Impact Progress Report 2021

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Caspar, David, Marc, Martin and Olivier
The On Partners

A note from the On Partners

Dear reader,

A lot has happened since we published our first Impact Progress Report ↗ a year ago. We've become a publicly traded company, launched our first social impact partnerships program, and have taken further steps toward sustainability, equity, fairness and inclusion. We've also learned new skills, made new discoveries, and teamed up with other organizations on a similar path. We're delighted to be improving ahead of schedule, although we recognize that, when it comes to our planet and people, even fast will never be fast enough.

Our thanks go to the On teams around the world driving this progress in challenging times. Like so many other brands around the world, the global pandemic has severely affected our suppliers' manufacturing and development facilities in Vietnam and other parts of Asia. But our teams continue to adapt and to develop innovative solutions, with the future of On and our planet in mind. When it comes to reducing our environmental footprint and staying within the Planetary Boundaries, we are focused on three main objectives:

First, we are rethinking how we design and create all On products. Over the last two years, we have systematically redesigned many of our key franchises, like the Cloud and the Cloudswift, as well as our entire apparel range. We are working with lower-impact materials while reducing waste and emissions from the production and packaging processes. Wherever possible, we use recycled or organic fibers.

We envision a future where every On product is fossil-free, and is returned to us so that the materials can be reused, recycled or repurposed.

Our second objective is to find (and in some cases even invent) new technologies or concepts to achieve this vision, and apply them at scale. In this report, you will find case studies on Cyclon™ ↗ (our subscription-based, cradle-to-cradle program) and CleanCloud™ ↗ (our initiative to convert carbon emissions into high-performance running shoes). The initiatives in this second pillar are more difficult to implement than those in the first, as they require us to rethink our business models and processes. In many cases, we are applying technologies that only exist in research labs at universities or start-ups.

Our role here is not only to demonstrate the feasibility of these new technologies, but to do so on an industrial scale. Our mantra is: discover, apply, scale, do it fast. The time is now.

Our third objective is transparency and education. We recognize that many people and organizations are on the same journey towards a positive social and environmental impact, and we want to share our learnings (and struggles) as openly as possible to help others. We spend a lot of time educating our teams and partners, including retailers and runners around the world. For instance, On has co-founded the Low Impact Alliance ↗, a US-based community of retailers, brands, and runners committed to developing environmental responsibility within the industry. Such collective action is the key to change, and it relies on creating trust and community. You will see that the way we work with people runs through our entire company philosophy. Achieving our goals starts with making sure that we are supporting and empowering our team, our partners, and our communities for continued growth and accountability.

In line with these objectives, this report will provide an update on our goals and the progress we are making towards achieving them. You will learn about some of our key projects as we innovate to create a more positive future. We hope you enjoy reading it. Please write to us if you have any feedback, criticism or encouragement – we are all in this together, and we'd love to hear from you.

Our mission

At On, we believe that when we move, we access reserves of performance that go beyond the physical. We discover a capacity to dream – the type of dream that ignites the power of the human spirit. It inspires us to take on the biggest challenges. And there is no bigger challenge we face today than climate change.

When we founded On in 2010, our single goal was to revolutionize the feeling of running. We are a young company in a mature and sophisticated market. We've never let this stop us from chasing big dreams and doing big things.

On exists to ignite the human spirit through movement.

Born in the Swiss Alps, we've always appreciated how important nature is to us as individuals and as a brand. And because our surroundings play such a pivotal role in our lives, we're determined to protect it. We're committed to taking responsibility for our environmental and social impact. That's why we're striving to pioneer sustainable innovations and solutions across every aspect of our business – from our products and operations to our people and places.

Innovation, by its very nature, means uncharted waters – never quite knowing the answer but embracing the complex path to finding new, better solutions. Working in silos only slows down the process, so we continue to invite partners and like-minded individuals to join this journey.

Saving the planet is a team sport. We pledge to share our progress and learnings openly. The environmental crisis can only be averted if we move fast, together.

In July 2021, we released our first-ever Impact Progress Report to offer an account of the steps taken in our first nine years. A fundamental step was the completion of a materiality assessment, with the findings shared in the report. This assessment continues to direct our efforts, guiding our priorities for addressing impact across environment, business, human rights and community. We recognize that every issue is important, but also that we cannot tackle every issue at once. The goals we've set reflect the areas identified as having the greatest opportunity for business impact and are of greatest importance to our stakeholders.

This Impact Progress Report will cover the full calendar year of 2021, shine a light on progress made in 2022 so far, and share our updated sustainability mission. Our key impact areas of Environment, Social and Governance (ESG) have become even more important to us as we sharpen our mission and dare to dream bigger. In fact, our efforts on ESG have accelerated. We no longer think reducing our footprint is enough, and have formulated two mission statements that guide us in what we're striving to achieve.

Our mission: Environmental impact

To make high-performance products with the lowest possible footprint, engineered for circularity, and with preferred materials, manufacturing methods and distribution models.

This is our environmental North Star. Our teams are focused on progressing towards this mission with preferred materials and by improving our manufacturing methods and distribution models. Our commitment is to continue making high-performance products with the lowest possible footprint. Along the way, we will need short-term solutions that move us in the right direction and give us the flexibility to pivot or move more quickly.

Our mission: Social impact

To make diversity and inclusion second nature; a habit infused in the way we live, which positively impacts the world around us. To create positive social impact with our supply chain partners and in the communities where our products are made.

Humans are at the center of everything we do at On, and our work to reduce our environmental impact is intrinsically linked with our mission for a fairer, more equitable and inclusive planet for our teams, partners, and communities – and beyond. Initiatives such as our social impact partnerships program will play an increasing role in this regard. We consider our suppliers to be members of our extended team, and are committed to responsible sourcing and transparency.

We still have a long way to go. As has always been the On way, we'll keep learning by doing and dreaming big. We'll keep collaborating with like-minded organizations and individuals, and being an ESG thought and action leader within our industry.

We invite you to join us. We invite you to Dream On.

Sustainability governance

The Survivor Spirit guides everyone at On in our efforts to have a positive impact, with clear goals, transparent reporting and accountability.

Striving to make high-performance products with the lowest possible footprint means improving everything we do and continuing to treat sustainability as a priority without compromise. At On, we are guided by our five company values, the On Spirits: The Explorer Spirit, the Team Spirit, the Athlete Spirit, the Positive Spirit and the Survivor Spirit.

The Survivor Spirit has saved humankind from the forces of nature. Now we have become so dominant as a species that we are threatening our planet and humankind itself. No longer does survival mean defeating nature. Today, saving nature is the only way to win.

It is our responsibility, as both a company and individuals, to do our part in saving the planet. But turning back the wheel has never worked. Progress and exploration are in Homo sapiens' DNA — our DNA. For example, degrading the cushioning performance of On shoes to make them more sustainable is not the solution. Instead, we have to invent new, better materials that are recyclable, separate after use, and move towards a circular product. We need to ask ourselves: how do we rethink our work to lower our environmental impact? We have to save the planet, nature, animals and ourselves. And we do it by getting smarter.

This concept filters down throughout the whole company, shaping everything we do. It means decisions can be made without the usual bureaucracy and time-consuming approval processes. And it gives team members the autonomy to create, innovate and act within their areas of expertise, always aligned with On's overall goals. Our Board sees sustainability as a priority in the same way that we do. This autonomy and commitment to lowering our impact has led to some of our boldest and most sustainable ideas.

Our key ESG focus areas are embedded in all major functions of the business.

Our dedicated sustainability team does not only assess our progress or guides the business in this journey, but it also drives some of our most ambitious projects and challenges the company to be better every day.

In this context, we also believe that "You can't manage what you don't measure." On has set clear, ambitious targets, and we are committed to sharing our progress. As a publicly traded company, we are in the process of implementing the same rigorous standards we use in our financial reporting for the reporting and governance of our environmental and social efforts.

The basis of our sustainable and ethical business practices are embedded in our Code of Conduct ↗ and our Supplier Code of Conduct ↗. The core values described in these documents are a common thread that unites us as a team. We put the human aspects first and believe this is the basis for any sustainable business activity.

Our team and our suppliers are expected to demonstrate integrity, respect the environment and always abide by applicable laws and regulations.

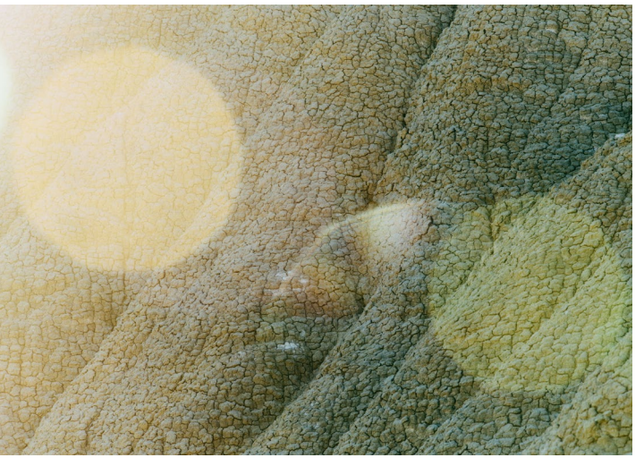
While we have a strong conviction that businesses must take responsibility and drive innovation to reduce climate change, we also believe in creating specific incentives through regulation. That is why On, along with many other global companies, has joined the Swiss-based #CEO4climate ↗ initiative. The goal is to encourage an ambitious and competitive CO2 reduction roadmap supported by regulation.

As we act upon our commitment towards a circular and fossil-free future, we are actively improving our governance model. We want to be an example for all, and to revolutionize the way our industry, and other industries, do business.

For more information on our governance practices and structure, please visit our Governance webpage ↗.

Our approach

Our approach is inspired by the Planetary Boundaries framework. This concept aims to define a safe operating space for human societies by setting limits on the environmental impact that can be generated within nine key Earth systems.



In 2009, a team of scientists led by Johan Rockström introduced the Planetary Boundaries framework ↗.

The framework identifies nine processes that regulate the stability and resilience of the Earth system. The scientists proposed quantitative boundaries within "which humanity can continue to develop and thrive for generations to come."

As illustrated in Figure 1, current research shows that several of these boundaries such as climate change and the introduction of "novel entities" (e.g., chemicals or plastics) have already been exceeded. This increases the risk of permanent and sudden ecological changes. We're already experiencing the effects of these changes, and we'll continue to see greater impacts unless we act now.

As a footwear and apparel brand, we are conscious that the manufacturing, distribution, use, and end-of-life of our products have an impact on some of these ecological changes. The Planetary Boundaries framework guides us in addressing the most critical areas of impact with the greatest urgency.

