
Total energy consumption from activities in high climate impact sectors per net revenue from activities in high-climate-impact sectors (in MWh/million USD)	13.36	13.09	12.1

\*Patagonia's business operations are considered high-climate-impact sectors in "Manufacturing" and "Wholesale and Retail Trade." The net revenue associated to high-climate-impact sector activities is equal to our net sales.



Pronghorn antelope and natural gas drilling don't mix on the Pinedale Anticline, Wyoming.  
 Joel Sartore

Fossil Sources	Consumption FY2025 (MWh)	Consumption FY2024 (MWh)	Consumption FY2023 (MWh)
Fossil electricity	198	239	4,443
Natural gas*	7,855	7,524	7,361
Propane*	1.3	2	1.5
Kerosene	11	0	0
Purchased heat, steam or cooling from fossil sources	64	58	54
<b>Share of fossil energy sources in total energy consumption (%)</b>	<b>41%</b>	<b>40%</b>	<b>62%</b>
<b>Total fossil energy consumption</b>	<b>8,129.3</b>	<b>7,823</b>	<b>11,859.5</b>



Pollution spews into the air from coal-fired factories on China's Yangtze River.  
Arnold Drapkin | ZUMA Press | Alamy

\*Natural gas and propane use is for stationary heating only, mobile fuel use from small vehicle and equipment fleet is excluded.

Renewable Energy Source	Consumption FY2025 (MWh)	Consumption FY2024 (MWh)	Consumption FY2023 (MWh)
Fuel consumption for renewable sources including biomass	-	-	-
On-site solar PV consumption (self supply)	2,251	556	0
Off-site solar (PPA)	111	114	116
Utility green power products*	4,673	2,635	0
Unbundled renewable electricity†	4,476	8,509	7,000
<b>Total renewable energy consumption</b>	<b>11,511</b>	<b>11,815</b>	<b>7,116</b>
<b>Share of renewable sources in total energy consumption (%)</b>	<b>59%</b>	<b>60%</b>	<b>38%</b>
<b>Total energy consumption (MWh)</b>	<b>19,641</b>	<b>19,637</b>	<b>18,976</b>

\*Utility green power products are defined as 100% renewable electricity purchased from an electricity provider.

†Unbundled renewable electricity is sourced using various standards based on the electricity market, such as I-RECs. Consumption data is collected and reported based on Patagonia's fiscal calendar, which runs from May 1 through April 30. Consumption for 2025 represents the period of May 1, 2024, through April 30, 2025; consumption for 2024 represents the period of May 1, 2023, through April 30, 2024; consumption for 2023 represents the period of May 1, 2022, through April 30, 2023. Energy consumption data is collected using primary data and modeled data. Modeled data is utilized when primary data is not available, either for the entire period or a partial period. Modeled data is estimated based on primary data, where available, for similar site types (retail store, office, etc.).

## GHG Emissions and Types

GHG emissions are categorized into three different scopes that organize emissions based on where they occur in a corporate value chain, either in their direct control or outside of their control.

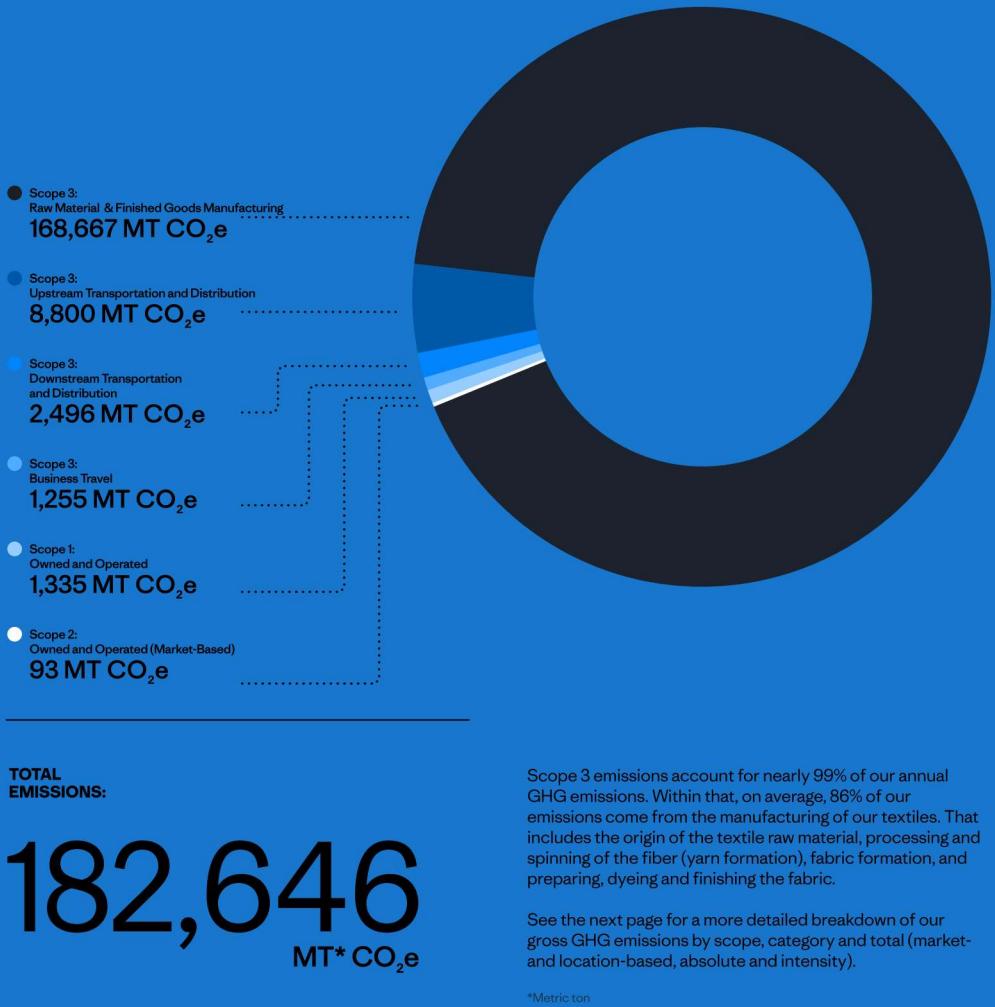
- Scope 1 — Owned and Operated direct GHG emissions (like burning fuels for heating buildings)
- Scope 2 — Owned and Operated indirect GHG emissions (like purchasing electricity)
- Scope 3 — Indirect GHG emissions: raw material manufacturing, finished goods manufacturing, transportation and distribution, business travel



Recycled organic cotton yarn that will be used to make T-shirts for Patagonia. Giotex factory, Mérida, Mexico.  
Keri Oberly

Our largest sources of GHG emissions help inform our transition plan for climate change mitigation. As shown in the chart (right), Scope 1 and Scope 2 emissions are a small overall portion of our total footprint. For FY25, they made up less than 1% of our total emissions. Yet, we recognize that these are highly visible to our employees and other important stakeholders, and it's important to take accountability for emissions from our own operations.

