

TCFD & SB 261 DISCLOSURE:

FY2025 Patagonia Climate Risk Report

patagonia[®]

Introduction

Patagonia is committed to managing and transparently disclosing climate-related financial risks and opportunities to its business. The company recently published a “Work in Progress” Report, which is accessible [here](#), and is cross referenced in this report where the same information is provided. This disclosure meets the requirements of California Senate Bill 261 (SB 261) and aligns with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and related global standards, including the European Sustainability Reporting Standards (ESRS). The TCFD is recognized under California SB 261 as an appropriate framework for climate-related financial risk disclosure. It organizes reporting across four key pillars – governance, strategy, risk management and metrics and targets.

Reporting Boundary and Scope

This report of Patagonia Works¹ (“Patagonia”) covers the fiscal year ending April 30, 2025 (FY25) and utilizes the operational control approach for defining organizational boundaries for Scope 1 and Scope 2 greenhouse gas (GHG) emissions. The GHG reporting scope encompasses 100% of global consolidated operations and the associated full upstream and downstream value chain (Scope 3), consistent with the requirements of the GHG Protocol Corporate Accounting and Reporting Standard. All financial figures are presented in United States Dollars (USD). At time of publication of this report (January 1, 2026) the FY25 GHG emissions data reported has not yet gone through third party assurance. Inventory values are subject to change based on the outcome of the assurance engagement.

Patagonia is an outdoor apparel and gear company founded by Yvon Chouinard in 1973. Patagonia’s global headquarters are located in Ventura, California and its North American operations comprise owned and partner-operated distribution centers in Reno, Nevada and Hanover Township, Pennsylvania and over 40 retail locations. Patagonia also has offices, retail stores, and partner-operated distribution centers across Canada, Europe, Japan, South Korea, Australia, New Zealand, Chile, and Argentina.

Patagonia’s sales breakdown is 61% US vs. 39% international regions and total FY25 revenue is \$1.47 billion.

As a business, Patagonia has five key areas of focus: products, customers, activism, storytelling and its people, Patagonia’s purpose is to “Save our Home Planet.” This commitment drives the company’s climate transition plan, requiring deep integration across the entire value chain. One of Patagonia’s strategic commitments is to reach Net Zero emissions by 2040, which is 10 years earlier than the Science-Based Targets Initiative (SBTi) requires. Patagonia’s transition activities focus heavily on mitigating risks in the upstream supply chain, where the vast majority of its emissions are generated.

Disclaimer on Forward-Looking Statements

This report contains forward-looking statements and estimates regarding future performance, climate risks, and targets (e.g., Net-Zero 2040 commitment, potential climate impacts). These statements are based on current assumptions and are subject to risks and uncertainties that may cause actual results to differ materially.

¹ Patagonia Works is the holding company for Patagonia’s global apparel business. This report does not cover Patagonia Provisions (food), or other entities that constitute an immaterial portion of Patagonia’s business.

Governance

Board oversight

Patagonia exists to save our home planet. That's not just a purpose statement—it's legally embedded into the way the company is owned and governed. It's a component of leadership's decision-making, and its ethos is present throughout the entire company. This starts with the Purpose Trust - Patagonia's majority shareholder - which exists to protect the purpose of the company and elects its Board of Directors. The Board of Directors, in turn, guides key company decisions through the lens of the company's purpose, its benefit corporation commitments and the Patagonia Purpose Philosophy. As a benefit corporation under California law, the company is legally required to evaluate its impact on the environment, employees, and communities in which it operates in all decision-making, both at the Board of Directors and leadership level. The Board's Finance, Risk and Impact Committee is responsible for a regular review of environmental, social, and corporate governance risks and opportunities (ESG), including climate-related risks and opportunities.

The Board of Directors has reviewed and approved the company's decarbonization strategy and SBTi emissions targets discussed in this Report. More information about Patagonia's Purpose-Led Governance model can be found in the [2025 Work in Progress Report](#).

Management's role

Patagonia's management is responsible for assessing and integrating climate-related risks and opportunities into day-to-day operations and financial processes. Patagonia's climate transition plan is integrated into the business through dedicated management structures, including the Executive Risk Committee, the Environmental Impact Finance Task Force, and the Climate Risk Steering Committee.

The Executive Risk Committee is an internal cross-functional body, composed of leaders from product, legal, finance, compliance, impact, IT, supply chain, and people, culture, and justice that meets quarterly. The Executive Risk Committee is responsible for leading the double materiality assessment process, which identifies climate-related Impacts, Risks, and Opportunities (IROs) and elevates material findings to the Finance, Impact and Risk Committee to review so they can present problems and solutions to the full Board of Directors. Outside of the double materiality assessment process, the Executive Risk Committee works together to make sure decisions reflect both climate and business realities.