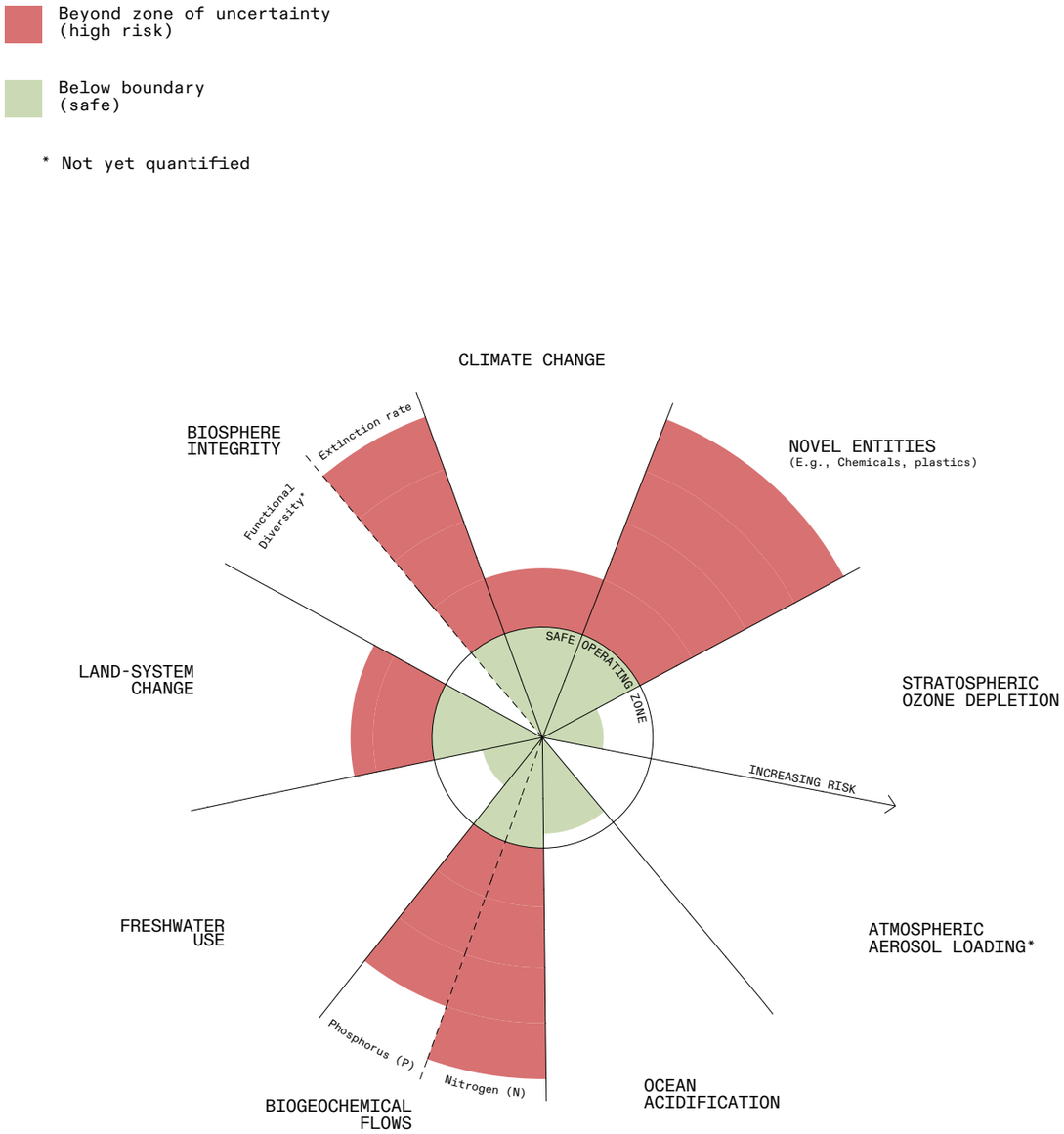


Figure 1: The Planetary Boundaries framework.
Licensed under CC BY 4.0 (Source: Azote for Stockholm Resilience Centre, based on analysis in Persson et al. 2022 and Steffen et al. 2015).

4.1. LIFE CYCLE ASSESSMENT

We quantify the environmental impact of our products using a methodology called Life Cycle Assessment (LCA).

We follow this approach as it is comprehensive and considers the entire life cycle of a product, known as “cradle-to-grave” analysis. Our LCA assesses our products’ environmental impact across a range of categories that are considered to be root causes for overshooting Planetary Boundaries. These categories include climate change, acidification, eutrophication (the excessive nutrient enrichment of bodies of water), land use, toxicity, and water depletion, which are some of the factors impacted by our business activities.

The LCA provides an environmental sustainability performance profile – or footprint – for our products. It shows us the most harmful aspects of a product’s life cycle. This allows us to prioritize our actions so that we can reduce the environmental footprint as quickly as possible.

We use LCA during every stage of product creation – from the innovation stage, where products are still at a conceptual level, through the different design and development phases, to when products are being finalized and distributed.

In summary, we are not only using LCA to assess the final impact of our products, but to evaluate materials and processes that could be more sustainable alternatives throughout the life cycle of our products.

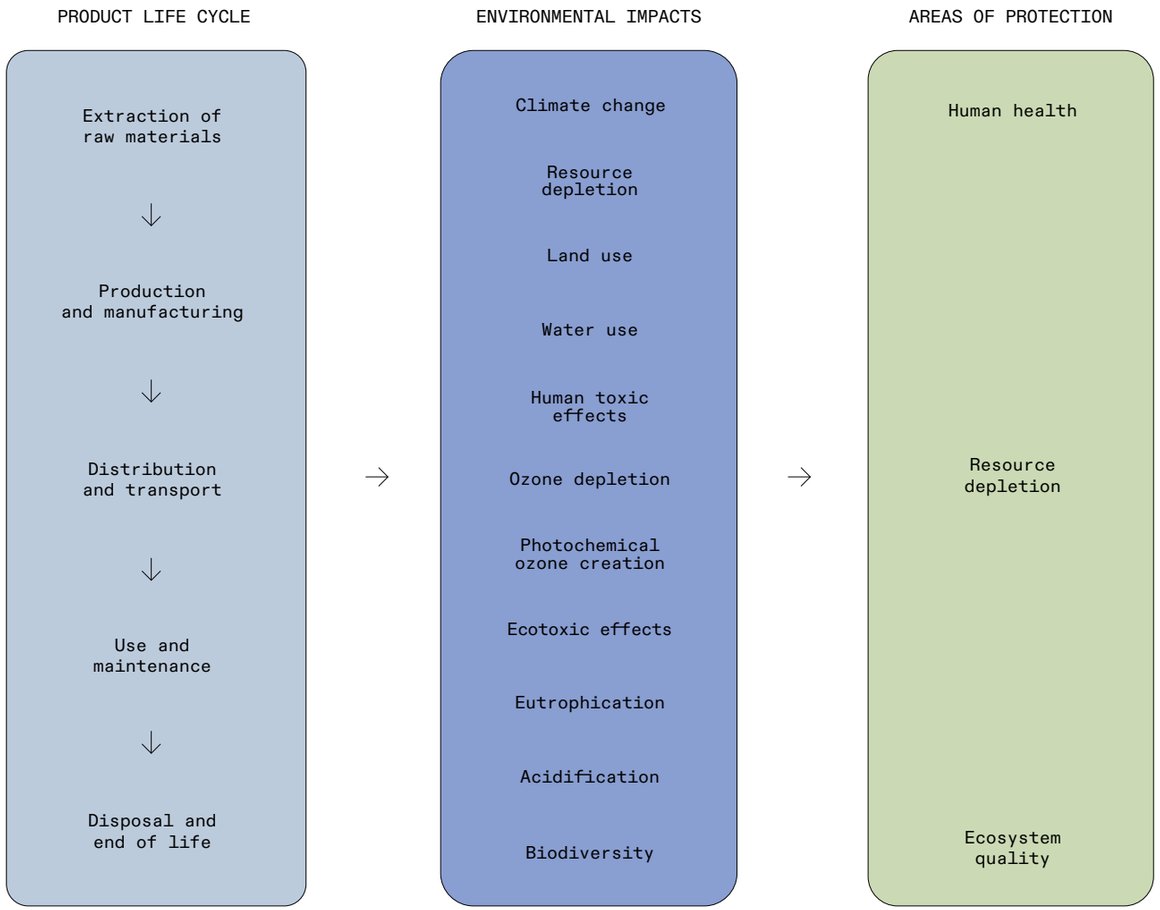


Figure 2: Environmental Impacts of the product lifecycle

We are conscious that the earlier we begin the LCA process, the better. It is early in the life of a product that the potential to achieve a significant impact reduction is greatest. A comprehensive LCA for just one product can take approximately six months.

Alongside parameters such as the cost and performance of products, LCA information feeds into the decision-making processes used by our innovation and product teams, equipping them with metrics to ensure environmental impact is always carefully considered. In short, at On, LCA data is considered equal to cost and performance data when new products or materials are being considered.

Methodology
The LCA method has been road-tested for several decades and continues to be developed by a thriving community of practitioners. It also follows internationally recognized standards (ISO 14040 and ISO 14044).

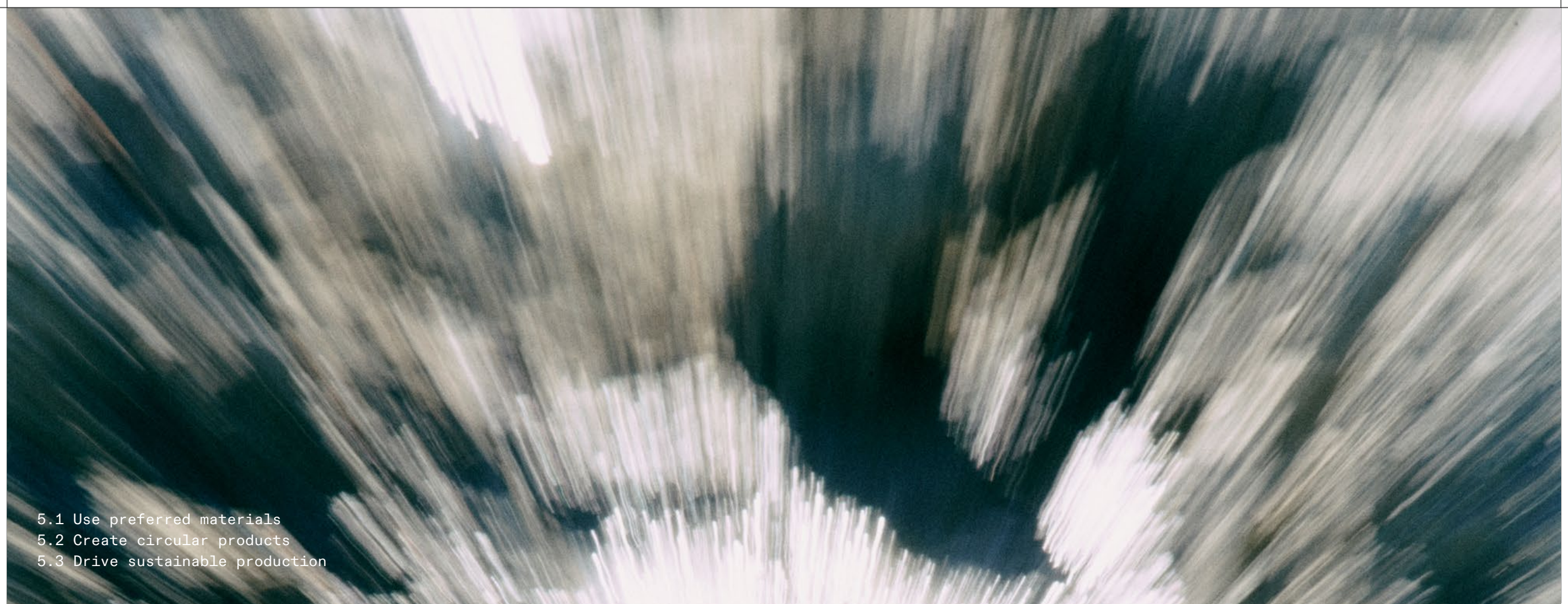
The LCA process is made possible by utilizing supplier data, LCA databases, various analysis techniques, and our in-house LCA experts. We also use data from leading LCA data providers like Ecoinvent ↗ , the GaBi ↗ databases and the World Apparel & Footwear LCA Database ↗ from Quantis, having joined the latter as a member of the consortium in 2022. We collaborate frequently with the research community to stay abreast of the latest research. We also support researchers whose work may be of benefit to our business, and where we can add value to students, and add value to projects that can positively impact the Planet Boundaries framework projects.

