



On Holding AG

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# Report on Non-Financial Matters for 2023



April 19, 2024

The content in this report has been prepared in accordance with Art. 964b of the Swiss Code of Obligations, which became mandatory for Swiss companies of public interest from 2023.

This report has been approved by the Board of Directors (the “Board”) of On Holding AG (the “Company”). This report covers the Company and its consolidated subsidiaries. All information in this report reflects the continuing operations of On Holding AG (including any changes to the Company’s portfolio of activities) and should be read alongside On’s annual report for the fiscal year ended December 31, 2023, available on our website at [investors.on.com](https://investors.on.com).

Unless otherwise indicated or the context otherwise requires, all references in this report to the terms “On”, “On Holding AG”, the “Company”, “we”, “our”, “ours”, “us” or similar terms refer to On Holding AG and its consolidated subsidiaries. This report uses certain terms, including “materially”, to reflect the key issues or priorities of On or its stakeholders. Used in this context, however, these terms are distinct from, and should not be confused with, the terms “material”, “materially”, and “materiality” as defined by or construed in accordance with securities or other laws or as used in the context of financial statements and reporting required by laws and regulations, nor should the disclosure of a risk in this report be deemed a determination by On that such risk is material in the context of such laws or regulations.

# Foreword

On aspires to be the sportswear industry's sustainability thought and action leader. We recognize that our sustainability journey is a long-term endeavor, and we know that along with accomplishments, there will also be challenges and setbacks along the way.

Transparency regarding our ambitions is a foundational principle guiding our operations, demanding ongoing dedication and attention as our Company expands. By openly sharing our learnings and challenges, we can accelerate our progress in tandem with our peers, collectively addressing the pressing environmental and social challenges before us.

The content in this report has been prepared in accordance with Art. 964b of the Swiss Code of Obligations, which describes the disclosure requirements for Swiss-based companies in connection with concepts and measures with regard to environmental matters, in particular CO<sub>2</sub> targets, social matters, employee matters, adherence to human rights and fighting corruption. As a result of On's existing voluntary disclosure on such matters (in particular our Impact Progress Report 2022), this report provides a concise summary of our previously disclosed targets and progress, supplemented by additional disclosure and context where warranted.

Staying true to our commitment to transparency and ongoing updates on our progress, we will provide an update on our strategy and sustainability ambitions in our Impact Progress Report 2023, which will be published this summer. Going forward, starting with the disclosure for the financial year 2024, On's fulfillment of its reporting obligations under Art. 964a et seqq. CO will form an integral part of its annual Impact Progress Report and will bring together all information provided by On in one source for shareholders and the broader public.

In line with the Swiss Code of Obligations, we will ask our shareholders to approve this Report on Non-Financial Matters 2023 at our Annual General Shareholders' Meeting 2024. We look forward to receiving your support and thank you for being a part of our ongoing impact journey.



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# Environmental, Social and Governance (ESG) at On

## On's Business Model

On is engaged in designing, developing, marketing and distributing premium performance footwear, apparel and accessories for running, tennis, training and all-day activities.

On products are sold in more than 60 countries globally through its wholesale channel, which includes independent retailers and global distributors, and its direct-to-consumer channel, which includes On's own website, and high-end stores. All of On's products are manufactured by independent contract suppliers. On partners with carefully selected suppliers who share its commitment to ethical business conduct, fair labor practices and proven environmental, health, and safety practices.

As of December 31, 2023, On, with its headquarters in Zurich, had 2,433 team members globally, including retail team members. On Holding AG is listed on the New York Stock Exchange (NYSE: ONON). Additional information about On's business model can be found in [On's 2023 Annual Report](#).

## On's Purpose

At On, we believe in the power of the human spirit and have made it our mission to ignite the human spirit through movement.

This guides not only how we design, innovate and craft the right gear, but the way we work every day. Our belief in the power of the human spirit is reflected in the five specific spirits that guide our culture and behavior at On:

- **The Explorer Spirit**  
Rethink and venture into the unknown
- **The Athlete Spirit**  
Build the better you
- **The Team Spirit**  
Start and finish as a team
- **The Survivor Spirit**  
Get smart to save the planet
- **The Positive Spirit**  
Deliver Wow

On was born in the Swiss Alps and it's still our playground and testing lab today. Our connection with nature means we're committed to protecting it for generations to come. For us, sustainability means taking into account the needs of people and the planet. We are committed to reducing our environmental impact, putting people's wellbeing at the heart of how we do things, and making sure our values and vision create an even broader impact through our partners.