## Fiscal Year 2025 Greenhouse Gas (GHG) Emissions



\*Metric ton

	FY17† Baseline Year	FY24†	FY25‡ Most Recent Year	FY30 Target Emissions Near-Term Target Year	FY40 Target Emissions Long-Term Target Year
Gross Scope 1, 2 and 3 GHG Emissions Categories (metric tons CO <sub>2</sub> e)					
Gross Scope 1 GHG emissions*	1,040	1,363	1,335	468	104
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	0%	0%	0%		
Gross location-based Scope 2 GHG emissions	2,893	3,711	3,441		
Gross market-based Scope 2 GHG emissions	2,930	117	93	-	-
<b>Significant Scope 3 GHG Emissions</b>					
Total gross indirect (Scope 3) GHG emissions	141,878	176,955	181,218		
1. Purchased goods and services (FG and RM manufacturing)	123,620	163,242	168,667	55,629	12,362
4. Upstream transportation and distribution	9,401	10,735	8,800	4,230	940
6. Business travel	1,764	670	1,255**	794	176
9. Downstream transportation and distribution	7,093	2,308	2,496	3,192	709
<b>Total GHG emissions</b>					
Total GHG emissions (location-based)	145,811	182,029	185,994		
Total GHG emissions (market-based)	145,848	178,435	182,646	64,313	14,292

GHG Intensity Per Net Revenue (tCO<sub>2</sub>e/million USD)

	FY2017	FY2024	FY2025	% Change 2025 vs. 2024
Total GHG emissions (location-based) per net revenue	153.81	121.35	126.53	4.09%
Total GHG emissions (market-based) per net revenue	153.85	118.96	124.25	4.26%

\*Scope 1 - Stationary Combustion Only; excludes mobile and fugitive

emissions which are not material sources of Scope 1 emissions.

†FY17 and FY24 - both assured at Reasonable Level of Assurance.

‡Patagonia will undergo third-party Assurance over its FY25 inventory after the publication of this report; inventory values are subject to change based on the outcome of the assurance engagement.

Patagonia's greenhouse gas emissions reporting is aligned with the GHG Protocol Corporate Accounting and Reporting Standard.

\*\*The methodology used to calculate Patagonia's greenhouse gas emissions from Business Travel changed from FY24 to FY25, which resulted in an increase in emissions from this source.

Data on Scope 1 and 2 emissions is collected using primary data from Patagonia's owned and operated locations. Modeled data is utilized when primary data is not available, either for the entire period or a partial period. Modeled data is estimated based on primary data, where available, for similar site types (retail store, office).

Patagonia's Scope 2 location-based emissions represent the average emission intensity of the grids where energy consumption occurs; Patagonia's Scope 2 market-based emissions represent the emissions from energy that Patagonia has voluntarily chosen. Emission factors used in the market-based emissions values are derived from various contractual instruments such as Energy Attribute Certificates and utility tariffs. Patagonia follows the GHG Protocol Scope 2 data hierarchy.

Patagonia's Scope 3 Category 1 emissions represent the emissions from the production of Patagonia's apparel products and the materials used in those products, including the origin and processing of the raw material, material manufacturing, and garment assembly. Category 1 emissions are calculated using Life Cycle Assessment (LCA) emission factors sourced from a combination of the Higg Materials Sustainability Index (MSI) and supplier-specific LCAs conducted at Patagonia's supplier facilities. LCA derived emission factors are matched to internal material and product records, including material consumption data, to calculate the associated emissions.

## Net Zero by 2040

### OUR APPROACH

In 2018, we announced efforts to achieve carbon neutrality across our entire business by 2025. But balancing out emissions with offsets that make up for them felt like purchasing the passing grade. So in 2021, we set our sights on getting to true Net Zero GHG, as defined by the [Science-Based Targets Initiative \(SBTi\)](#), by 2040.

As part of that commitment, we have set ambitious targets across our company and our network of value chain partners, and to hold ourselves accountable, we set them in alignment with standards provided by SBTi. SBTi has a robust target-setting and validation process that our company underwent, giving us confidence that our goals align with the latest science and limit warming to 1.5 degrees Celsius in line with the 2015 Paris Agreement.



Anne Rolfes of the Louisiana Bucket Brigade—a nonprofit that works to hold the petrochemical industry accountable—speaks at a press conference outside the Louisiana Department of Environmental Quality.  
Julie Dermansky

### WHAT WE SIGNED UP FOR

# FY2030

### NEAR-TERM TARGET AMBITION

- Reduce absolute Scope 1 and Scope 2 GHG emissions 80% by FY2030, from a FY2017 base year.
- Reduce absolute Scope 3 GHG emissions from purchased goods and services, upstream transportation and distribution, business travel, and downstream transportation and distribution 55% by FY2030, from a FY2017 base year.