Transparency
We are aware that transparency is critical for expanding the available body of scientific knowledge, and although the results of our LCAs are currently only available internally, we will gradually begin communicating our findings externally. Few textile LCA studies rely on the data of other researchers, suggesting that the research is not reaching its potential. Our ambition is to document and share our approach, as well as the numbers and thinking behind our calculations, with open repositories to facilitate collaborative and cumulative efforts. This would allow our work to be reused and improved by others in the industry, and to maximize the positive impact.

> “Collaboration with On is highly motivating for our students and the learnings with real company data and LCA applications are interesting and relevant for research too. The implementation of concepts with real-world problems and data shows the limitations of scientific approaches.

Dr. Stephan Pfister
Senior Researcher at the Institute of Science, Technology and Policy | ETH Zürich

Our environmental strategy



5.1 Use preferred materials
5.2 Create circular products
5.3 Drive sustainable production

The environmental challenges we face are complex, and apparel and footwear supply chains are complicated. There is no singular solution – instead, a multidimensional strategy is necessary to meet the urgent environmental crisis we face.

In this Impact Progress Report, we want to share our mission and strategy for impact reduction, and the significant progress we've made towards achieving it.

It is our environmental mission to make high-performance products with the lowest possible footprint, engineered for circularity, and with preferred materials, manufacturing methods and distribution models.

We drive progress through pioneering technology. Our approach is to discover, apply, scale and do it fast, working with the right partners to accelerate results. We are constantly lowering our footprint through smarter design, as well as applying low-impact materials and manufacturing processes. This strategy is built upon three core pillars:

USE PREFERRED MATERIALS	CREATE CIRCULAR PRODUCTS	DRIVE SUSTAINABLE PRODUCTION
• Advanced recycled sources	• Design for circularity	• Renewable energy sourcing and energy efficiency
• Carbon emission-based materials	• Manufacture for circularity	• Preferred chemistry
• Bio-based materials	• Global recycling setup	• Reduced water use

5.1 USE PREFERRED MATERIALS

Our product, material and innovation teams have been working hard to integrate recycled materials for many years. As a result, the majority of our footwear and apparel collections already contain significant amounts of recycled polyester and recycled polyamide. We have already committed to increasing our use of recycled and organic materials and are tracking our progress as shared in section 6. We know this is not enough, and are increasingly aware that our choices can contribute to other challenges. For example, an over-reliance on recycled PET for apparel and footwear diverts this resource from the production of recycled bottles, which puts pressure on plastic bottle producers to rely on virgin resources.

Our vision is to only select materials for our products from renewable sources with low environmental impacts.

Our innovation team is constantly investigating lower-impact, fossil-free materials. We're excited to share the three categories in which we are currently scaling and commercializing our efforts: advanced recycled sources, carbon emissions-based materials and bio-based materials.

Advanced recycled sources
We are striving to identify recycled materials that will not result in increased environmental impact elsewhere. Recycling processes consume energy, and it is not possible to recover all the material recycled. Through our LCA approach, we ensure the environmental balance is positive.

We have defined advanced recycled materials as recycled materials that are derived from materials where there is a surplus of waste, and where the recycling of materials decreases the amount of material being sent to landfill or incinerated.

In the case of textile waste, recycling rates are very low, so we consider this a key source for advanced recycled materials. Simply put, this means T-shirt to T-shirt, or fiber-to-fiber recycling. Below is an example of a project we are currently working on to advance circularity in the textile industry. The results of this collaboration will be seen in future On products.

CASE STUDY
Fiber-to-fiber recycling

On is partnering with Carbios ↗ and other industry partners to accelerate the introduction of a new bio-recycling technology for textiles.

The bio-recycling process developed by Carbios uses an enzyme capable of selectively extracting the polyester from used garments, recovering it to recreate a virgin fiber. This revolutionary technology makes it possible to recover the PET polyester present in all textile waste – material that cannot be recycled using traditional technologies.

This partnership is an important step towards enabling the industry to use game-changing circular technologies at scale. Fiber-to-fiber recycling is a key building block in closing the loop within the textile and footwear industries.

CASE STUDY
CleanCloud™

On's first major innovation in carbon emissions-based materials is CleanCloud™ – a new high-performance foam for running shoes, created using carbon emissions as a raw material.

Announced in November 2021 after more than four years of intense research, CleanCloud™ is the result of a supply chain coalition to reshape carbon waste into performance materials, working in cooperation with LanzaTech and Borealis.

With a collaborative approach, we have been able to overcome the challenges of connecting multiple innovative technologies at commercial scale. This is an example of our team approach to sustainability initiatives, and how sharing what we discover early with like-minded partners, can bring results.

The first step in the CleanCloud™ process is intercepting carbon emissions before they escape into the atmosphere. This is where our partners at LanzaTech come in, with technology that captures carbon monoxide emitted from industrial sources that was otherwise destined to become carbon dioxide, a greenhouse gas.

Once captured, these emissions enter a patented fermentation process. Here, thanks to specially selected bacteria, carbon monoxide ferments and becomes liquid ethanol. This is a natural fermentation process and follows similar steps to those you'd find in a traditional brewery.

The ethanol is then dehydrated (to become ethylene) before being polymerized by our partners at Borealis to become EVA – the versatile and lightweight material that we can start working with to create a performance foam for shoes: CleanCloud™.

CleanCloud™ is the next big step on our journey towards decoupling On's growth from our carbon emissions. With first-of-a-kind innovations like this, On is setting the pace for developing a circular economy in sportswear.

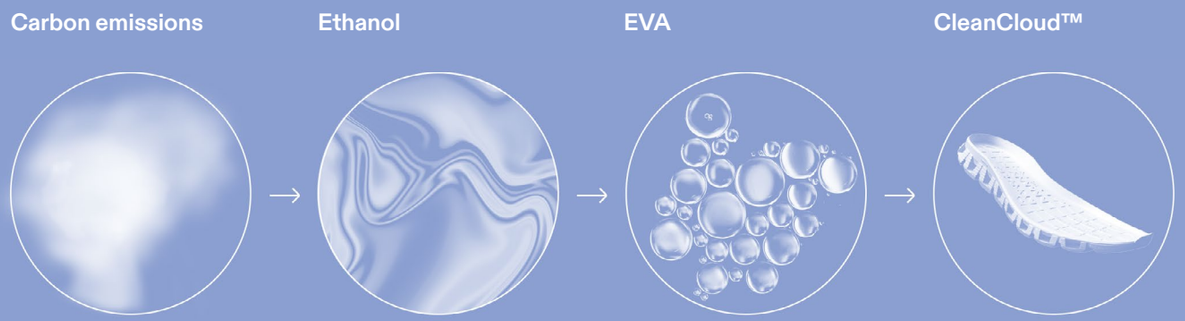


Figure 3: From carbon emissions to EVA foam. How CleanCloud™ is made

Carbon emissions-based materials
Capturing and recycling carbon emissions allows us to decrease our reliance on materials that require the extraction of virgin fossil-based resources. Our partnership with Borealis ↗, a leading supplier of circular thermoplastics solutions, and LanzaTech ↗, a specialist in carbon recycling, enables us to use captured carbon emissions to create CleanCloud™ – a high-performance EVA foam (the material typically used in the soles of our shoes).

The collaboration has led to the creation of a new supply chain, which offers significant potential for moving On, and the sporting goods industry, away from virgin fossil-based materials.

Transforming captured carbon emissions into usable material requires energy consumption, and therefore isn't net-zero. However, following further research in this area, and having applied our LCA approach, we're increasingly optimistic that this can be a key lever in On's transition away from fossil-based materials.

Bio-based materials
Our innovation teams have been exploring bio-based materials as another lever to meet our preferred materials strategy and move towards (virgin) fossil-free materials. We only explore materials that we can validate do not come from sources that compete with the food chain, whether directly or indirectly. This set of materials will provide a fossil-free source of carbon, coming from plants.

Our first product created using majority bio-based materials is the fully recyclable Cloudneo running shoe, which features performance materials derived from castor beans. For more information about the Cloudneo, see the case study in the following section.

5.2 CREATE CIRCULAR PRODUCTS

Circularity is often used in tandem with sustainability. And like sustainability, it's a term that is often misused and misunderstood. A circular economy is a fundamental shift away from our linear economy, in which we extract raw materials, use them, then discard them.

The science is clear: for humanity to continue thriving on the planet, we need to operate within the Planetary Boundaries. We believe we not only need to reimagine our economy as circular, but we also need to discover, apply, scale, and act fast. Re-imagining our economy as circular rather than linear is a critical transformation that businesses in all sectors need to make.

Figure 4 below illustrates the On innovation circularity framework that guides us towards our sustainability mission. Projects are brought to scale as quickly as possible, so they can be added to our product offering. The Cyclon™ program is only our first effort in this area. We are currently working on more than 50 sustainability innovation projects focused on achieving circularity, covering every aspect of the product life cycle.