The Environmental Impact Finance Task Force is a dedicated working group, formed between the finance team and the environmental impact team, which meets monthly to review all GHG reduction initiative requests and evaluates and prioritizes financial investments aligned with Patagonia's climate transition plan. This ensures climate transition planning is integrated into financial decision-making and long-range financial planning (LRFP) process. The Climate Risk Steering Committee is responsible for the execution of Patagonia's climate risk assessment process and includes representatives from Patagonia's legal, finance, and environmental impact teams. The Climate Risk Steering Committee reports identified risks to the Executive Risk Committee for their evaluation.

Strategy

Identified climate-related risks and opportunities

In 2025, Patagonia conducted its first formal climate risk assessment to assess exposure to physical risks across selected global operations and supply chain locations and exposure to transition risks arising from the transition to a low-carbon economy. Three time horizons were selected for the climate risk assessment and were used to assess risks throughout the remainder of the century. The time horizons considered align with the risks and opportunities associated with the transition to a low-carbon economy:

- 2030s (2021–2040), representing short-term climate projections.
- 2050s (2041–2060), representing mid-century climate projections.
- 2080s (2081–2100), representing end-of-century climate projections.

Three scenarios were selected from the Intergovernmental Panel on Climate Change’s (IPCC) Sixth Assessment Report’s illustrative emissions scenarios, referred to as Shared Socioeconomic Pathways (SSPs). The climate risk assessment systematically evaluated physical and transition risks across each scenario to test the resilience of Patagonia’s business strategy across a range of plausible global transition pathways, from rapid decarbonization consistent with the ambition of the Paris Agreement’s 1.5°C to a business-as-usual, high emissions trajectory.

- **SSP1-2.6 (*Transition Risks evaluated*):** Rapid decarbonization and innovation to limit GHG emissions which results in maintaining the increase of global average temperatures within 1.5°C. This scenario presents high near-term transition risk and reduced long-term physical risk. This scenario was only evaluated under the transition risk assessment, as current best practices show that the scenario underestimates physical climate risks under current global emissions trends.
- **SSP2-4.5 (*Physical and Transition Risks evaluated*):** Moderate emissions cuts and regional progress, but delayed action results in increases to global average temperatures to an average of 2°C. This scenario is based on historical patterns of development continuing through the 21st century. This scenario was used in both the physical and transition risk assessment.
- **SSP5-8.5 (*Physical and Transition Risks evaluated*):** Commonly referred to as the business-as-usual scenario, characterized by fossil-fuel-intensive growth and weak policy action. This scenario anticipates GHG emissions will increase, resulting in at least 3.5°C increase in global average temperature by the end of the century.

Transition Risks

In alignment with the TCFD framework, transition risks were assessed across four main categories: policy and legal, technology, market, and reputation. Additional considerations for transition risks deemed relevant to Patagonia’s business model and sector were also considered. The scenarios used illustrate how varying degrees of policy ambition, technology deployment, and market transformation could influence transition-related risks and opportunities for Patagonia’s business.

Table: Transition Risks and Identified Key Risks and Opportunities

TCFD Category	Key Risks	Key Opportunities	Time Horizon
Policy and Legal	Regulatory tightening resulting in increased compliance and reporting costs including GHG disclosure and product design and labeling rules.	Product innovation to meet anticipated regulatory requirements for recycled inputs and circularity. Participation in coalitions to shape future policies, including future disclosure and regulatory frameworks.	Short to Medium
Technology	Increased capital allocation towards supplier decarbonization efforts and climate adaptation increase near term costs. Limited renewable energy availability and affordability in supplier regions may constrain progress on decarbonization.	Investment in supplier decarbonization and electrification technologies improve operational efficiency and reduce GHG emissions. Collaboration with industry peers and policy-makers to advance renewable energy access in key markets.	Short to Medium to Long
Market	Increased consumer and retailer demand for durable products that use recycled inputs and other preferred materials and are built for repair and recycling. Price volatility or supply constraints of key material inputs, including preferred versions (i.e. recycled synthetics vs virgin synthetics).	Increased consumer and retailer demand for durable products that use recycled inputs and are built for repair and recycling to align with consumer and regulatory demand. Communication of Patagonia's brand philosophy and social and environmental commitments in new and emerging markets.	Short to Medium
Reputation	Increased scrutiny arising from evolving stakeholder expectations for transparent climate reporting and progress on decarbonization targets.	Maintain brand equity and market access through proactive alignment with evolving disclosure, circularity, and product stewardship regulations.	Short to Medium

Physical Risks

Patagonia's physical risk assessment assessed eight acute and chronic climate hazards and the likelihood of their impacts across locations and supply chain regions significant to Patagonia's business.