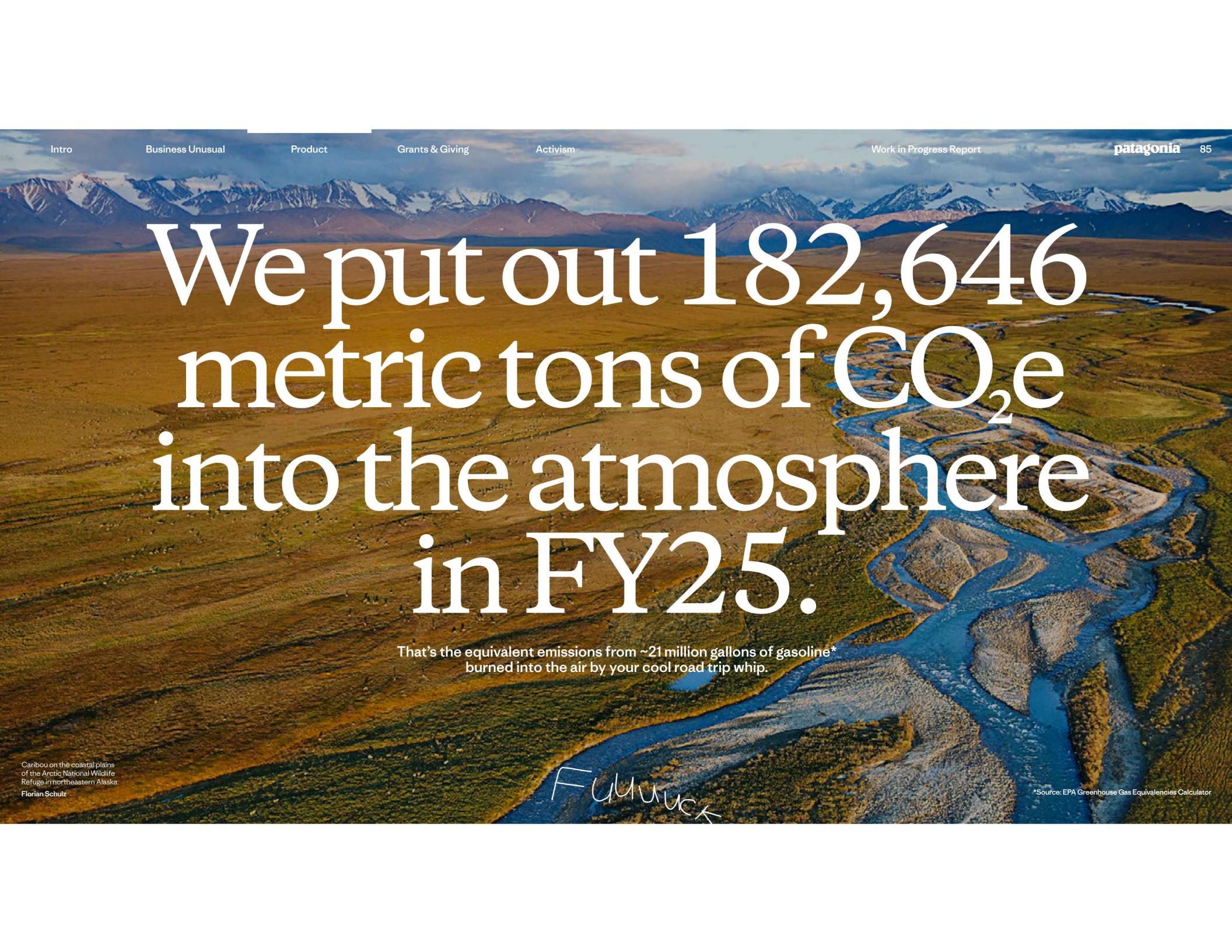
# FY2040

### LONG-TERM TARGET AMBITION

- Reduce absolute Scope 1, 2, and 3 GHG emissions 90% by FY2040, from a FY2017 base year.
- Commit to reach net-zero GHG emissions across the value chain by FY2040, from a FY2017 base year.

We also have a goal to achieve 100% renewable electricity for our global owned and operated Scope 2 footprint. While this isn't validated by SBTi, progress toward this goal will help us accomplish our 2030 Scope 1 and 2 targets. (We are currently at 98% renewable electricity across global owned and operated as of FY24 and maintained this level of adoption in FY25.)

In setting these targets, we acknowledge that the latest science may change, and our company is committed to adapting to the most robust targets to do our part in keeping warming to 1.5 degrees Celsius. While target language may change over time, our ambition and focus on cutting absolute GHG emissions will not. Also, we use FY2017 as our base year for targets because it is a good representation of a year of "business as usual," in addition to the fact that we had our GHG emissions verified at reasonable level of assurance by a third party that year.

An aerial photograph of a river system flowing through a vast, flat landscape, likely the Arctic National Wildlife Refuge. The river is a vibrant blue, contrasting with the surrounding brown and green terrain. In the distance, a range of snow-capped mountains is visible under a clear sky.

# We put out 182,646 metric tons of CO<sub>2</sub>e into the atmosphere in FY25.

That's the equivalent emissions from ~21 million gallons of gasoline\* burned into the air by your cool road trip whip.

Fuuuuck

Caribou on the coastal plains  
of the Arctic National Wildlife  
Refuge in northeastern Alaska.  
Florian Schulz

\*Source: EPA Greenhouse Gas Equivalencies Calculator



## Getting to Net Zero

### INITIATIVES TO MITIGATE AND ADAPT TO IMPACTS

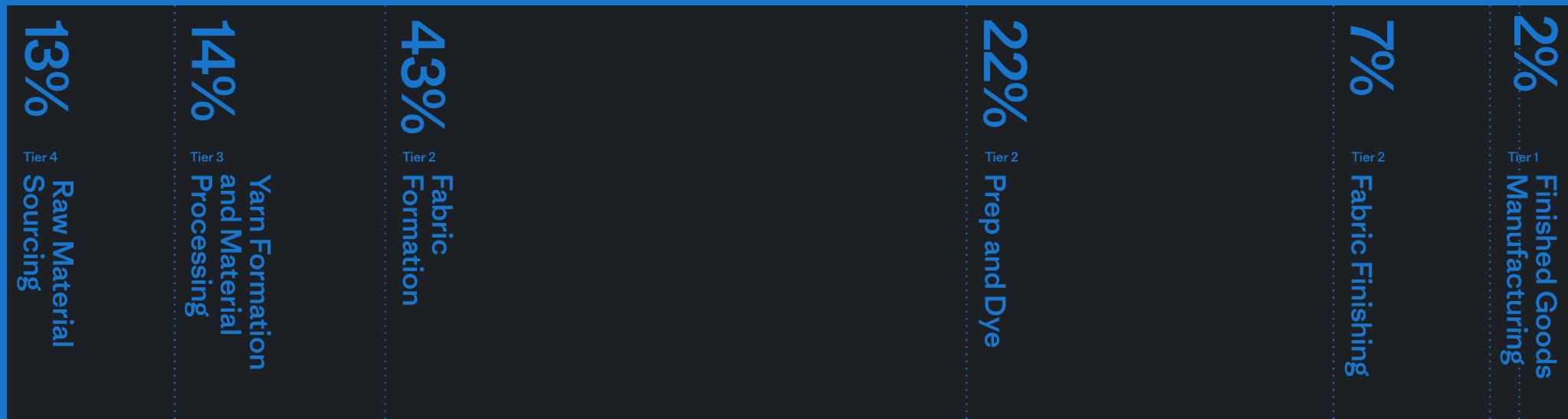
We know policies and initiatives alone will not solve the environmental crisis, but they are an important part of the solution. Specifically related to climate change, we have:

- Adopted a coal phaseout requirement in 2024 for our supply chain, requiring suppliers to create and share time-bound phaseout plans with Patagonia. This policy also includes a “no new coal” policy, which ensures that we do not start doing business with any new supplier, either for finished goods or raw materials, that burns coal.
- Created a “no carbon offset” policy in 2024 to ensure that employees do not purchase carbon offsets to offset emissions coming from business activities. The policy also mandates that employees refuse provisions in agreements with third-party vendors related to the purchase of carbon offsets on Patagonia’s behalf or to offset the carbon emissions generated by doing business with Patagonia.
- Developed an Environmental Impact Supplier Manual that outlines energy and climate-related requirements and policies that our suppliers, throughout the supply chain, must comply with.