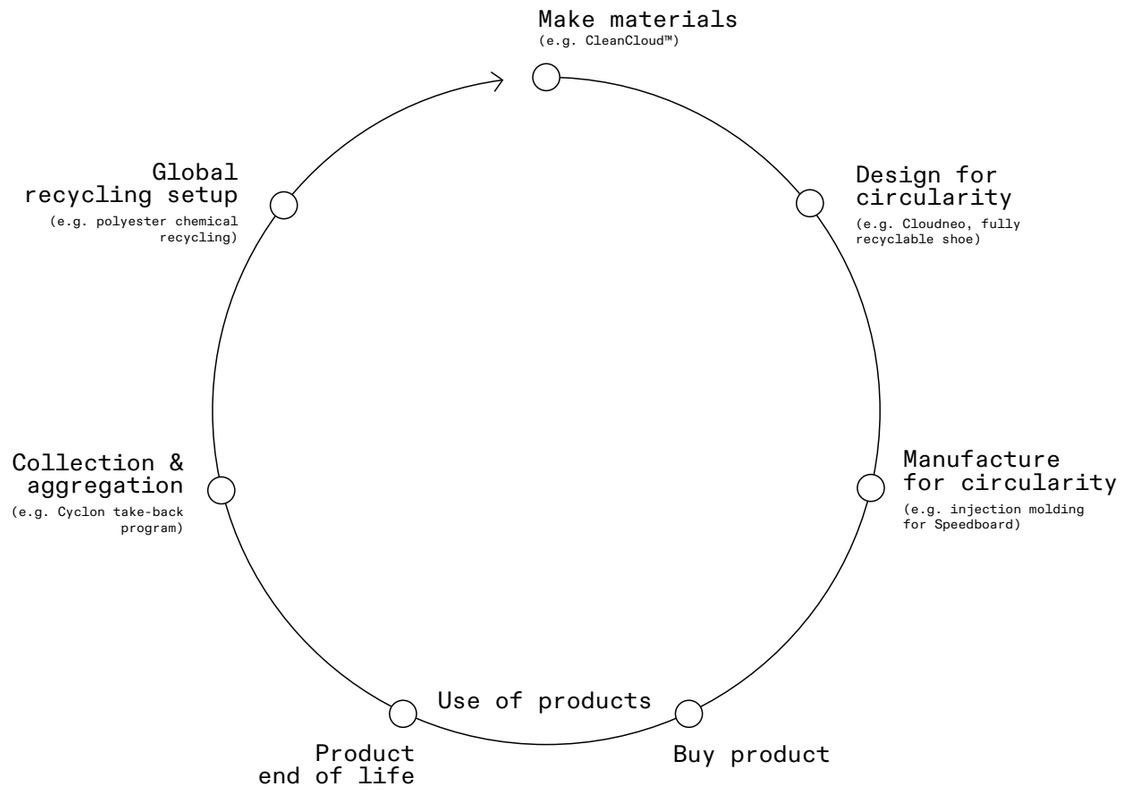


Figure 4: Closing the loop. The On framework for circular innovations

CASE STUDY
Cyclon™ and the Cloudneo

1
Made from PA11, the Speedboard® is 100% bio-based and converts soft landings into powerful take-offs.

2
The high-performance Pebax® midsole and outsole provide responsive cushioning and road feel.

3
Made entirely from castor beans. Less materials. Less CO2. Less waste. Better for the planet.

4
The 100% bio-based reinforcements in the breathable knitted upper keep the foot comfortable over long distances.

5
CloudTec® ensures soft landings in each step to create a unique running sensation.

6
At less than 260g, Cloudneo won't weigh you down anywhere. On the track, on the road, on your conscience.

In June 2022, we went live with Cyclon™ ↗, our circular subscription service. This also marked the launch of the Cloudneo, On's first fully recyclable performance running shoe.

Since Cyclon™ was first announced in 2020, we have seen almost 10,000 pre-orders for subscriptions. The start of the program represents a major milestone in our efforts to make On a fully circular business.

The Cloudneo running shoe is purpose-engineered to be a truly circular product. When we designed it, we did everything we could to facilitate its recycling, such as not mixing materials, constructing it from fewer parts, and leaving the materials in their natural, undyed color.

The upper is engineered from PA11, a bio-based polyamide derived from castor beans (a crop that doesn't compete with the food chain). The bottom unit is engineered from an equally high-performance polyamide compound called Pebax.

"The running shoe you will never own", the Cloudneo is only available via subscription, which enables us to make it a truly circular product. A customer receives the shoes, runs them until they are worn out, then, when they receive a new pair, they return the old shoes in the bag the new pair came in.

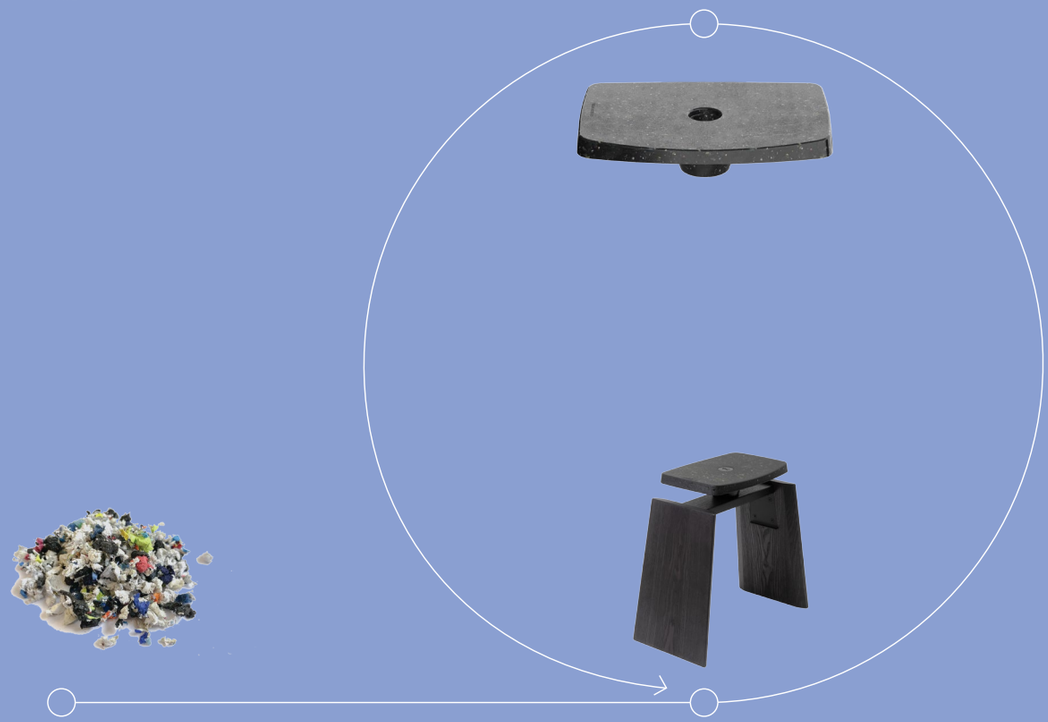
The old shoes are collected at our supplier's facilities and ground into pellets. This material is then compounded into new components and used in shoe production. With the Cyclon™ subscription model and the Cloudneo, we are testing and shifting the perception of ownership and value in the consumer's mind. Our goal is to change the future of running shoes: to make returning old products the norm and dramatically reduce waste.

CASE STUDY
The CloudTec® stool

In addition to working on our Cyclon™ project, our design team has been exploring ways to use material from our shoes once customers have worn them out. This way, we can avoid damaging practices such as incineration or landfilling – which is what happens to most footwear and apparel products.

One example of this is the CloudTec® Stool, a product developed for the new On Labs office in Zurich. The main components of the stool are a seat (made from a combination of 60% recycled On shoes and 40% Pebax – the same material used in the fully recyclable Cloudneo shoe), a metal screw, metal support plates, and a wooden understructure.

Figure 6: Making (and remaking) the CloudTec® Stool



CASE STUDY
On Testing Tracks

Another example of circular innovation is the new On Testing Tracks, developed for our sports science lab.

Testing tracks are 24-meter-long tracks that the sports scientists use to recreate track surface conditions for testing and analyzing new shoes.

These tracks represent a first attempt to use rubber recovered from used pairs of On shoes. The shoes were sent to Fastfeetgrinded ↗ – our recycling partner in the Netherlands – where they were separated into their various materials.

The final material mix for the short testing tracks comprised 54% recycled rubber bound with 46% polyurethane. This allowed us to validate and test the feasibility of creating a track made from 100% recycled rubber in the future. The next step is to scale up the project, with the goal of creating and renovating entire 400-meter running tracks.

5.3 DRIVE SUSTAINABLE PRODUCTION

There is no single solution that allows us to continue making high-performance products while significantly reducing our footprint and designing products for a circular economy. The facilities that make our materials and assemble our products are located in Asia, where there is a high reliance on coal for energy production. We alone cannot change this. It requires a mindset shift, open industry and cross-sector collaboration, policy advocacy, and multiple levers where we can have a cumulative impact.

A significant portion of On's impact is within our supply chain. This is why we are working hand-in-hand with our supply chain partners and other brands to scale our efforts quickly.

This includes yarn formation and material production, as well as footwear assembly and garment manufacturing. We are focused on three key areas:

Renewable energy sourcing and energy efficiency
Many footwear and apparel production facilities are located in Asia, where coal is a common source of heat and energy.

We are helping our supply chain partners implement energy efficiency and renewable energy solutions to reduce our production footprint.

In 2022, we have accelerated our efforts here, and many of our Tier 1 partners are investigating or already installing renewable energy solutions. Our commitment to our partners is to continue to build capacity through training, in-kind resource expertise and preferred supplier status.

Preferred chemicals
A broad variety of dyes, agents, additives and other chemicals are used in textile production processes. It has been shown that textile dyeing and finishing is one of the most energy, water, and chemical intensive production processes (Apparel Impact Institute 2022 ↗). As is explained in section 6.4, we are currently building our chemicals strategy and expanding the scope from product consumer safety to include ecosystem and human health impacts on the production floor.

Reduced water use
According to Science Based Targets for Nature ↗, lack of water supply is the fourth-greatest risk to humanity over the next decade. Twenty percent of the world's 100 largest river basins are seeing high or extreme levels of water scarcity, and many more are expected to cross that threshold by 2050.

Textile creation for apparel and the upper portion of footwear is known to use high quantities of water.

Our innovation and materials teams are exploring low-water and no-water coloration techniques (also known as dope dyeing). We have already started to eliminate processes within dyeing to reduce our water use. Examples in our 2022 collection are the Cloud 5 Undyed and the Cloudrock Raw (also undyed). In 2023 and beyond, low and no-water dyeing techniques will be used for many more products.

CASE STUDY
Speedboard® update

The Speedboard® is one of our core technologies. Hidden in the sole of the shoe, this flexible plate enhances energy return for agility and comfort. We have different Speedboard® designs for different shoes. In the LCA of some of our styles, we identified that the Speedboard® had significant impact in terms of climate change and waste production.