The climate hazards assessed in the physical climate risk assessment were:

- Extreme Heat - Number of Days exceeding 35°C (95°F)
- Heavy Snowfall and Ice Storm - Occurrence in the Region (Y/N) and projected trends
- Flooding - Five-Day Maximum Precipitation (mm)
- Drought - Consecutive Dry Days - which is a measure proxy for drought, fire risk, and other moisture-deficit related climate impacts
- Tropical Cyclones - Occurrence of Cyclones in the Region (Y/N) and projected trends
- Warming Average Temperature - Mean Temperature Change (°C)
- Sea Level Rise (m) - inundation risk due to sea level rise which can impact infrastructure (includes storm surge impacts)
- Wildfire - Qualitative assessment on changing fire weather behavior under a warming climate as well as historical occurrence in the region/exposure to wildfire smoke

Fourteen different locations across Patagonia's global operations and supply chain, including offices, retail stores, distribution centers and 3PL warehouses, factories, textile mills, material input sources, and ports were included in the physical risk assessment.

In North America, Patagonia's Ventura, California headquarters, which serves as an operational hub for the company, along with its major distribution centers in Reno, Nevada and Hanover Township, Pennsylvania and retail locations in New York City, New York were included within the physical risk assessment. Office and distribution centers in the Netherlands and Japan were included in the risk assessment as part of Patagonia's global operational

footprint. Patagonia also has a small operational footprint in South Korea, Australia, New Zealand, Argentina and Chile as well as distributors in other global markets that were not evaluated as part of this Assessment.

Patagonia’s supply chain network is global, extending across Asia and India, with manufacturing and material sourcing concentrated in the region Southeast and East Asia. Vietnam serves as a major Tier 1 Finished Goods (FG) manufacturing base, supporting production and export of a wide range of apparel and gear. Taiwan functions as a leading materials hub, supplying fabrics used across Patagonia’s key product line franchises. China and Japan specialize in producing fabrics and trims that support core collections and key franchises. India provides the majority of the sourced Regenerative Organic Certified™ cotton, which is a strategic cotton material input for Patagonia.

The findings show that Patagonia’s global operations and supply chain are exposed to a range of physical climate risks, which are projected to intensify under both SSP2-4.5 and SSP5-8.5 scenarios through the 2080s. Flooding, tropical cyclones, and sea level rise emerged as the highest risk hazards for both global operations and the supply chain, with extreme heat and drought emerging as high-risk hazards at specific locations.

Table: Physical Climate Hazard Risks and Potential Impacts² under SSP2-4.5 and SSP5-8.5

Physical Climate Hazard	Risk	Potential Impact	Location	Time Horizon
Flooding	Water intrusion into facilities and surrounding infrastructure.	Operational downtime, supply delays, damaged facilities, damaged inventory, higher repair and replacement costs.	Operations - Global	Short, Medium, and Long
			Raw Material Source and Manufacturing Supply Chain - Taiwan, Japan, China, and India	
Tropical Cyclones	High winds, storm surge, and intense rainfall.	Structural damage, power outages, and prolonged operational disruptions.	Operations - Northeast USA and Japan	Short, Medium, and Long
			Manufacturing and Logistics Supply Chain - Southeast and East Asia	
Sea Level Rise	Threatened long term resilience of low-lying coastal assets. Tidal flooding and saltwater intrusion.	Reduced reliability of operations in low-lying coastal areas. Infrastructure damage can increase maintenance and adaptation costs.	Operations - Netherlands	Short, Medium, and Long
			Manufacturing and Logistics Supply Chain - Vietnam	
Wildfire	Direct damage or loss of facilities, including inventory Indirect impacts from air quality degradation and worker health and safety concerns.	Temporary or complete operational disruption, disruption of transportation and supply routes, power outages.	Operations - California and Nevada	Short, Medium, and Long
Extreme Heat and Drought	Extreme temperature resulting in unsafe working conditions	Increased cooling demands, resulting in higher energy use and costs. Increased impacts on worker health and safety.	Operations - California	Long
	Extreme temperature resulting in unsafe working conditions and drought conditions that reduce water availability for manufacturing processes and irrigation needs in farming.	Increased cooling demands, resulting in higher energy use and costs. Increased impacts on worker/farmer health and safety Threats to fiber quality, yield, and supply stability for crop-based fiber inputs such as cotton.	Material Input Source - India	Short, Medium, Long

² Warming Average Temperature and Heavy Snow and Ice Storms did not emerge as high risks for any location across the scenarios and time horizons evaluated.