Find more details about these policies in the Appendices.



Offsetting lies about carbon offsets.  
Oxford, England.  
G.P. Essex | Alamy



## SCOPE 3 EMISSIONS: PRODUCT MANUFACTURING

## Actions and Resources to Meet Our Targets and Policy Objectives

Many of our decarbonization levers and key actions stem from the research we've done into our impacts, risks and opportunities, the targets we've set, and the policies we've created. Many entail aggressively supporting our suppliers and their facilities to move away from coal and transition to renewable energy, specifically targeting the ones that make up the highest percentages of our total Product Manufacturing emissions, as shown in the above visual with each processing step of the Raw Material and Finished Goods Manufacturing stages.

All of our levers and actions to tackle climate change generally fall into two buckets: direct and indirect.

**Direct actions** reduce our impacts by direct investments into electrifying our small vehicle fleet and equipment at our headquarters and distribution center campuses, sourcing preferred fibers, providing technical and financial assistance to suppliers to identify and implement large-scale emissions reductions projects and other means.

Action	Expected Outcome	Scope	Progress
Adoption of renewable energy (RE)	Achievement of 100% RE across global owned and/or operated	Global headquarters, distribution center campuses, retail stores, and showrooms (Scope 1&2)	98% of our owned and/or operated electricity comes from renewable sources (either wind or solar). We have achieved this based on a combination of on-site solar PV, off-site solar (PPA), utility green power products purchased from the utility provider and unbundled renewable energy. The remaining 2% of electricity consumption that is not renewable comes from our small South Korea operations footprint, as there are limited opportunities for corporate renewable energy procurement in that market.
Electrification of heating equipment	Achievement of FY30 Scope 1 Science-Based Target (SBT)	Headquarters and distribution center campuses (Scope 1&2)	The Brooks Campus HVAC system in Ventura has been fully electrified, and much of the HVAC equipment on our Main Campus in Ventura has been electrified as well. As equipment comes to the end of its life, our facilities team transitions it from fossil-fuel-based to electric, which is then covered utilizing renewable electricity.
Electrification of our small vehicle fleet and equipment	Achievement of FY30 Scope 1 SBT	Headquarters and distribution center campuses (Scope 1&2)	Replaced two diesel facilities trucks with electric vehicles and invested in a new electric snowplow.
Sourcing preferred fibers (e.g., recycled polyester and organic cotton)	Reducing emissions associated with fabric formation, prep and dye, and finishing, mainly from the combustion of fossil fuels to create process heat and steam in textile mills.	Raw material manufacturing (Scope 3, Tier 4)	84.1% of our materials, including trims, contain preferred materials.
Financial assistance to suppliers	Enables the implementation of large-scale emissions reductions projects focused on process heating and adoption of on-site and off-site renewable energy by providing direct payment to supplier which offsets CapEx and covers OpEx.	Scope 3	Signed a 3-5 year legal contract with suppliers which provides payment to cover the costs associated with the decarbonization of a coal-fired steam boiler in exchange for the environmental attribute certificate (Verified Carbon Intervention Unit), associated with the reductions achieved from the intervention.
Technical engineering assistance to suppliers by conducting electrification engineering studies	Provide insights into electrified equipment, renewable energy procurement, and CapEx and OpEx associated with large-scale decarbonization interventions, which are used internally to financially model a Verified Carbon Intervention Unit (VCIU) price (or price per ton of CO <sub>2</sub> e). Technical information used to scope projects for implementation.	Scope 3	Completed 3 electrification feasibility studies with strategic textile mill suppliers, 2 located in Taiwan and 1 located in Mexico.
Supporting industry-wide decarbonization research	Creating technical solutions to decarbonize heating emissions (from boilers and process equipment) from textile mills.	Scope 3	Resulted in the publication of the Global Efficiency Intelligence study "Electrification of Heating in the Textile Industry, A Techno-Economic Analysis for China, Japan, and Taiwan" and the creation of an open-source tool to help textile manufacturers understand the energy, emissions and cost benefits of electric heating technology (heat pumps, electric boilers, etc.) to replace their fossil-fuel-driven steam boilers.
Adopted a coal phaseout requirement for supply chain, with "no new coal" policy	Require suppliers to create and share time-bound phaseout plans with Patagonia; ensure that Patagonia does not begin doing business with any new supplier that burns coal.	Scope 3	Since implementation of the policy, we have seen suppliers either fully transition away from coal or demonstrate commitment and progress toward coal phaseout. There have been a few instances where we have not onboarded new suppliers due to their continued use of coal.

**Indirect actions** reduce our impact by investing finances, expertise, brand reputation and/or other resources to meet the industry's climate commitments, supporting important organizations working on textile electrification research or lower impact transportation, supporting changes in the carbon markets, and advocating for policies on renewable energy or emissions disclosure.

Action	Expected Outcome	Progress
Engaging industry	To meet the industry's commitments, collaborate and push for other businesses to join Patagonia in urgent climate action.	Actively participate in industry organizations including the Clean Energy Buyers Alliance (CEBA); Outdoor Industry Association's (OIA) Sustainability Advisory Council and Climate Action Corps; Cargo Owners for Zero Emissions Vessels (coZEV) (Patagonia is a founding member); and the Zero Emissions Maritime Buyers Alliance (ZEMBA).
Evolving carbon markets to support Scope 3 decarbonization	To support the creation of credible and scalable market-based mechanisms that enable the implementation and investment of large-scale decarbonization projects within a corporates value chain.	<ul style="list-style-type: none"> <li>Member of the Verra Scope 3 Standard (S3S) Program Development Group (launched in 2023) working to ensure that Verra's S3S Program is designed to unlock immediate and large-scale investment in credible supply chain climate action. Providing input and constructive feedback on key technical decisions and the proposed text for program documents. Participated in a pilot utilizing the preliminary version of the S3S Program adapting VCS methodologies for utilization in the program.</li> <li>Pilot participant of the Advanced and Indirect Mitigation (AIM) Platform Association Test Pilot Program to address major barriers to Scope 3 Climate Action.</li> </ul>
Advocating for climate policy	The creation and adoption of policies globally that push for businesses to be accountable for making progress on climate commitments.	<ul style="list-style-type: none"> <li>Vocal through engagement on federal climate policy and with Ceres on the passage of the California SB 253, which requires business to verify and report on their GHG emissions, and SB 261, that requires businesses to report their climate-related financial risks.</li> <li>Endorsement of NY and CA Fashion Act through direct engagement with bill sponsors.</li> <li>Clean Energy Demand Initiative (CEDI) - US Department of State Bureau of Energy Resources through our engagement with CEBA.</li> <li>The renewable energy markets in the countries that Patagonia suppliers manufacture their materials and products are critical to the ability for Patagonia and its suppliers to achieve their climate goals. Markets must be robust and provide options for suppliers of all sizes to elect to procure renewable energy.</li> <li>Support for organizations working on state and federal climate policy through our 1% for the Planet® granting.</li> </ul>