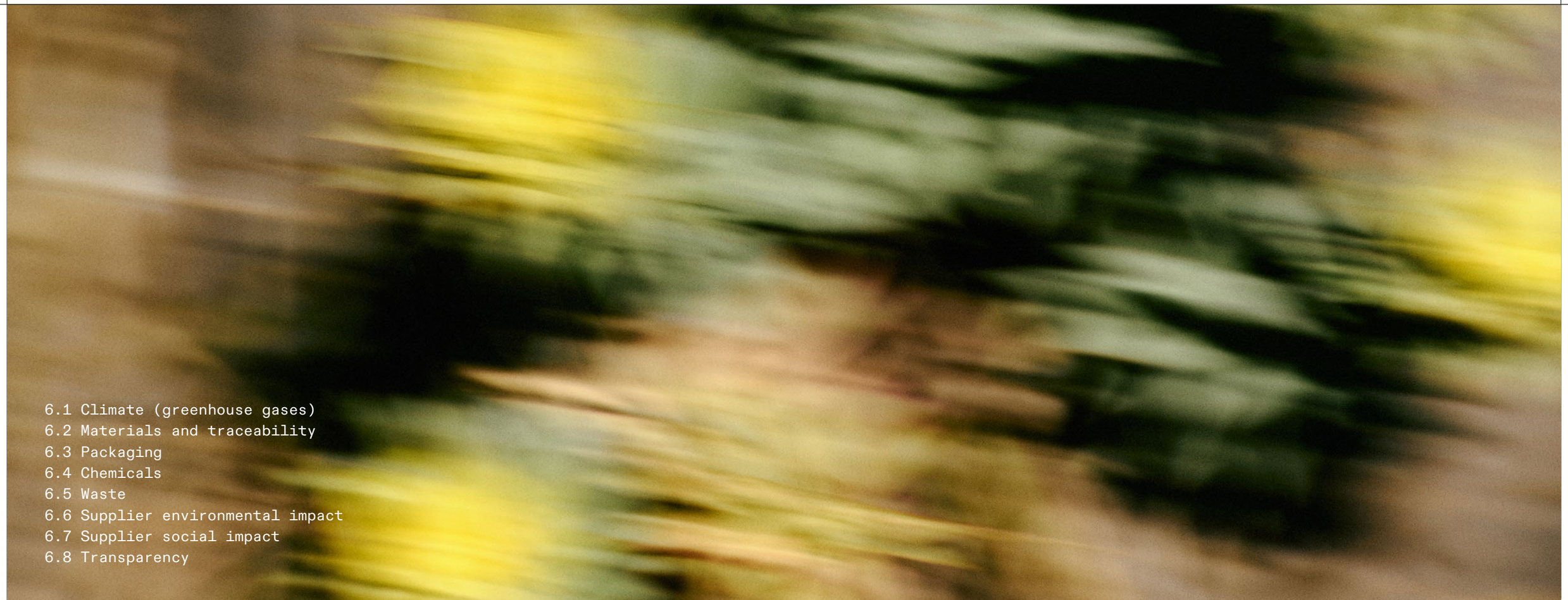
We discovered this was due to a reliance on die-cutting production processes. In die cutting, the component is cut from a larger piece of material, resulting in a significant amount of waste. To address this, our materials team conducted multiple tests to find alternative production processes that are more in line with our goals while maintaining a similar feel and performance. One solution we have adopted is injection molding. With injection molding, the material is injected into a precision mold, which eliminates waste. We are now using this process wherever possible throughout our footwear collection.

This change reduces waste by approximately 90% with a concurrent 60% reduction in greenhouse gases (CO2e). From an environmental impact perspective, this is a significant win as well as good business sense with less waste and more efficiency.

90% less waste

60% fewer greenhouse gasses (CO_2e)

Goals and progress



6.1 Climate (greenhouse gases)
6.2 Materials and traceability
6.3 Packaging
6.4 Chemicals
6.5 Waste
6.6 Supplier environmental impact
6.7 Supplier social impact
6.8 Transparency

Our ESG goals and our progress towards them are guided by our values – the On Spirits. Both keep us accountable to the high standards we set ourselves. Success is not only about reaching a target, but also how we get there.

In our first Impact Progress Report, we set ourselves some ambitious goals. In this section, we'll provide an update on our progress and take a look at what our teams have been working on.

6.1 CLIMATE (greenhouse gases)

Goals by 2030 (Science Based Targets)
— 46% absolute reduction in our scope 1 and 2 emissions

— 55% economic intensity reduction (emissions per unit of value-added*) in our scope 3 emissions

In 2020, we also announced renewable energy goals for our own footprint (scope 1 and 2 emissions).

— By 2022, On offices and stores will be powered by 80% renewable energy

— By 2030, 100% of company cars will be electrically powered

Our greenhouse gas emission-reduction targets were reviewed and agreed with the Science Based Targets initiative (SBTi) in 2020 and are aligned with the Paris Agreement goal of keeping average global temperatures at no more than 1.5°C above pre-industrial levels.

In 2022, we are providing the second update on our progress after setting a baseline in 2019. We are still discovering and applying learnings, and the exceptional global growth of On over the last three years requires that we rapidly scale our efforts.

Progress
Scope 3 emissions represent the majority of On's impact and for the second year in a row we are on track to meet our 2030 goal.

This is in large part due to the an intentional efforts we have taken in recent years to re-design our products, incorporate recycled content and shift our distribution models wherever possible.

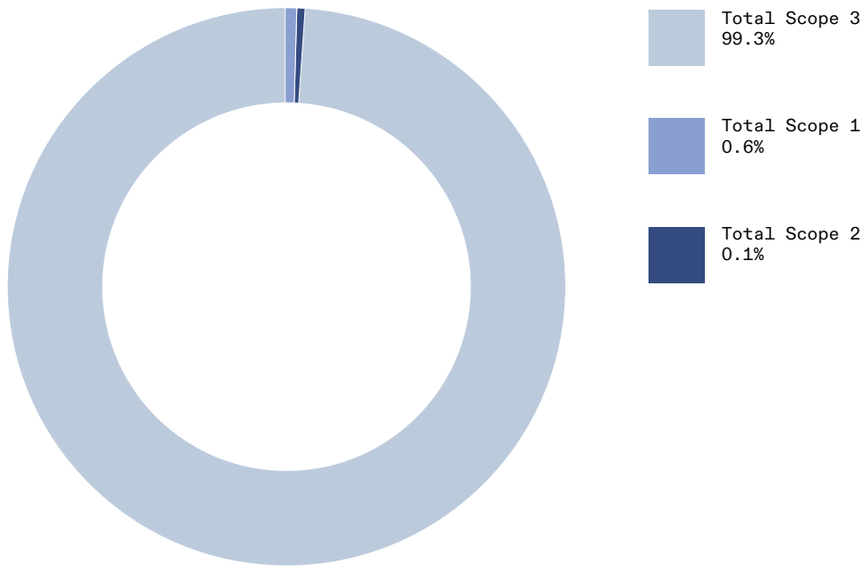
Over the last few years, On has experienced a significant amount of growth. Net sales alone have grown year-over-year by approximately 59% and 70% in 2020 and 2021, respectively, resulting in increases to our scope 1 and 2 emissions. However, we are confident the reduction programs we have in place will allow us to meet our 2030 goal and sub-goals.

Scope 1 emissions:
A significant proportion of scope 1 emissions comes from our company fleet for the global sales team, which grew by approximately 30% in 2021, increasing scope 1 emissions by 75%, from 743 tonnes of CO2e in 2020 to 1,298 tonnes of CO2e in 2021. We have tested electric vehicles (EVs) in Europe and as leases expire we will replace our existing petrol fleet with EVs by 2030.

Scope 2 emissions:
Electricity and heating for our offices and stores are the largest contributors to scope 2 emissions, which increased in 2021 as we expanded some of our locations or opened new locations to support the company's growth. Specifically, our scope 2 emissions increased by 70%, from 169 tonnes of CO2e in 2020 to 287 tonnes of CO2e in 2021.

On Labs, our new office in Zurich was built and fitted out with the natural environment in mind. Materials have been saved by embracing the raw elements of the building, using very little paint, and ensuring partitions and panels are 100% recyclable. On Labs in Zurich also uses 100% renewable electricity, which is guaranteed and verified under direct purchase contract. This contributes towards our goal of sourcing 80% of the energy for our offices and stores from renewable sources by the end of 2022. However, we are committed to driving real impact towards the 1.5° celsius pathway, and as such are working towards a preferred method to reduce our footprint, such as direct power purchase agreements (PPAs) or on-site renewable energy solutions.

Figure 7: greenhouse gases emissions breakdown



Scope 3 emissions:
Scope 3 emissions, which represent the majority of our impact (e.g., raw materials, yarn and polymer formation, fabric production, transportation etc) are decreasing in line with our SBT goal (Figure 8).

Our design and sourcing teams have made a tremendous effort over the last three years to systematically redesign On products with lower impact materials and construction techniques that begin to allow for recycling and more efficient manufacturing technologies (see Cyclon case study). At the same time, we have worked with our factory partners to reduce waste and be more energy efficient (see Speedboard® case study).

We also closely monitor our use of air-freight, as it's close to 100 times more carbon intensive than sea-freight. We have been able to significantly reduce the use of air-freight from 39% of products shipped in 2019 to 12% in 2020, and despite our high growth and the supply chain challenges our industry continues to face, we held the use of air-freight at 12% of products shipped in 2021.

We are very pleased to see these efforts starting to pay off and are encouraged to continue scaling our improvements.

Figure 8: Scope 3 emissions/unit value added to 2030

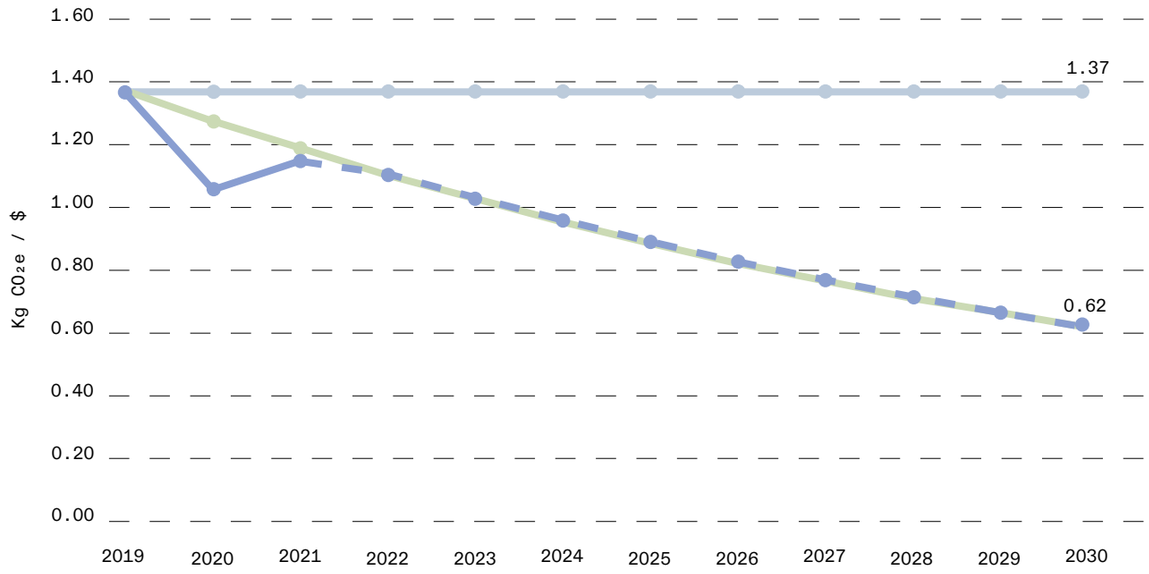


Table 1: Scope 3 emissions

	2019	2020	2021
Emissions per unit value added – actual	1.37	1.06	1.15
Emissions per unit value added – target	1.37	1.28	1.19

Emissions per unit of value-added is defined as adjusted EBITDA + Personnel costs using US dollars (USD). This target is in accordance with the SBTi methodology, which requires a 7% reduction per year, compounded until 2030.