# 2023

# Facts and Figures



**CHF 1.79B** 2023 net sales

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**60+** countries

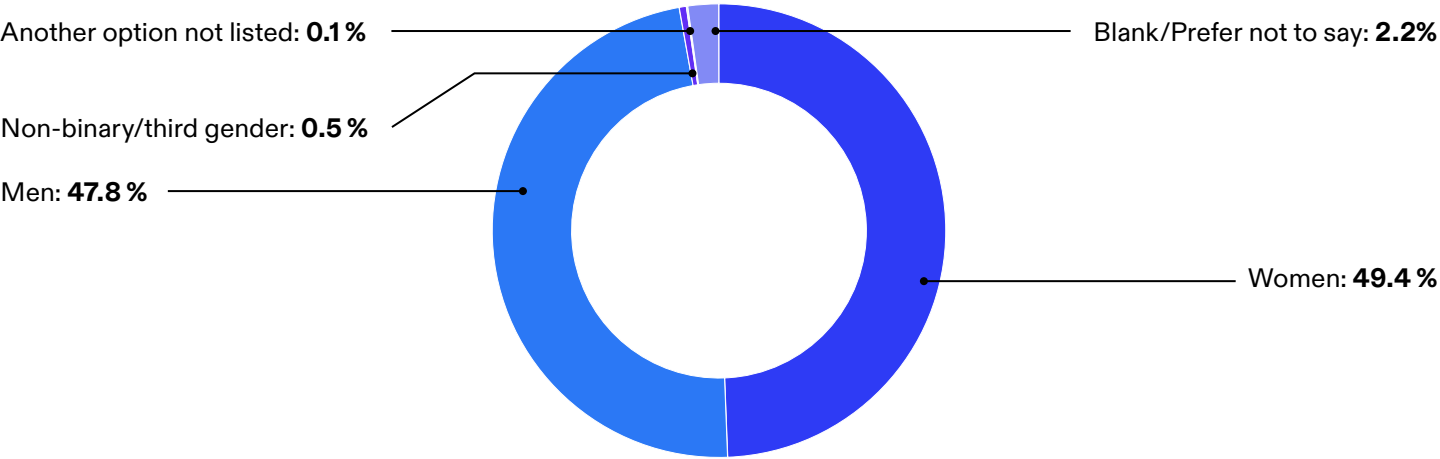
**2,433** team members globally

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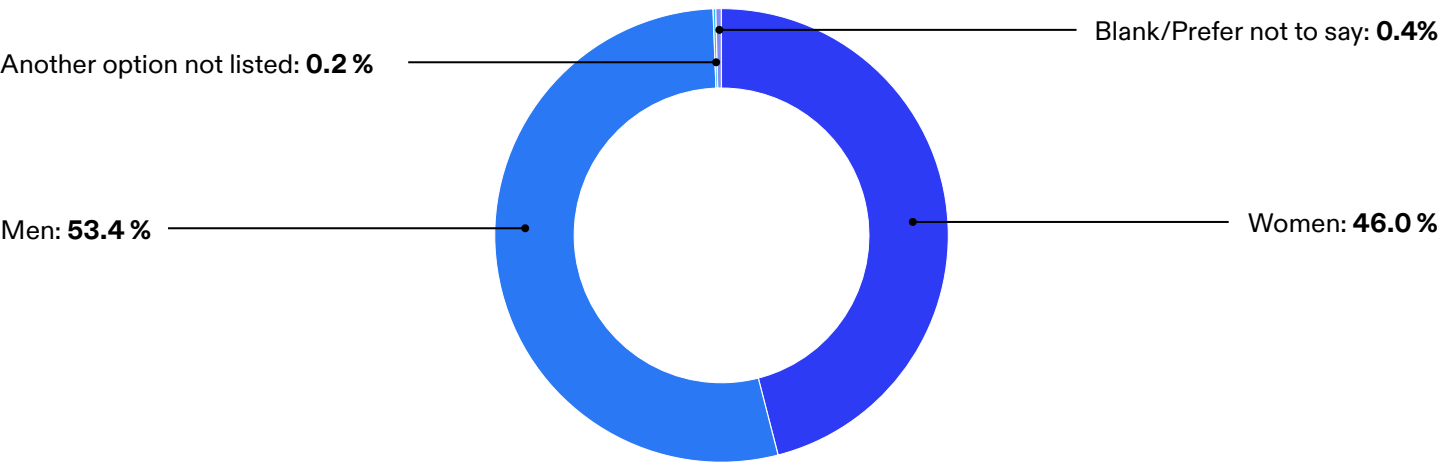
**94** nationalities