**ALLOCATED FINANCIAL RESOURCES IN OWN OPERATIONS (IN MILLION USD)\***

Action†	FY25		FY30	
	CapEx (USD)	OpEx (USD)	CapEx (USD)	OpEx (USD)
<b>Scope 1 - On-Site Emissions</b>				
Electrification of vehicle fleet	0.181	0.0	0.10	0.0
<b>Scope 2 - Purchase of Energy</b>				
Adoption of renewable electricity	0.0	0.105	0.0	0.15

**CONCEPTUAL: ALLOCATED FINANCIAL RESOURCES IN UPSTREAM VALUE CHAIN (IN MILLION USD)\***

Action†	FY25		FY30	
	CapEx (USD)	OpEx (USD)	CapEx (USD)	OpEx (USD)
<b>Scope 3 - Raw Materials &amp; Finished Goods Supply Chain</b>				
GHG calculation	0.0	0.071	0.0	0.1
Industry wide electrification research & tools (collaboration with OIA and other brand members)	0.0	0.034	0.0	0.020
Electrification feasibility studies	0.0	0.197	0.0	1.4
Supplier financing - Verified Carbon Intervention Unit (VCIU) program costs	0.0	0.051	0.0	0.160
Supplier financing - VCIU payment	0.0	0.0	0.0	3725
<b>Scope 3 - Transportation</b>				
Ocean freight - marine shipping decarbonization	0.0	0.0	0.0	0.5
<b>Total Scope 3</b>	<b>0.0</b>	<b>0.353</b>	<b>0.0</b>	<b>39.43</b>



\*The FY30 CapEx and OpEx costs are future looking and estimated based on the availability of information we have presently and are subject to change.

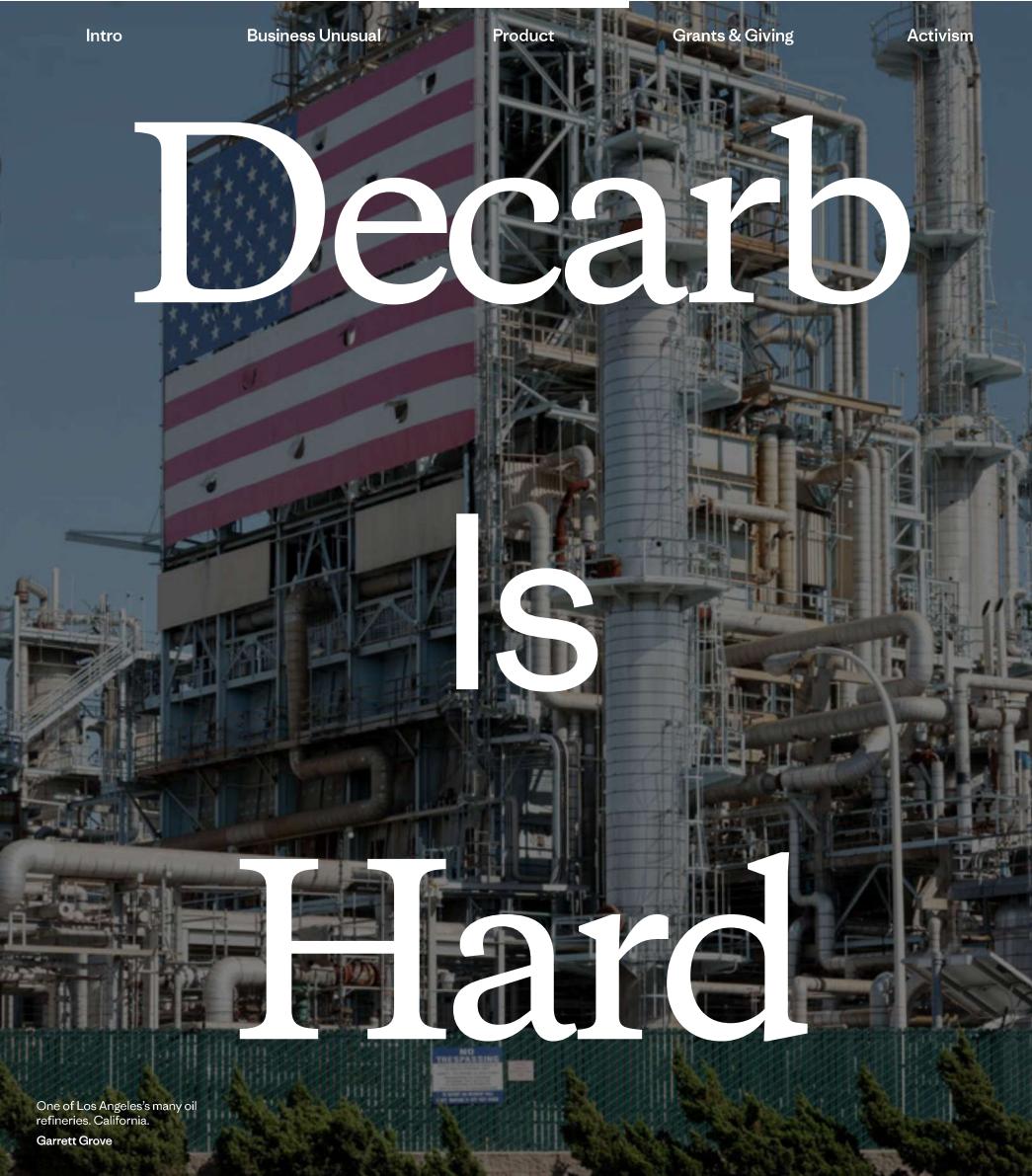
†Costs associated with future electrification of on-site heating in the Patagonia distribution center and campuses have not been forecasted.

‡The premium associated with procuring low-carbon materials cannot be disaggregated from the total costs of materials and therefore has not been included in this list.