Impact of climate-related risks and opportunities

Patagonia has prioritized investment in supply chain decarbonization to meet its science-based targets, proactively sources durable and responsibly designed and manufactured products, and has made strides to align its disclosure strategy with emerging regulatory frameworks. The assessment affirmed that Patagonia's approach will build resilience across multiple transition risk categories, enabling Patagonia to manage increasing regulatory complexity and maintain brand leadership on climate initiatives. Refer to Patagonia's 2025 Work in Progress Report here to access more information about Patagonia's direct and indirect actions to tackle climate change. More information about Patagonia's allocated financial resources to decarbonize in its own operations and in its upstream value chain can be found [here](#). Details on alignment of Patagonia's decarbonization strategy with its financial planning process can be found [here](#).

The scenario analysis highlighted key physical risks, including disruption across operations and the manufacturing and logistics supply chain, impacts to employee and worker health and safety, and reduced or unstable supply of manufacturing inputs like cotton and water. Opportunities associated with investment in resilience and mitigation measures were highlighted through the risk assessment, with recommendations for measures to strengthen Patagonia's operations and supply chain against medium and high-risk climate hazards.

Risk Management

Risk identification and assessment approach

Patagonia utilizes a double materiality assessment (DMA) to assess how its business impacts the environment and society, and how addressing these impacts in turn affects the company's finances, following guidance from the European Corporate Sustainability Reporting Directive (CSRD). As detailed above, in 2025, Patagonia also completed its first formal climate risk scenario analysis. More information about Patagonia's double materiality assessment process and results is available in its 2025 Work in Progress Report [here](#).

Risk management process

Patagonia's climate-related risk processes are integrated into the overall risk management framework to ensure that material risks are consistently governed and managed across the business. Patagonia's DMA and the scenario analysis conducted in 2025 serve as the foundation of Patagonia's process for identifying, prioritizing, and responding to climate-related risks. Through the Climate Risk Steering Committee, climate-related risks identified through the scenario analysis are elevated to the Executive Risk Committee, which are evaluated alongside other financial, operational, and strategic risks.

The Finance, Impact and Risk Committee of the Board of Directors is responsible for reviewing these risks elevated by the Executive Risk Committee.

Metrics and Targets

Climate-related metrics aligned with strategy and risk management process

To manage and assess climate-related risk, Patagonia utilizes a suite of operational, financial, and GHG emissions metrics aligned with Patagonia's decarbonization strategy and risk management process. These metrics are aligned with select European Sustainability Reporting Standards (ESRS) E1 Climate change disclosure requirements.

Energy Consumption and Mix and Energy Intensity per Net Revenue for Own Operations

Patagonia consumes energy across the value chain in offices, stores, distribution centers, a small vehicle fleet, transporting materials and products as well as within the manufacturing that produces materials and finished goods. Patagonia predominantly uses energy from electricity and natural gas in its own operations and across the manufacturing supply chain.

A breakdown of energy intensity, energy consumption and mix for Patagonia's operations can be found in Patagonia's 2025 Work in Progress Report on page [80](#) and [81](#). 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.