# Team member gender diversity

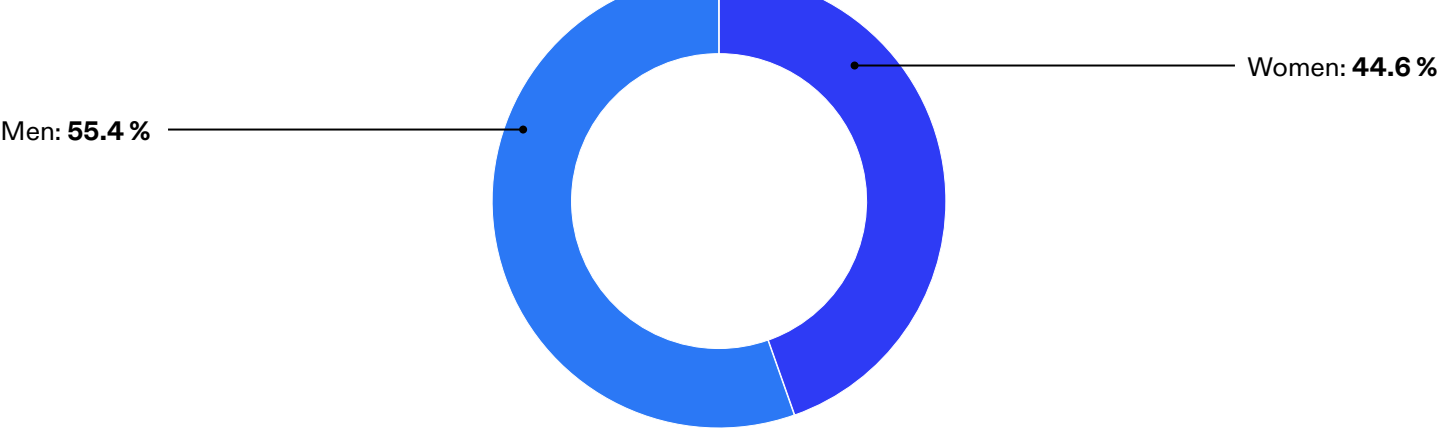
## Gender identity (Oniverse)



## Gender identity (Leaders)



## Gender identity (Senior Leaders)





## ESG Structure and Framework

In 2023, On evolved the structure of its ESG program to establish a clear governance framework for its sustainability initiatives and to encourage support and integration across the business.

On's ESG committee (the "Committee") was established to support the Board of Directors in its oversight and annual review and reporting of the Company's sustainability strategy and execution. The Committee meets quarterly and is accountable for the development and implementation of On's Sustainability Goals, strategy and execution plan.

The Committee is comprised of the following members from the Company's leadership:

- Board, Executive and Management Team Members: Caspar Copetti (Co-Founder and Executive Co-Chairman of the Board of Directors), Marc Mauer (Co-CEO and Chair of the ESG Committee), Jiahui Yin (Chief Operating Officer), Noa Perry-Reifer (Chief People Officer), and Alex Griffin (Chief Marketing Officer),
- Extended Leadership Team Members: Head of Corporate Communications, General Counsel, Head of Sustainability, Head of Group Accounting and Reporting, and Head of Corporate Strategy

On's Global Sustainability department is led by our Head of Sustainability and currently consists of over 10 team members based in our global headquarters in Zurich and sourcing headquarters in Vietnam. Within the department are five functions: responsible manufacturing; sustainable products and materials; circularity and waste; strategy, education and communication; and data and systems. We continue to invest in growing this team up to 17 members in 2024 to support our sustainability initiatives.