Figure 9: 2021 Scope 3 absolute emissions by category

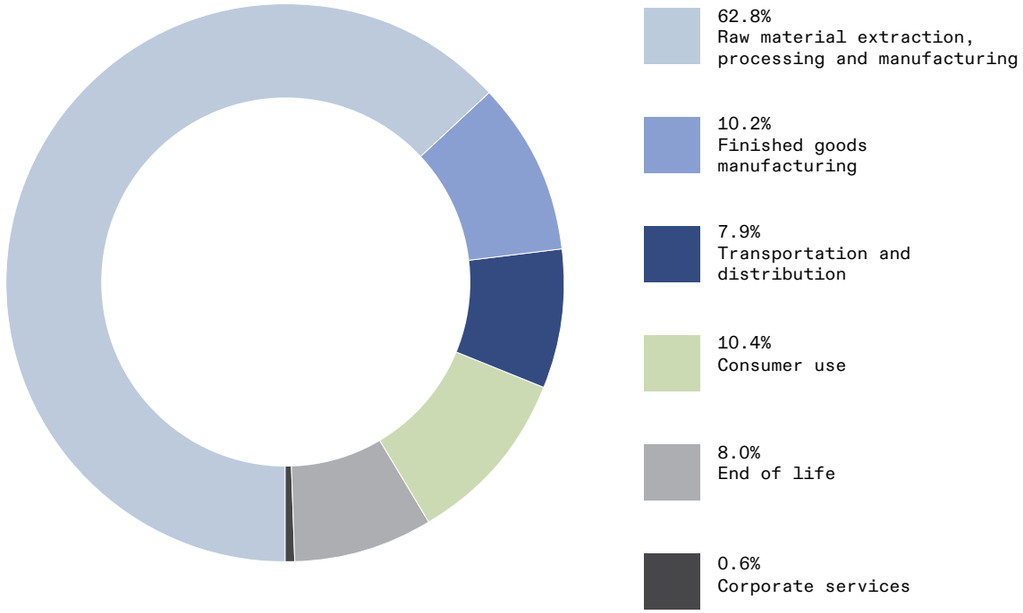


Table 2: Scope 3 emissions 2019-2021

CO_2e tonnes per year	2019	2020	2021
Corporate services	1,826	679	1500
Raw material extraction, processing and manufacturing**	58,541	83,130	145,314
Finished goods ** manufacturing	7,983	12,031	23,647
Transportation and distribution	17,120	15,406	18,292
Consumer use*	744	10,939	23,985
End of life*	1,056	6,134	18,500
TOTAL	87,270	128,319	231,238
Business as Usual (BAU)	87,270	166,789	275,266

Learnings
With 99% of our impact coming from scope 3 emissions, we're pleased to be heading in the right direction towards our 2030 goal. We will continue to discover, apply, and collaborate as equal partners with our suppliers to accelerate the reduction of our footprint.

Additionally, our growth trajectory this year has reinforced the need for us to more clearly define our efforts for our owned operations (scope 1 and 2) and has identified areas where we need to accelerate our efforts. As we continue to learn how to balance our desire to be scientifically robust with the setting of our operational boundaries and assumptions, we will continue to share our progress openly, including our challenges. We invite others to do the same so that we can harmonize and standardize our efforts and methodologies. This is not about a race to the top, it's about harvesting the power of the whole in line with our Team Spirit to bring us closer to our collective goal.

Our business is driven by sustainability and data. Armed with robust, measurable data, as well as better tools and systems, we're confident we're on a 1.5 °C pathway.

* following our planetary boundaries and lifecycle approach we include categories such as consumer use and end of life, which are often excluded.
** this year we improved our estimates as it relates to the average weight of our products, which increased emissions.

6.2 MATERIALS & TRACEABILITY

Goals by 2024*
— 100% recycled polyester (total recycled content)
— 100% recycled polyamide (total recycled content)
— 100% cotton fibers sourced from organic, recycled, or petrol-free sources

Progress
Polyester, EVA (ethylene vinyl acetate), and polyamide are our most used materials. For three years now, our product development and materials teams have been focused on reducing the impact associated with the raw materials we use. We are now working on multiple projects, and with multiple partners, to scale our efforts in this area.

By the end of 2021 (spring/summer 2022 production), we tracked our progress at 53% and 63% for recycled polyester and recycled polyamide (total recycled content) respectively. However by the spring/summer 2023 collections, we've increased the recycled polyester content to 66%, and expect to meet our 2024 targets for both polyester and polyamide.

Products in our spring/summer 2022 collection within our Cloud 5 franchise (the Cloud 5 Terry, the Cloud 5 Undyed, and the Cloud 5 Waterproof) are at 25-40% total recycled content, and 60-100% of the polyester is recycled content.

By the end of 2021, 95% of the cotton we used was organic, recycled or petrol-free.

We are on track to reach 100% organic, recycled or petrol-free cotton by the end of 2022, which would see us achieve our goal ahead of schedule.

Learnings
We have made progress season after season, learning how to maximize our efforts to reduce our impact. We have learned that, while mechanically recycled materials and organic cotton content have their benefits, their contribution to reducing our impact is not enough. There are many more actions that we need to take. These are defined in our preferred materials strategy, shown in section 5.1. We will publish new goals in this area later in 2022.

At the end of 2021:

53% of the polyester used was recycled

63% of the polyamide used was recycled

95% of the cotton used was organic, recycled or petrol-free

*Rather than reporting on one material with the highest recycled content, we measure total recycled content, which is defined as the weighted average of all materials, not solely polyester or polyamide.

6.3 PACKAGING

Goals by 2021
— 100% recycled, FSC-certified cardboard for footwear and accessories packaging

— 100% recycled HDPE (High Density Polyethylene) for apparel packaging

Progress
We met our goals to use 100% recycled, FSC-certified cardboard and 100% recycled HDPE in our apparel packaging by May 2021. Determined to do more, we have also redesigned our packaging to eliminate any unnecessary items, keeping the associated impact to a minimum. Our teams continue to make improvements, such as no longer using safety pins to attach tags to some garments.

Learnings
These are just the first steps we are taking to improve our packaging, and we will continue working on further improvements. For example, we are looking for solutions to remove individual HDPE (poly-bag) packaging for our apparel completely, while still sufficiently protecting garments during transit.

6.4 CHEMICALS

Goals
— 2020: AFIRM and REACH compliant RSL implemented in Tier 1 and 2

— 100% PFAS-free (C0) DWR by 2027

— 100% water-based glues by 2024

Progress
Chemical compliance:
We have implemented a chemical compliance policy (On Guideline Chemical Management & Testing V2 (2021)) which states that all Tier 1 (T1) apparel and footwear suppliers annually sign an agreement to comply with the AFIRM ↗ Restricted Substances List (RSL) and agree to random seasonal testing. AFIRM is a uniform standard for all products and materials that considers regional regulations such as REACH – which is a European Union regulation on chemicals.

Tier 2 material suppliers must comply with the guidelines once they receive them, regardless of whether the guidelines are provided directly by On or by one of our Tier 1 suppliers. In 2021, our chemical compliance policy was updated to include the modified RSL, and seasonal testing occurred based on volume and chemical risk.

PFAS:
Our team has been working hard to ensure any materials that require durable water repellency are PFAS-free. PFAS, or perfluoroalkyl and polyfluoroalkyl substances, are a group of synthetic “forever chemicals”, so-called because they don’t degrade naturally and bioaccumulate in the environment. The science also shows that the most common PFAS can have significant negative effects on human health. PFAS have been commonly used for water repellency in the outdoor industry in addition to other industries to resist extreme temperatures and repel grease and stains (OIA 2022 ↗).

We’re pleased to report that by spring/summer 2023, 100% of our apparel products will be PFAS-free. Some footwear styles, particularly in the outdoor category, will still use short-chain PFAS chemistry in spring/summer 2023 due to higher performance requirements. We are confident we are on track to fully phase out PFAS ahead of our 2027 target.

Glues:
The use of glue is common in footwear manufacturing, particularly in the bottom unit. Recognizing the risks of solvent-based glues and their potential to cause environmental damage, we set an ambitious target to use 100% water-based glues by 2024.

Long-term, our innovation team has started to work on glue-free solutions like heat bonding, as well as introducing glue-free constructions and production processes. These technologies currently have levels of technical readiness. As soon as technical readiness has reached the point where we can produce a proof of concept, and allows us to predict a timeline, these results will be included in the Impact Progress Report.

Learnings
It has become clear to that our chemical compliance policy needs to be updated to involve product testing, manufacturing, and health and safety guidelines for our team.

In 2022, we appointed a specialist in environmental and chemical sustainability to our team in Vietnam. We are now conducting environmental audits and chemical training sessions to better educate and protect our supply partners’ workforces. As part of our environmental and chemical program, and to further develop our baseline, we have asked all of our Tier 1 partners to submit a chemical inventory by the end of 2022. We know our goals here don’t yet go far enough. We will soon put in place additional goals, in line with our preferred chemistry strategy.

6.5 WASTE

Goal by 2025
Waste diversion rate at Tier 1 factories >90%

Progress
We have committed to near to zero waste, using both pre- and post-production waste streams. The materials and components in our products contain significant embodied environmental impacts. If we reduce the amount of material (increasing pattern efficiencies), we reduce both our impact and financial costs. Our development and product teams have been investigating methods to improve pattern efficiencies for footwear, and we'll continue to make improvements. We are also finding efficiencies in reducing components, which reduces the overall weight of a product and consequently lowers the footprint. This approach is now embedded in how our teams work and will be increasingly identifiable in our products from 2022 onwards.

In 2022, we also started a post-production waste pilot with one of our supply partners in Vietnam and are mapping our baseline. We'll report our progress as we develop a baseline in these three areas of impact. We're optimistic we can reach our goal for 2025.

6.6 SUPPLIER ENVIRONMENTAL IMPACT

Goals
— 100% of our Tier 1 and strategic Tier 2 suppliers reach SEF Level 2 by 2023

— 100% of our Tier 1 suppliers reach SEF Level 3 by 2025

Progress
The majority of our environmental impact occurs within the facilities where our products and materials are made. This is evidenced by our Scope 3 GHG emissions and is not unusual in our industry, as shown by the environmental footprints of our peers. At On, basic compliance is just the start – we want to be a thought and action leader in all aspects of our business and have high expectations of our business partners when it comes to sustainability.

In 2020, we launched our own On Supplier Environmental Framework (SEF) (based on the Higg Facility Environmental Module (FEM) ↗) with our Tier 1 partners, and we continued to collect data on a quarterly basis through 2021. Tier 2 suppliers are not yet engaged in the On SEF, but we will soon be revising our approach to supplier compliance and impact.

In June 2022, we joined the Sustainable Apparel Coalition ↗ (SAC). This allows us to collaborate with like-minded brands, and to streamline requests to our suppliers using industry-common tools such as the Higg Facility Environmental Module ↗ (FEM). As a result, we'll be replacing the On Supplier Framework with the FEM. We will adjust our goals accordingly.