A container ship enters the busy East Lamma Channel as it departs Victoria Harbour in Hong Kong.  
Jon Lord | Alamy

# Decarb Is Hard

One of Los Angeles's many oil refineries, California.  
Garrett Grove



## Decarbonizing Our Supply Chain

The climate crisis is an existential threat, and every part of Patagonia's business is implicated. The bulk of our emissions—nearly 99%—comes from our supply chain. We take responsibility for all of it, so decarbonizing our supply chain is a crucial part of reducing our emissions.

Up to 75% of the energy that's generated in a textile mill comes from burning fossil fuels on-site to create heat and process steam, pressurized steam (typically generated from boilers) that provides the energy required for textile manufacturing, including dyeing and drying fabrics. The other 25% is electricity. "Even if you maxed out the entire roof of a factory with solar, the majority of emissions would still be coming from burning fossil fuels to create steam and heat," says Kim Drenner, our head of environmental impact. "Solar alone isn't going to fix your decarbonization problem."

For the past five years, we have been laser-focused on finding solutions to decarbonize these fossil-fuel-based heating emissions in our textile mills in ways that don't mean a shift to burning biomass, which can come from a variety of plant and animal sources. (We don't want to cut down old-growth forests to make wood chips to make heat to make textiles.) Biomass doesn't truly help our decarbonization efforts because even if it can be confirmed as coming from sustainable sources, biomass still emits biogenic carbon.

In 2022, we commissioned a study of textile mills in Taiwan, China and Japan to help identify how feasible it would be to go electric in the entire textile mill with renewable energy and the best pathways to get there. We were the main sponsors; Burton, New Balance, REI, Gore and the Outdoor Industry Alliance (OIA) joined to increase the geographical scope as well as the financing.

In the study, conducted by researchers from Global Efficiency Intelligence and Lawrence Berkeley National Laboratory, we looked at 40 mills across these three countries and found that shifting to industrial heat pumps versus conventional fossil fuel usage could mean significant energy reductions, reduced CO<sub>2</sub> emissions and lower costs. Other solutions included: electric steam boilers, electric thermal oil boilers and electrified processing equipment, such as fabric drying ovens. When paired with renewable energy (solar or wind), these technologies represent next steps for textile mills to rapidly decarbonize.

Our work on this helped jump-start an industry-wide conversation around thermal energy needs and electrification, and we quickly wanted to follow up with more tangible mill-level research and solutions.

In 2024, we took what we learned from the study and helped to support the creation of [an open-source tool](#) to help textile manufacturers understand the energy, emissions and cost benefits of adopting electric heating technologies. It's an accessible Excel-based tool that comes with country-specific data, databases of heat pump and electric equipment manufacturers in different countries, and a step-by-step plan to transition to electric and renewable energy.

We've also funded several electrification studies directly with textile mill suppliers, which showed the investment costs and emissions-reduction potential, and determined the feasibility of electrifying their steam and heat systems. These studies have allowed us to go deeper, identifying the specific electrification technology that would result in the greatest decarbonization potential with what's commercially available.



Environmental Impact Specialist Bennett Ray checks out natural gas boilers at the De Lacy textile mill in Taiwan.

Alex Lowther

"We're not talking about crazy climate tech and emissions capture and storage, none of what I call the 'shiny object' stuff," Drenner says. "There are non-sexy solves that exist today; they just cost money."

In an industry where prices are sensitive and commitments and contracts between brand and raw-material suppliers are nonexistent, the monetary costs of implementing these solutions are the biggest obstacle.

That's why, aside from identifying the technology needed, we've been hard at work over the last five years building a plan that allows a brand to funnel money directly to a supplier (outside of our business orders) to support a transition away from fossil fuels. Suppliers are hesitant to transition because doing so costs money without any security. But if brands help fund suppliers' investment into large-scale decarbonization projects, it removes the risks for suppliers to cut their emissions. This support from brands then sets the foundation for scaling electrification and renewable energy—the best available we have now—across the apparel industry.

To illustrate how it works, we're doing a test with one of our raw-material suppliers in Taiwan. In this pilot project, we've funded a steam boiler, which replaces a previous coal-fired boiler. This equipment change will help the supplier reduce their total facility emissions by an anticipated 27,500 tons of greenhouse gas emissions a year. That's a 30% reduction in their facility greenhouse gas footprint, compared to their coal baseline.

One of the most important parts of this pilot was a legally binding commitment between us and the supplier. We signed a contract for the next 3 to 10 years that states Patagonia will cover 100% of the costs associated with decarbonizing the steam boiler. This contract supports both parties: It provides security for the supplier that we won't drop an order and leave them to pay for the rest of the investment; and for us, it ensures that the emissions are reduced, verified and applied exclusively to Patagonia's emissions reductions targets.

By early 2026, we'll be able to show how these reductions actually affect our Scope 3 greenhouse gas emissions.

"Large-scale decarbonization is expensive," says Drenner. "So the elephant in the room is, who is going to pay for this? Brands keep talking about the need for this, but continue to fluctuate their orders with suppliers and press on price, and then complain when suppliers are not making progress. We're testing a way for a brand to funnel money directly into a supplier's hands, completely separate from their business order. The future state is a marketplace where brands can easily transact in exchange for emission reductions within an apparel supply chain."

It's a start, but there are still many challenges to overcome. For one, there's a critical need for policymakers and utility companies to enable renewable energy and grid-level storage. Without this, electrification can't become a large-scale decarbonization lever. And we can't create this change on our own. It's going to take collaboration with other brands, industries and governments to help do their part to support this transition.

**"If a government hasn't supported the creation of renewable electricity markets, our suppliers can only do so much. Electrification is a real decarbonization solution only if there is renewable electricity available and at an affordable price."**

—Kim Drenner Head of Environmental Impact

## How We Ensure That We Continue to Do the Work

### SYNCING OUR WORK WITH FINANCIAL PLANNING

#### Allocating Funds

To ensure we follow through on our goals, we have taken steps to align our climate transition plan with financial planning. That includes implementing an environmental impact finance task force that meets monthly and reviews any GHG reduction initiative requests, and evaluates and prioritizes financial investments. This cross-functional process includes representation from finance, accounting, tax and environmental impact teams.

To understand the investment that's needed to decarbonize the raw materials supply, we look to third-party engineering studies that we commission and finance. Those studies evaluate the costs associated with implementing large-scale decarbonization projects at our textile mills. Our long-range finance team then uses that data to develop the amounts that are included in the long-range financial plan.

Using a cost per ton of CO<sub>2</sub>e (see Internal Carbon Pricing, right) and business forecasts into 2030, we have determined the annual cost of implementing our decarbonization strategy and meeting our 2030 science-based targets. The costs of implementation, which scale over time as we and our suppliers implement more projects, have been socialized, approved internally and integrated into the long-range financial plan. The finance team has created an internal "Impact Fund," where we will set aside a portion of revenue every year to reinvest in decarbonizing our business and funding this work.