While On's Global Sustainability, Talent and Legal teams are key to driving environmental, social impact and governance initiatives, we believe that everyone at On has a role to play in ESG, and the actual execution and implementation of these initiatives happens across all areas of our business.

This is guided by the Survivor Spirit, which is our uncompromising approach to both performance and leaving the lowest possible footprint.





## Materiality Assessment

Within On's annual Enterprise Risk Management (ERM) process, risks affecting the Company are assessed and ranked through a comprehensive analysis considering impact and likelihood based on financial consequences and potential damage to the Company's reputation. In the identification of the climate-related risks, we utilize the Task Force on Climate-related Financial Disclosures (TCFD) categorization guidance to identify risks that could impact our business. The collective outcomes of the annual ERM process are then presented to the Board of Directors.

Our ERM process serves as a crucial foundation for shaping our ESG program. We also take action that contributes positively to our overall impact. As a footwear and apparel brand, we are conscious that the manufacturing, distribution, use, and end-of-life of our products can impact some of the ecological challenges the planet faces. We utilize the Planetary Boundaries Framework to keep track of these challenges and look at ways we can reduce our impact.

Through our 2023 ERM process, the following ESG-related topics have been highlighted as priority risks for our business:

## Environmental

Risks associated with transitioning our supply chain to be more sustainable (including materials, processes and operations).

- Our ability to execute our sustainability strategies and achieve our goals within the currently projected costs and the expected timeframes depend on many factors, including the availability and cost of raw materials and renewable energy; unforeseen production, design, operational and technological difficulties; the outcome of research efforts and future technology developments, including the ability to scale projects and technologies on a commercially competitive basis such as carbon sequestration and/or other related processes; compliance with, and changes or additions to, global and regional regulations, taxes, charges, mandates or requirements relating to greenhouse gas emissions, carbon costs or climate-related goals; the ability or willingness of our suppliers to adopt more sustainable processes or the commercial availability of alternate suppliers; adapting products to customer preferences and customer acceptance of sustainable supply chain solutions; and the actions of competitors and competitive pressures. As a result, there are no assurances that we will be able to successfully execute our strategies and achieve our Sustainability Goals, which could damage our reputation and customer and other stakeholder relationships and have an adverse effect on our business, results of operations and financial condition.

Compliance with evolving climate-related regulations.

- Any failure, or perception, whether or not valid, that we have failed to achieve, or to act responsibly with respect to new or additional legal or regulatory requirements regarding climate change, could result in costs or liabilities under these requirements or adverse publicity and adversely affect our business and reputation.

Responding transparently to customer and investor expectations and scrutiny regarding sustainability practices.

- We may receive negative publicity as well as become the subject of legal claims if we do not meet expectations of transparency with respect to our business practices, which could harm our brand image. Additionally, if our independent contract manufacturers or other suppliers fail to implement socially and environmentally responsible business practices or fail to comply with applicable laws and regulations or our guidelines, we may be subject to fines, penalties or litigation and our brand image could also be harmed due to negative publicity.



## Social

Attracting and retaining skilled people who relate to On's culture.

- To be successful in continuing to grow our business, we will need to continue to attract, integrate, retain and motivate highly talented individuals with a diverse range of skills and experience. If we are unable to attract, integrate and retain team members with the necessary skills, we may not be able to grow or successfully operate our business, and our results of operations, and financial condition may be adversely impacted.

Compliance with human rights and workplace safety regulations throughout our supply chain.

- We are subject to risks associated with doing business in multiple jurisdictions, including compliance with existing and new laws and regulations, such as those relating to labor conditions and workplace safety, environmental protection, chemical regulation, quality and safety standards, imports, duties, taxes and other charges on imports, as well as trade restrictions and restrictions on currency exchange or the transfer of funds.

## Governance

Compliance with international and local laws and our Code of Conduct.

- We are subject to the U.S. Foreign Corrupt Practices Act as well as the anti-corruption laws of other countries in which we operate. Although we have implemented policies and procedures designed to promote compliance with these laws, our team members, contractors and agents, including the partners, suppliers and companies to which we outsource certain of our business operations, may take actions in violation of our policies or such laws. In addition, these policies and procedures might not be sufficient or adequate to prevent violations by our team members, contractors and agents of our policies or such laws. Any such violation could result in sanctions or other penalties and have an adverse effect on our reputation, business, results of operations, and financial condition.