Learnings
During the second quarter of 2022, we visited close to 100% of our Vietnam-based Tier 1 facilities to introduce our environmental sustainability team. We also hosted a supplier Sustainability Day to further share our strategy and 2022 goals, as well as to provide training on procuring renewable energy.
We have asked 100% of our Tier 1 suppliers to provide verified Higg Facility Environmental Module ↗ (FEM) scores by the end of 2022.

We are currently piloting renewable energy, energy efficiency, and waste projects with a number of our footwear and apparel suppliers. This includes a partnership with the GIZ ↗, the German Agency for International Cooperation, and the Clean Energy Investment Accelerator ↗ on supplier-specific training sessions.

For our Tier 2 suppliers, our sourcing teams have been mapping our supply chain so that we can better manage materials and reduce the environmental impact associated with our production.

Our approach is based on equal partnership and collaboration. Over the next 6-12 months, we will revise the above goals and co-create more aspirational goals on renewable energy, coal phase-out, water and chemicals. This will be done in collaboration with our manufacturing and material partners, as they know their facilities best.

6.7 SUPPLIER SOCIAL IMPACT

Goals by 2025
— 100% Tier 1 and key Tier 2 suppliers meet our expectations of sustainable production

— 100% of Tier 1 suppliers have implemented a living wage ↗

Progress
Despite supply chain disruptions associated with COVID-19 outbreaks and lockdowns, 2021 was a year of significant growth for our business. We remained committed to an embedded philosophy of responsible sourcing and to better understanding how we progress towards our goals in this area.

In the first half of 2021, we hired our first team member dedicated to social compliance. This role is based in Ho Chi Minh City, Vietnam, to be close to our supplier base and for easier integration with our sourcing and production teams.

COVID-related restrictions meant that the second half of 2021 was focused on establishing remote solutions for validating that our supply partners were meeting local regulations for labor and working conditions, as well as on providing COVID-specific guidance and international best practices. Our Social Compliance Manager was in constant contact with the facilities to ensure that the health and safety of workers remained a priority, and that standards for working conditions were maintained.

One hundred percent of Tier 1 supplier facilities had audit oversight during 2021. Due to COVID-19 lockdowns, onsite visits were not possible, so other brand audit reports were accepted. We made the difficult decision to stop working with two supplier partners who did not meet our standards.

The areas most commonly identified by the audit reports as requiring attention were wages and benefits (documentation), hours of work exceeding local law, and safe and healthy working conditions (correct PPE, ventilation, documentation etc.).

During the height of the COVID-19 outbreaks in Vietnam, we were in contact with all of our supply chain partners to support their human resources teams and provide guidance on worker health and safety. We also made sure that workers were informed of their rights around illness and employment.

Working hours is an issue that we continue to prioritize. We are committed to making sure that working hours in our manufacturing facilities do not exceed the regular and overtime hours permitted by local law. Due to COVID-19 and multiple shutdowns, there were many production delays in 2021. Close collaboration between our sustainability team and our sourcing teams in Vietnam was essential to meeting our commercial commitments while simultaneously managing down overtime hours that exceeded 60 hours per week. Pre-approval from our sourcing team is now required for workers at our suppliers to work more than 60 hours per week.

In the second quarter of 2022, we restarted our own in-person third-party social compliance audits. We are reviewing the findings and providing support for corrective action on an ongoing basis. We collaborate with third-party audit firms OneStepVietnam ↗ and OpenView ↗, helping us ensure legal labor and working condition regulations are met.

We cannot report directly against our goals for supplier social compliance and impact this year, as the definitions and action plans are still in development.

Learnings
Although we've made significant progress on environmental impact, we recognize that we can do better when it comes to social impact. We are in the process of developing our strategy, goals and roadmap to protect workers' human rights, and to validate compliance with the workers themselves.

We expect to sharpen rather than abandon our objectives in this area, with many organizations and brands around us making measurable progress. We are very conscious of audit fatigue, and are committed to working collaboratively. Our goal is to cut through the noise and drive impact while ensuring working conditions are safe, healthy, and fair.

We are building a measurable, impact-driven program to focus on our key priority areas. We know, for example, that a living wage is an increasingly significant topic, with many organizations and brands around us making measurable progress.

Achieving our goal of becoming a thought and action leader in this space will require courage and collaboration.

6.8 TRANSPARENCY

Goal
— 100% Tier 1 suppliers publicly listed by 2020

— 100% Tier 1 and Tier 2 suppliers publicly listed by 2025

Progress
We achieved our goal of publishing our Tier 1 manufacturing suppliers in 2020. Our Tier 1 partners are listed on the Transparency section ↗ of the On website, and we have committed to updating this information annually. We updated the site in 2021, and will make the 2022 update by the end of the year.

We are on track to publish a full list of our strategic Tier 2 suppliers in 2023, ahead of our 2025 target.

Learnings
Transparency is at the heart of how we operate, and it requires continuous effort and attention as our company grows. We believe sharing our learnings and struggles will help us all move faster to address the environmental and social crisis we face. We are therefore committed to sharing more information about our supply chain and our products. Both internally, and with external partners, we are building the tools to educate our teams, our retailers, and our community, and to openly share our progress. The transparency information on our website is just the start, and we will continue to expand this over time.

CASE STUDY
Huali Group

Huali is one of the top footwear manufacturers in the world, with more than 50 years' experience and 100,000 employees worldwide. In 2021, we onboarded Huali as a new strategic sourcing partner. The Huali team shares our values of innovation, attention to detail and sustainability. Two of their production sites in the north of Vietnam (Athena in Ninh Binh province, and Stateway in Hai Phong) produce some of our most iconic models like the Cloud and the Cloudvista. Stateway is one of our higher-performing facilities when it comes to reducing impact, with a six-person sustainability team focused on long- and short-term targets. We look forward to continuing to grow with the Huali Group.

CASE STUDY
Freetrend Group

Freetrend Group is a highly skilled running shoe manufacturer with production in Vietnam, Indonesia and China, and research and development in Taiwan. We value their attention to precise detail and premium quality in the production of our performance running products. Some of our best-selling models are produced with Freetrend, including the Cloudflow and the Cloudrunner. Our two Freetrend partner sites in Vietnam, Freeview and Global Running, are actively engaging with our sustainability team to reduce their post-production waste, and to install rooftop solar panels to help us meet our scope 3 Science Based Target.

Diversity and Inclusion

7.1. Representation
7.2. Team members' experience
7.3. Community impact

We believe in creating products that inspire people to move, run and explore. The impact of creating footwear and apparel cannot be understated, but our greatest impact is felt in the way we treat each other.

“Transparency is critical to creating positive change.

Sahra Kaboli-Nejad Ph.D.
Global Head of Diversity & Inclusion

Company growth 2021 vs. 2020

+ 414 Teammates

> 50% Growth

The Oniverse – which is what we call those who make up the On team – is filled with people committed to creating an inclusive, equitable workplace experience for all. That’s why our goal for 2021 was to lay the necessary foundations for continued growth and accountability as an organization. Transparency is critical to creating positive change, so we will continue to hold ourselves accountable by reporting on the progress we are making on an annual basis.

7.1. REPRESENTATION

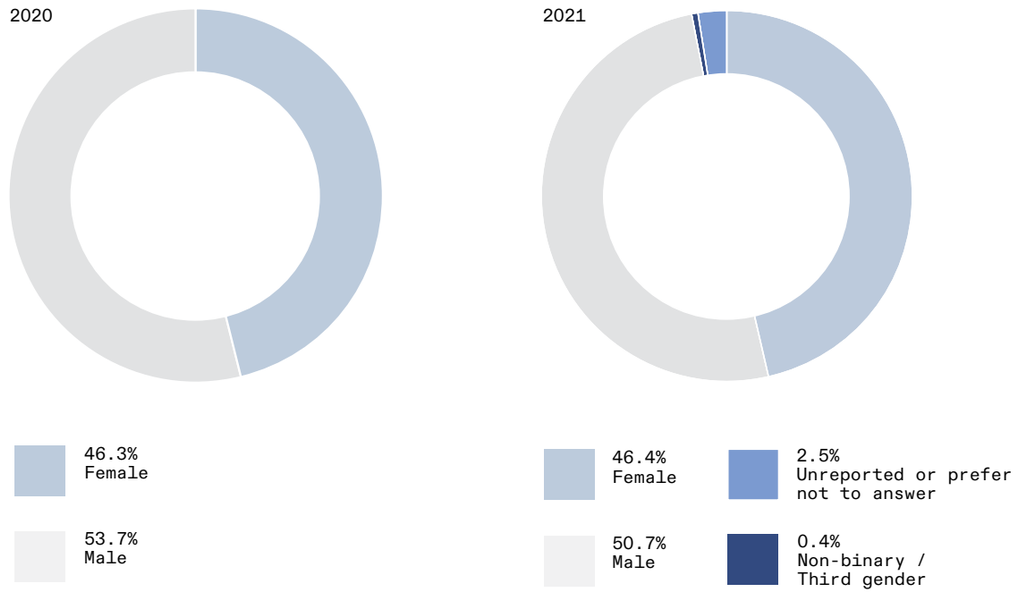
Since our last report, the Oniverse has grown by more than 50% – from 744 team members in December 2020 to 1158 in December 2021. We’ve made progress on our internal data collection by collecting more inclusive gender identity response options and representation data in a more holistic way. This means we can be transparent in the makeup of the Oniverse, while also taking steps towards continuing to increase diversity.

Gender Identity

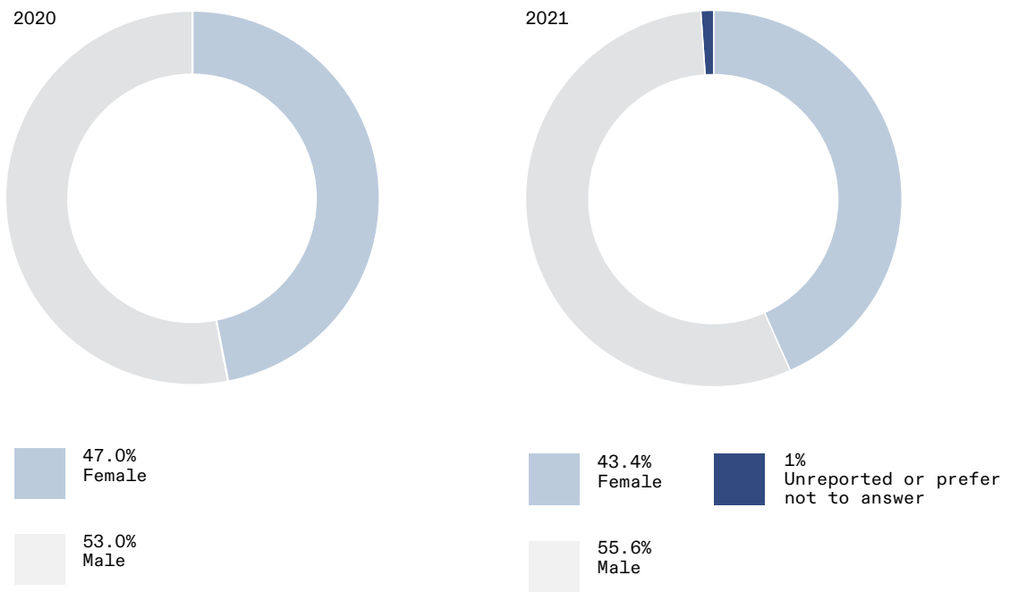
Throughout our initial stages of rapid growth, we’re proud to share that we’ve maintained an equal gender balance as a company overall, and among our leaders.*

*Leaders are identified as any team member who has at least one direct report.