#### Establishing Internal Carbon Pricing

The technical studies conducted in our textile mills provide insights into CapEx and OpEx associated with large-scale decarbonization interventions. That is used internally to financially model our internal carbon price, called a Verified Carbon Intervention Unit (VCIU). This VCIU price is incorporated into a legal contract between us and suppliers with whom we work on the intervention. This provides the commitment needed to help drive the implementation of large-scale decarbonization projects within our textile supply chain.

The VCIU price fluctuates depending on the project type and location of the supplier, but ranges between \$92 and \$350 per ton of CO<sub>2</sub>e. Variables like the size of the supplier facility or the green premium of renewable electricity, a critical component of an electrification project, also influence the range.

#### Financing Removal and Mitigation with Carbon Credits

We have a "no carbon offset policy" and do not support financing reductions or removals from climate change mitigation projects outside our value chain. We do make large investments outside our value chain in nature-based solutions, but not for the purposes of making GHG removal claims against our science-based target.

#### Anticipated Financial Effects

To further determine this, we are in the process of conducting our first task force on climate-related financial disclosures/aligned climate-risk assessment in FY26.

## Incorporating Our Climate Transition Plan Into the Business

To make sure the work gets done and hold ourselves accountable, we've integrated our climate transition plan into our business, and it's a priority for our executive leaders. Our climate transition plan is supported by governance structures, including regular engagement with the board of directors, executive leadership team, and a dedicated working group formed between the finance team and the environmental impact team. By joining together many different stakeholders, we can make sure that our climate transition plan is at the forefront of strategic decisions and financial planning, confirming our commitment to sustainability at the highest levels of our business.

The climate transition plan has been reviewed and approved by our leadership team and the board of directors. In 2021, the leadership team approved aligning our GHG emissions reduction targets with the Science-Based Targets Initiative (SBTi). These targets were validated by SBTi in 2023. Every six months, the environmental impact team provides updates to the leadership team on the decarbonization program, as it requires significant financial investment, and periodically updates the board on key milestones.



Photo: Em Estrada



Let's make that Nano Puff® Jacket better than new. Micah and his dad, Kyle Schaefer, huddle up for a Tenacious Tape® repair in the White Mountains, New Hampshire.

Andrew Burr

# Circularity

## What Our Customers Are Buying Into

We've tried many different approaches to circularity. To date, we've seen the most momentum in our work to extend the product lifecycle: reduce, repair, reuse. When a customer purchases Patagonia gear, we help make sure it stays in play as long as possible.



## The Future of Business Is Waste

Over the past 52 years, we have been building durable outdoor apparel. The upside is the longevity of the product. The downside is, well, the same thing. This stuff sticks around.

Beyond repair and resale, we want to identify how our materials—both those left at a product's end-of-life and those wasted in the manufacturing process—can be repurposed. Here are a few examples of what gets left behind during each step of creating our products:



**RAW MATERIAL & FIBER PRODUCTION**

Cotton plant waste and seeds left over from harvesting and ginning; recycled fabric waste due to contamination and other unrecyclable materials needing to be filtered out; fishing net waste, like non-nylon parts, ocean waste, weights and black sand.



**YARN PRODUCTION**

Yarn-spinning waste, such as loose threads of uneven thickness, caused by starting and stopping the equipment.



**FABRIC PRODUCTION**

Fabric production waste, like small trimmings left over as the fabric moves through different finishing steps; off-quality fabric; or overproduction waste generated to hit minimums for color.



**FINISHED PRODUCT**

Apparel production waste, such as cutting room floor scraps and extra trims of seasonal colors; defective product from retail; used gear from customers they'd like us to recycle, such as non-repairable goods, used gear that has failed or products at the end of their life.

## Great for Warmth. Tough for Recycling.

To properly recycle our Lightweight Synchilla® Snap-T® Pullover, made with 95-100% recycled polyester fleece, we have to remove five different trims, none of which have an end-of-life solution.



We get back less than 1% of what we have ever made for recycling. Of the items returned, only about 20% have a recurring recycling solution. The remainder is held indefinitely in Reno, Nevada, and at other locations in Europe and Japan.

On average, 85-90% of the products we put out in the world do not have an end-of-life solution. This is because our products contain mixed materials. A 3-layer waterproof rain jacket, for example, has an outer fabric, a waterproof/breathable membrane and a fabric backer sandwiched together with adhesive—three different materials potentially made of different fibers.

Recyclers today are built to recycle one material type at a time, so the complex product we have built for functionality and durability does not readily enter these processes. This is an industry-level challenge; it isn't vastly different from other apparel brands that create similar products. We're actively working on potential solutions.

### FY25 LIGHTWEIGHT SYNCHILLA® SNAP-T® PULLOVERS BY THE NUMBERS

Pounds of scrap-material waste generated in Tier 1 (finished garment phase)

**209,000**

Combined weight (in pounds) of all finished garments

**321,000**

Number of pullovers produced

**395,000**

## What are we doing about our waste?

We have partnered with advanced research organizations such BOTTLE, a US Department of Energy consortium, to fund research for solving these challenges, and we continue to support research and companies that are developing end-of-life solutions for technical products.

Additionally, we partnered with Eastman Chemical Company to recycle 8,000 pounds of pre- and postconsumer clothing waste. Through this partnership, we learned a lot about the infrastructure needs to process this volume of material successfully and learned what makes textiles even more challenging than plastics to recycle.

In the next year, our focus will be on data collection to better assess our waste throughout production of our products. The current estimate puts our waste at 7 million pounds per year at the Finished Goods Manufacturing (Tier 1). By beginning the process of data collection, we can have a clearer view of what the biggest contributors are to waste creation and then develop innovative solutions to reduce this burden in the future.

Of course, we will continue down the path of using preferred materials (page 57), including increasing our use of textile waste in products as capacity becomes available.

We will also continue to encourage our customers to keep their products in use as long as possible (through repair and resale), and when a product comes to the end of its useful life, we'll take it back. We remain committed to finding solutions in all the regions where we do business and working within our industry to scale them.



Photo: Keri Oberly

## Work in Progress Report

### THE TOTAL PACKAGE

By 2026, our packaging will be 100% recycled, Forest Stewardship Council® or Sustainable Forestry Initiative certified, and easily recyclable\*. Already, all our polybags are made from 100% Global Recycled Standard-certified recycled plastic, and last year, we moved away from using organic cotton strings to secure our hangtags on products. By using 100% recycled paper strings, algae ink, and QR codes, we've improved their recyclability and reduced our hangtag program by over than 40 million tags. (That's more than 170,000 pounds of waste not thrown into landfills.)