To ensure our actions remain aligned with the most significant risks to our business, we actively address changes in the materiality landscape. This includes adapting our strategies, policies, and practices to effectively manage these evolving issues. We plan to complete a double materiality assessment in 2024, which will be the basis of our reporting going forward.



# ESG Strategy





### Sustainability

Our vision is to be the most premium sportswear brand built on innovation, design and impact.

We are committed to finding better ways forward and set ambitious goals. We are not shy to venture into the unknown. Sometimes we do not achieve our sustainability ambitions on the timeline or through the methods that we originally stated and we revise our goals accordingly. Sometimes we surpass our expectations and are able to take on new sustainability initiatives. Being transparent about our sustainability program and our achievements and setbacks is key to our approach. We know this is an evolving journey, one on which we will continue to evaluate, iterate and learn along the way. Outlined in this report is an update on our current ambitions, initiatives, progress and plans. Our aim is to provide further transparency on the way we evaluate and report our sustainability initiatives.

Social impact, Material innovation and Circularity are areas where we believe we can have a positive impact. Through our Foundational initiatives, we establish the groundwork for progress.

### Our sustainability strategy focuses on four key pillars:

Social impact	Material innovation	Circularity	Foundations
We aim to positively impact every life we touch to ensure safe, fair and inclusive working conditions for all, while fighting for everybody's right to move.	We continuously innovate our materials and processing techniques taking durability, de-fossilizing, water efficiency, and next life perspectives into consideration.	We design systems for keeping materials in flow - finding the appropriate circular strategies and business models that fit our product purpose.	We continue to work on reducing our overall impact on the environment while focussing on traceability, data management and compliance with laws and regulations throughout our product lifecycle.
			

### Governance and Ethics

In order for our sustainability initiatives to succeed, we have to get the basics right first. This means acting with integrity and complying with the law and industry regulations in the countries where we do business and produce our products. At On, our governance efforts are guided by our [Code of Conduct](#) and we expect that our partners respect our [Responsible Business Policy](#) and [Supplier Code of Conduct](#). Our [Blueprint for Responsible Manufacturing](#) is a handbook for our production partners that supplements our Responsible Business Policy and Supplier Code of Conduct.

These guiding documents help us and our partners to live by our values, guiding our interactions internally and externally. We created these documents as a means of articulating our values and obligations and to reinforce the existing exceptional level of respect among the team and our partners.

# Sustainability Goals, and Progress

## Social Impact

### On's People

On is filled with people who are committed to creating a diverse, inclusive, and equitable workplace experience.

We use a robust interview process and emphasize learning and development throughout a team member's journey at On. We believe that creative solutions are best achieved by diverse teams working together. Bringing different thoughts, backgrounds, perceptions and ideas helps us innovate and thrive.

Inclusion is core to our culture at On. We want everyone in the Oniverse to feel comfortable being their authentic selves, as well as valued and respected as individuals. Each year we conduct an employee engagement survey. In 2023, 85% of On team members agreed that they can be their authentic self at work, 86% are passionate about their work and 85% feel that they are part of a team. Dedicated internal communities with safe and open feedback processes help drive this. At the end of 2023, we had 12 employee-led inclusion groups which we support: Women ConnectiOn, OnPower, QUIP, Parents at On, Black Tapestry, All Kinds of Minds, R&She, Inclusi-ón, On-Vey, VeterOns, API Connex and Last Season Society.

### On's Partners

At On, we are committed to having a strong, resilient supply chain that upholds international human rights and labor standards and respects all applicable laws and regulations, as laid out in our [Responsible Business Policy](#), [Supplier Code of Conduct](#), and our [Blueprint for Responsible Manufacturing](#).

We partner with suppliers who share our commitment to ethical business conduct, fair labor practices and proven environmental, health, and safety practices. We are committed to being transparent about the partners that we work with, and the names of our key partners are publicly available on our [Transparency](#) page.

We also specifically condemn human trafficking and any forms of child labor. On's policies are based on international human and labor rights standards, including: International

Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and ILO Core Conventions and United Nations Universal Declaration of Human Rights and Guiding Principles on Business and Human Rights.