Gender Identity Overall %



Gender Identity Leaders %



Race/Ethnicity
We've seen an increase in the representation of People of Color among our U.S. and Canadian teams – including an almost doubling of the number of People of Color in our leadership team*.

Representation of People of Color in the North America team

+6.8% Overall team

+8.9% Leadership team

Nationality
We'd also like to recognize the increasingly international make-up of the Oniverse – with the number of nationalities we represent growing by 13 between 2020 and 2021, reaching 65 different nationalities.

While we know there is still a lot to be done, we've taken the following steps to recruit from, and empower, underrepresented groups:

1. Ensuring a minimum of 30% of all candidates at the manager phone interview stage of the recruitment process are from underrepresented communities. This goal is increased to 50% when hiring for a leadership role.
2. Implementing software platforms that help our team reach underrepresented talent, while ensuring that talent is passing through our process at an equitable rate.
3. Holding an annual review of our entire hiring process to ensure inclusivity.
4. Conducting a review of our job descriptions and giving hiring managers and recruiters the resources needed to create inclusive job descriptions and combat common biases.

65 Nationalities in 2021

+13 Nationalities vs. 2020

*Again, leaders are identified as any team member who has at least one direct report.

7.2. TEAM MEMBERS' EXPERIENCE

As much as we are focused on building a diverse team, we also know the importance of creating an environment where everyone can thrive, make an impact and be celebrated.

Pay Equity analysis
As part of our efforts to ensure On's inclusive culture, we conducted a Global Pay Equity Analysis focused specifically on gender. The goal was to establish whether there is a difference in pay at On that is influenced or driven by gender.

To answer this question, we followed the Swiss Government's Gender Pay methodology, based on a regression model. This model ↗ determines the wage gap between men and women (we recognize that gender is not binary; however, we did not have a large enough sample size to include additional gender identities) with similar professional characteristics and is analyzed across countries, functions, and levels.

The results verified that there is no existing Gender Pay Gap in the Oniverse. We also confirmed that the compensation increases awarded in March 2022 were not influenced by gender.*

We are committed to pay equity and will continue to conduct this analysis annually, expanding it as additional data becomes available.

Engagement Survey
To make sure we stay on the right track, we carry out an annual engagement survey. This gives our team a chance to voice their opinions and feelings, helping to shape our culture and priorities. In our March 2021 survey, "Diversity and Inclusion" scored highly across team members:

On team results**

90% can be their authentic selves at work
85% say On values diversity
90% feel part of a team

In the 2021 engagement survey, 90% of On team members said they "agree" or "strongly agree" that they can be their authentic selves at work (+9% compared with the Culture Amp all industries global benchmark ↗), while 85% of On team members "agree" or "strongly agree" that On values diversity (+5% compared with Culture Amp all industries global benchmark). Ninety percent of the On team members surveyed "agree" or "strongly agree" that they feel part of a team (+7% compared with Culture Amp all industries global benchmark).

SPARK
We know how important growth and progression is to our team. That's why we ensure everybody has access to a full range of personal development opportunities, which we call SPARK sessions. In 2021, we hosted 21 SPARK sessions focused on diversity and inclusion. These included live workshops and webinars on everything from biases to inclusive language, and featured inspirational speakers such as Rahaf Khatib ↗ and Kevin Truong ↗. We also introduced inclusive leadership

634 the number of On teammates who attended a SPARK session in 2021

best practices into our Leadership OnBoarding Days.

Key Partnerships
It is worth pointing out that the progress we've made in diversity and inclusion wouldn't be possible without a handful of key partners. In 2021, we began our fellowship program with Scope of Work ↗, a talent development agency for young BIPOC creatives. We also joined the Stonewall Institute Diversity Champions Programme ↗ and built a partnership with GLAAD ↗ – both have provided training and resources on accelerating inclusion and increasing LGBTQ+ community representation. We also worked with Tidal Equality ↗ to deliver a coaching series focused on inclusivity in storytelling and content creation.

*For the data obtained in Switzerland we have had an independent review done by PWC Switzerland on the basis of article 13d of the Gender Equality Act (GEA) and article 7 of the Ordinance on the Examination of the Equal Pay Analysis.

**"Agree" or "Strongly agree" Data from March 2021 Engagement Survey.

7.3. COMMUNITY IMPACT

When we move together, we make a difference. That's why, as well as looking internally, we are working to drive change externally, too. With this in mind, in 2021, we launched Right to Run ↗: A social-impact partnerships program bringing together grassroots communities and organizations making an impact in the realms of safety, access, awareness and inclusion, in running and movement.

While we made a conscious decision to focus Right to Run on our partners instead of us, transparency and accountability are vital when it comes to social-impact programs.

In 2021, we:
— Partnered with 10 organizations globally (learn more about them below)
— Donated over $90,000 USD to support programming, purchase of necessary equipment, and more.
— Donated over 1,000 pounds (0.45 metric tons) of clothing to charitable partners
— Impacted 43,000 community members

2022 goals:

Increase the number of community members impacted to 100,000

Double the number of partnerships we build globally

You can find all the latest stories, updates and learn more about our Right to Run partners and the inspiring work they are doing to drive change on our website ↗.

This work is just the beginning. We have set high goals for 2022, including increasing the number of community members impacted to 100,000 and continuing to grow on the number of partnerships we build around the world. At the time of publication, we have built 17 partnerships globally:

[48 for Change ↗](#)
uses running to bring awareness to the systemic inequalities in our society, championing educational equality, positive change and healthy lifestyles.

[Ainsley's Angels ↗](#)
believes everyone deserves to be included in running and movement, and is dedicated to building awareness about the USA's special needs community in all aspects of life.

[Achilles Canada ↗](#)
uses running to help break down barriers between able-bodied people and people with disabilities through specialized programs and social events.

[Back on my Feet ↗](#)
combats homelessness through the power of fitness, community support, essential employment and housing resources.

[Colour the Trails ↗](#)
works to remove barriers and create accessibility for the Black, Indigenous, and People of Color community, focusing on social change and sharing successes locally and globally.

[Equity Design ↗](#)
uses physical activity to close the health and equity gap among underserved and underestimated populations by creating long-lasting healthy connections to fitness.

[Free to Run ↗](#)
uses outdoor sports to develop female leaders in areas of conflict, providing them with the tools they need to become drivers of positive change in their own communities.

[The Fresh Air Fund ↗](#)
provides safe, fun, engaging and enriching summer experiences for children from New York City's underserved communities.

[The Outrunners ↗](#)
from Hackney, London, aims to create an equal Hackney, where everyone is included and no-one is left behind.

[PlayTogetherNow ↗](#)
aims to help ease refugees' arrival in Austria and to integrate newcomers into society through regular recreational activities.

[Portland Frontrunners ↗](#)
aims to promote good health and provide an opportunity for positive social interaction through running, walking, and club events in a supportive, LGBTQIA+ community.

[Rising Hearts ↗](#)
is an Indigenous-led, grassroots organization devoted to elevating Indigenous voices and promoting intersectional collaborative efforts across all movements.

[The Run Beyond Project ↗](#)
works with students in need as they attempt to complete a Goal Race that, at the outset of the program, they often consider impossible.

[The Running Charity ↗](#)
develops resilience, confidence and self-esteem to improve the lives of young people who are experiencing houselessness or are at risk of houselessness.

Running in the Dark
aims to make running accessible to people with disabilities and helps to make them feel included and seen by society.

[Sportegration ↗](#)
organizes projects for locals, expats and refugees in and around Zurich, using sport as a vehicle for successful social integration.

[We Are Queer ↗](#)
creates a safe space for the LGBTQIA+ community to achieve desired fitness results through one-on-one personal training and/or nutritional coaching.

Appendix

Sustainability Accounting Standards Board (SASB)

Topic	Accounting metric	Category	Unit of measure	Code	Data	Reference
Management of Chemicals in Products	Discussion of processes to maintain compliance with restricted substances regulations.	Discussion and analysis	n/a	CG-AA-250a.1	100% of Tier 1 and Tier 2 suppliers have agreed to the On Chemical Management & Testing Guidelines	FY21 report: Chemical management
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products.	Discussion and analysis	n/a	CG-AA-250a.2	By SS23, 100% of apparel collection will be PFAS-free. Footwear, especially the outdoor collection, is on track with phasing out C6 PFAS chemistry, by 2027, in line with our goal.	FY21 report: Chemical management
Environmental impacts in supply chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreements.	Quantitative	Percentage (%)	CG-AA-430a.1	100% of our Tier 1 suppliers were in full compliance.	
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's (Higg FEM). Assessment or an equivalent environmental data assessment.	Quantitative	Percentage (%)	CG-AA-430a.2	90% of our Tier 1 suppliers (by volume) have completed our Supplier Environmental Framework (SEF).	FY21 report: Supplier environmental impact
Labor conditions in the supply chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labor code of conduct, (3) percentage of total audits conducted by a third-party auditor.	Quantitative	Percentage (%)	CG-AA-430b.1	100% of Tier 1 supplier facilities have had audit oversight (due to COVID-19 lockdowns, other audit reports were accepted due to the inaccessibility for onsite visits). 0% of Tier 2. 100% of audits conducted by third parties and/or other brands.	Supplier code of conduct ↗ FY21 report: Supplier social impact
	Priority non-conformance rate and associated corrective action rate for suppliers. Labor code of conduct audits.	Quantitative	Rate	CG-AA-430b.2	Two supplier partners did not meet our basic expectations and we exited. One partner we worked closely with showed a willingness to improve and invest.	FY21 report: Supplier social impact
	Description of the greatest (1) labor and (2) environmental, health, and safety risks in the supply chain.	Discussion and analysis	n/a	CG-AA-430b.3	The most common findings relate to wages and benefits (documentation), hours of work exceeding local law, and safe and healthy working conditions (correct PPE, ventilation, documentation etc.)	FY21 report: Supplier social impact
Raw materials sourcing	Description of environmental and social risks associated with sourcing priority raw materials.	Discussion and analysis	n/a	CG-AA-440a.1	Described with our three key pillars for moving towards fossil-free circularity.	FY21 report: Our environmental strategy
	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard.	Quantitative	Percentage (%) by weight	CG-AA-440a.2	Cotton: 95% organic, recycled, or petrol-free Recycled polyester: 50% total recycled content. Recycled polyamide: 60% total recycled content.	FY21 report: Materials and traceability
Suppliers	Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1.	Quantitative	Number	CG-AA-000.A	-29 Tier 1 supplier factories (map to be updated by end of 2022) -130 Tier 2 supplier factories.	FY21 report: Transparency Transparency map ↗