Much of our polybag waste is collected at our distribution centers for our recycling partner, Trex, that turns this material into recycled plastic decking and furniture. The next phase of this project will be phasing out polybags for the majority of styles at our distribution center in Reno, Nevada.

### TEXTILE-TO-TEXTILE RECYCLING

Textile-to textile recycling means that the input to the recycling process is textile in origin and the output is of sufficient quality to make a new textile. The textile input can be from any stage of the process, whether that be production of fabric or garment, or be from postconsumer products. The recycling process will be specific to the material input type and quality.

### WHY HAVEN'T ALL THOSE RECYCLING INITIATIVES SCALED? FAIR QUESTION.

Recycling end-of-life garments, or even cut scraps, is a complicated exercise in logistics, sorting, de-trimming and novel technology solutions. We were plagued by inconsistent inventories of materials and the challenges of shipping materials globally for recycling. We've partnered with numerous textile-to-textile startups, even investing in one, to help lend our resources and demand to their businesses.

However, most of these companies are still at lab or very small-scale. We will continue our partnerships as these businesses scale their capabilities. Ultimately, we need to support infrastructure development globally to have solutions that are available in the regions where we do business and make product.

\*Most plastic film packaging is not recyclable in traditional blue bin infrastructure, whereas paper products are conventionally recyclable.

## A Linear Look at Our Circular Initiatives

# 2005

Launch The Common Threads Garment Recycling Program, our first go at a closed-loop system. We ask customers for their worn out Capilene® baselayers, which we send to our polyester supplier to melt down and extrude into new fiber. (By 2011, we accept any Patagonia product that's beyond repair for recycling or repurposing. More gear piles up in our warehouse than we can recycle or repurpose. The lesson: we must first reduce consumption, then repair and reuse existing gear before we encourage recycling.)



# 2011

"Don't Buy This Jacket" ad runs on Black Friday in *The New York Times* to encourage people not to buy what they don't need, and if they truly need something, to buy quality products.



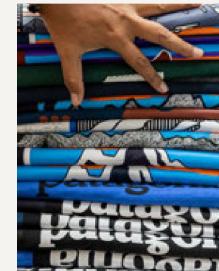
# 2012

Launch our Worn Wear program for trading in and buying used Patagonia gear. Our first Worn Wear truck, Delia, hits the road for events, during which we repair gear from any brand and teach people basic repairs, so they can keep their gear in play and out of the landfill.



# 2016

Introduce the Responsibili-Tee™, a 100% recycled T-shirt made in a Fair Trade Certified™ factory. Each T-shirt was made with 4.8 plastic bottles and 0.3 pounds of cotton scrap (data was from an externally commissioned peer-reviewed Life Cycle Assessment).



# 2019

Launch Worn Wear ReCrafted, a collection of clothing made from the scraps of used garments.



# 2020

Introduce hat brims made with NetPlus™ material, high-density polyethylene (HDPE) from discarded fishing nets to help reduce ocean plastic pollution.



# 2022

Work with Patagonia Japan and Jepan to chemically recycle garments into new high-quality materials, a form of textile-to-textile recycling. Also debut the Tee-Cycle™ T-Shirt, made from discarded tees destined for the landfill.



# 2024

Develop the first end-of-life solution for wetsuits. Begin collecting beyond-repair Yulex™ wetsuits for our partner Bolder Industries to break them down to a molecular level and create BolderBlack—the stuff used to dye our wetsuits' recycled nylon lining. The first Patagonia wetsuits containing reclaimed BolderBlack debut Spring 2024.



Photos, left to right: Mikey Schaefer, Keri Oberly, Jürgen Westermeyer, Andrew Burr, Ryan 'Chachi' Craig

# Better Than New



Built out of a sense of responsibility and a passion to keep our gear in the field and out of landfills, Worn Wear has been our program for customers to buy used and trade in Patagonia gear since 2012. What started as a series of clothing swaps evolved into pop-ups, global repair events, our own online resale shop, and our first brick-and-mortar store in Chicago dedicated to all things Worn Wear.

It's still one of our most important and accessible levers to reduce our apparel waste and stay closer to a closed-loop model. That's why we're constantly looking for ways to make resale even more central to our business and prove that a different kind of growth is possible—one that doesn't solely rely on extractive production.

In September 2024, we moved Worn Wear's operations and customer experience team in-house to our Reno, Nevada, distribution center, which meant moving a workforce that's 38 people-strong (plus more than 50 people supporting from other departments).

That same month, we launched a "shop used" plug-in on Patagonia.com, which lives on the regular product pages but shows you a secondhand option on Worn Wear. This past July, we moved the trade-in process to Patagonia.com, making it easier for customers to send back their gear for credit. Resale is becoming a foundational part of how Patagonia operates.

We're proud to have been early investors in Trove, which is now the apparel industry's largest resale technology platform. Together, we're working on a scalable and financially sustainable model that the entire retail industry can adopt. The goal is to give any brand that does resale the tools and knowledge to make buying used as easy as buying new. Our "shop used" plugin, for example, can now be adopted by any Trove partner, including Cotopaxi, Arc'Teryx, Brooks, REI and Eileen Fisher—all part of Trove's rapidly expanding "reccommerce" family.



Fixed on the fly: revived gear at a Worn Wear event in El Chaltén, Argentina.  
Tyler Lekki

## FY25 WORN WEAR: BY THE NUMBERS

Trade ins

**137,106**

Returns and warranties made eligible for resale

**70,915**

Products resold

**212,000**

Annual revenue

**\$13M**

## Work in Progress Report



## The Repair Shop

We've been repairing clothes and equipment since 1976—our longest-running circularity initiative. In 1998, we opened our brick-and-mortar repair center in Reno, Nevada, a facility of more than 100 technicians that is now the largest apparel-mending facility in the US. We've since scaled our repair program globally, and for FY25, we fixed 174,799 items worldwide.

In Europe, we were a founding partner of United Repair Centre (URC), which opened its first location in Amsterdam in 2022 and then a second in London in 2023. Between the two URC locations, they repaired 14,000 items for us in FY25. Many of these repair techs have refugee status and, in most cases, were tailors in their home countries. The URC provides benefits packages to these techs and hosts an academy that offers repair-work training to those who are having difficulty finding employment.

Every year, our Worn Wear crew heads to Yosemite National Park to offer free repairs to climbers participating in Yosemite Facelift, a gathering to clean up the garbage left behind by the millions of visitors over the summer season. California.

Erin Merritt