We continually evaluate and update our systems to identify and address risks in our supply chain, including those related to forced labor, child labor, human trafficking and modern slavery. We do this by leveraging information from external sources and supplier specific risks through On's Workplace Standards Monitoring Program. In 2023, we expanded our Workplace Standards Monitoring Program to include the Social & Labor Convergence Project ("SLCP") checklist.

On uses both internal and external third-party audits to assess compliance with our requirements and local law. These assessments take the form of audit visits, both announced and unannounced, to measure supplier conformance to On's Supplier Code of Conduct and local law.

Our audits assess forced labor risks, including the employment of vulnerable worker groups such as foreign migrants, interns and temporary workers and children and high-risk practices such as payment of recruitment fees and restrictions on freedom of movement. On an ongoing basis our suppliers are monitored for compliance.

Working with a wide range of organizations and experts, we continuously seek to improve our approach to evaluating working conditions in our supply chain and working with our suppliers to enhance their capabilities. On works with internal, external, and independent monitoring organizations to carry out audits and help in remediation and capability-building efforts.

If we are provided evidence of an issue of non-compliance within one of our contract suppliers, we investigate it promptly. Where improvements are required, we seek to drive ownership by supplier management to identify and correct issues and improve systems to address root causes in order to prevent recurrences. Should a supplier fail to remediate issues identified by an audit or allegation investigation according to On's requirements it would be subject to review and sanctions, including potential termination of the relationship.



On believes suppliers that prioritize the well-being of their workers, by engaging with their workers to understand their needs, have better supplier performance. We also know that our ability to influence suppliers is dependent, in part, on how we build the right incentives into our business relationships.

As part of our partnerships approach, we provide training opportunities, bringing our suppliers together to learn about topics such as overtime, wages and benefits, legal permits, and fire safety systems.

When we refer to our Strategic Tier 2 suppliers in this document, we are referring to our materials and component suppliers that provide approximately 80% of our business volume.

#### **Stated Goals in our Impact Progress Report 2022:**

- 100% of our Tier 1 and 80% of our Strategic Tier 2 suppliers will undergo a workplace standards audit by 2023
- 100% of our Tier 1 and Strategic Tier 2 suppliers will be publicly listed on our website by 2025
- 100% of our Tier 1 manufacturing partners will have implemented a living wage by 2025

#### **Progress:**

- In 2022 and 2023, we audited 100% of our Tier 1 suppliers. Any major or high-risk areas were flagged and resolved in collaboration with our manufacturing partners. We also began piloting a self-assessment and verification process through SLCP and the Higg Index and are revising our approach for integrating our Strategic Tier 2 suppliers into our Workplace Standards Monitoring Program.
- In 2020, we successfully achieved our goal of listing our Tier 1 manufacturing suppliers publicly on the Transparency section of our website, and we are committed to updating this information annually. We are making progress towards listing our Strategic Tier 2 suppliers publicly on our website by 2025.
- In 2022 we trained more than 80% of our Vietnam suppliers on labor laws and this training continued in 2023. We are also consistently gathering and reviewing wage data of our Tier 1 suppliers, to ensure compliance with local laws.

#### **On's Community**

In early 2020, we set up Right To Run, a social impact program that supports organizations working hard in underrepresented communities across the world to tackle the barriers to movement, from access and inclusion, to safety. To get more people moving and feeling confident and safe, we work with organizations in different ways. These include long-term grants and one-time giving, product donations, volunteer assistance, event support, and more.

Right To Run aims to support any community that is facing barriers to safety, access and inclusion in movement. Some examples of communities we support are; LGBTQIA+, BIPOC, women, persons with disabilities, houseless, immigrant communities, youth and senior citizens, and more.

As Right To Run continues to grow, our commitment to democratizing movement remains steadfast. We are scaling our monetary and in-kind donations and mobilizing the On-teammate base to volunteer across our global communities.

#### **2023 Right to Run Achievements**

- We had 20 partners globally
- We impacted ~130,000 community members across our long term and one-time giving partners.
- We donated over 27k units of product
- We donated more than USD\$1M
- 997 hours volunteered



## Material Innovation

De-fossilised materials and materials from preferred sources form the literal fabric of our future. As we make steady progress toward our ambitions, we aim to establish new goals and monitor our advancement across distinct categories. These encompass third-party certified conventional recycled materials, advanced recycled materials, and novel biobased, bio-attributed and carbon emission based fibers. Additionally, we continuously consider adding natural materials to our supply chain, preferably those sourced regeneratively, which may include materials like natural rubber, man-made cellulose, wool, or preferred cotton.