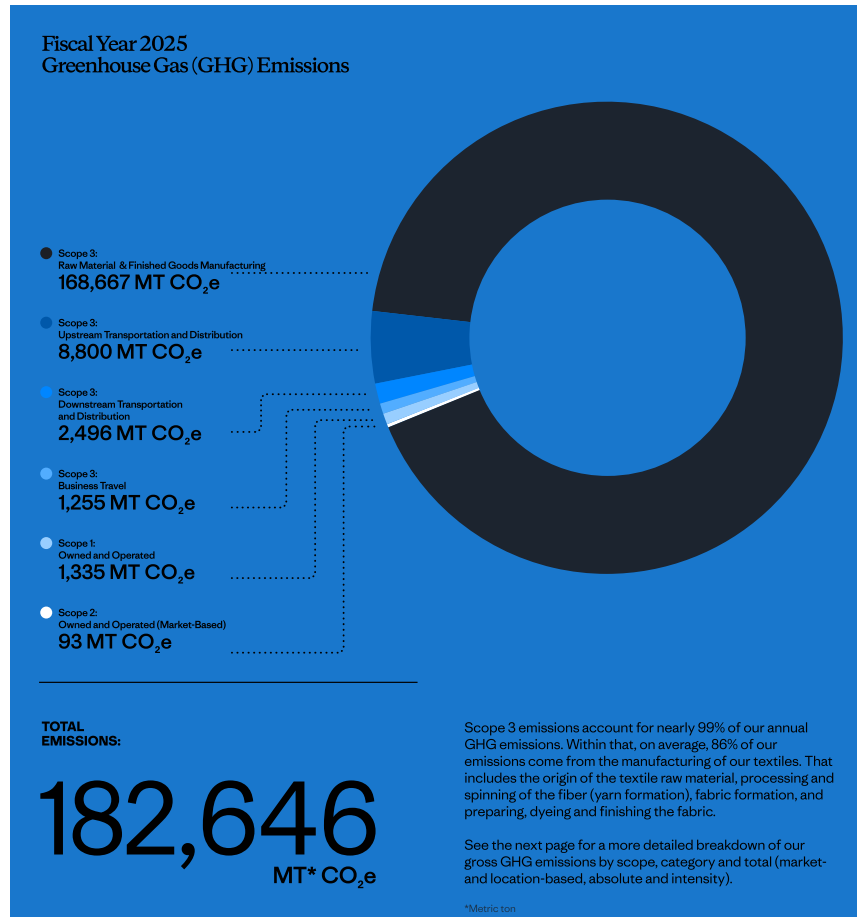
Gross Scope 1, 2 and 3 GHG Emissions and GHG Intensity per Net Revenue

Patagonia measures and discloses its gross Scope 1, 2, and 3 greenhouse gas emissions annually, including greenhouse gas intensity per net revenue. The largest sources of GHG emissions inform Patagonia's transition plan for climate change mitigation. Patagonia's Scope 1 and Scope 2 emissions from its own operations are a small overall portion of its total GHG footprint. For FY25, they made up less than 1% of total emissions. Scope 3 emissions account for nearly 99% of Patagonia's annual GHG emissions. Within Scope 3, on average 86% of Patagonia's emissions come from the manufacturing of textiles, including the origin of the textile raw material, processing and spinning of the fiber (yarn formation), fabric formation, and preparing, dyeing and finishing the fabric.

A breakdown of greenhouse gas emissions by scope, category, and total can be found in Patagonia's 2025 Work in Progress Report on page [82](#) and [83](#). Patagonia's GHG emissions are reported in both absolute tons of CO₂e and as intensity metrics, normalized per million USD of revenue.

Scope 1, 2, and 3 GHG emissions

The table and graphic below provide a detailed breakdown of Patagonia's FY25 GHG emissions performance:



Climate targets and performance

In 2021, Patagonia aligned its greenhouse gas emission reduction targets with the Science Based Targets Initiative (SBTi), setting the ambition to reach Net Zero, as defined by SBTi, by 2040. As part of that commitment, Patagonia has set ambitious targets across the company and its network of value chain partners, and to hold itself accountable, set them in alignment with standards provided by SBTi. SBTi has a robust target-setting and validation process that the company underwent giving confidence that the goals align with the latest science and limit warming to 1.5°C in line with the 2015 Paris Agreement.

FY2030 - Near Term Target Ambition

- Patagonia Works commits to reduce absolute scope 1 and 2 GHG emissions 80% by FY2030 from a FY2017 base year.
- Patagonia Works also commits to reduce absolute scope 3 GHG emissions from purchased goods and services, upstream transportation and distribution, business travel, and downstream transportation and distribution 55% within the same timeframe.

FY2040 - Long-Term Target Ambition

- Patagonia Works commits to reduce absolute scope 1, 2, and 3 GHG emissions 90% by FY2040 from a FY2017 base year.

Patagonia has also committed to achieve 100% renewable electricity adoption for its global operations. While this target isn't validated by SBTi, progress towards this goal will help Patagonia accomplish its 2030 Scope 1 and 2 target. As of FY24, Patagonia has achieved 98% renewable electricity adoption across its global operations and maintained this level of adoption in FY25.

In setting these targets, Patagonia acknowledges that the latest science may change, and the company is committed to adapting to the most robust targets to do its part in keeping warming to 1.5°C. While target language may change over time, the ambition and focus on cutting absolute GHG emissions will not. Patagonia uses FY2017 as its target base year because it is a good representation of a year of “business as usual” in addition to having the GHG emissions verified at reasonable level assurance by a third party.

Conclusion

Patagonia’s climate-related financial risk disclosure reflects its commitment to transparency, science-based action, and purpose-led governance.

ⁱ Patagonia’s GHG emission reduction targets, validated through the Science Based Targets Initiative (SBTi), include Patagonia’s global apparel business and other entities under the holding company Patagonia Works.