### Stated Goals in our Impact Progress Report 2022:

By the end of 2024, our products will use:

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

**Progress:** At the end of 2022, our products used 85% recycled polyester, 76% for recycled polyamide, and 94% from organic, recycled, or petrol-free sources. In order to help us move toward our ambitions, we continue to explore new materials and processes.

## Circularity

We have been designing for circularity for a number of years now. Much of this work has come from our innovation team. They've been piloting, testing, and scaling their efforts so that we can take responsibility and accountability for the product lifespan, including the end-of-life of a product.

Examples of our actions include:

- Restricting the number of materials and parts needed;
- Designing for disassembly when monomaterial construction isn't possible; or
- Using a minimum amount of recycled polyester content for the footwear upper which allows the integrity of the yarns to be maintained for a second life.

We're still in the early stages of our circularity journey. However, we launched the following pilot projects in 2022 and 2023:

- [Onward™](#) is our pilot re-commerce program in the United States, where On products are given a second life.
- [Cyclon™](#) is our recycling program for our Cloudneo shoe and Cyclon-T apparel.





# Foundations

## Greenhouse Gas Emission Reductions

In 2020, our near term Scope 1 and Scope 2 greenhouse gas emission reduction targets were reviewed and validated by the Science Based Targets initiative (SBTi) as aligned with the Paris Agreement goal of holding average global temperatures at no more than 1.5°C above pre-industrial levels.

### By 2030, we aim to achieve:

- 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

### Scope 1 and 2:

Although Scope 1 and 2 emissions constitute a small part of our total emissions, it's still a priority for us to minimize our footprint. Having an absolute target in place means we are forced to decouple our growth from our emissions. In 2022, we saw a significant increase in revenue which also meant our physical footprint increased. Despite this, we were still able to reduce our absolute Scope 1 and 2 emissions in 2022, which is a positive step on the road to our 2030 ambition.

### Stated Goals in our Impact Progress Report 2022:

- By 2024, our goal was that all On offices and stores will be powered by 100% renewable electricity

### Progress:

- In 2022, over 90% of our electricity was covered by renewable sources, however, given the growth in our physical footprint - offices and retail stores, and the lack of availability of Energy Attribute Certificates ("EACs") in some regions - we do not believe we will be able to achieve our ambition of 100% renewable electricity by 2024. We continue to explore innovative ways to reduce our impact and are creating a new roadmap and timeline for this initiative in 2024.

### Scope 3:

In 2022, over 90% of our electricity was covered by renewable sources, however, given the growth in our physical footprint - offices and retail stores, and the lack of availability of Energy Attribute Certificates ("EACs") in some regions - we do not believe we will be able to achieve our ambition of 100% renewable electricity by 2024. We continue to explore innovative ways to reduce our impact and are creating a new roadmap and timeline for this initiative in 2024.

With approximately 99% of our impact coming from Scope 3 emissions, we believe we are moving in the right direction towards our 2030 ambitions. With updating our methodology and recalculating every year since 2019, as of 2022, we are showing a 12% reduction in CO<sub>2</sub> per CHF (gross profit) since 2019. And while we are slightly behind on our 55% target, we are tracking in the right direction towards 2030.

The biggest reason we are seeing reductions in Scope 3 emissions is due to our increased use of recycled materials. This equates to lower emissions per kilogram of material used when comparing recycled to virgin materials. Today, we are using significantly more recycled polyester and polyamide than in the past. In addition, we are increasing the use of other recycled material types such as recycled EVA (ethyl-vinyl acetate), TPU (thermoplastic polyurethane), polypropylene, and polyurethane.

In 2022, Tier 1 manufacturing partners accounted for 15% of our Scope 3 emissions. As a result of foundational efforts, such as the roll-out of the Higg FEM self-assessment tool to Tier 1 suppliers in 2022 and to Strategic Tier 2 suppliers in 2023, and providing training in energy efficiency and renewable energy procurement, we expect to see reductions in emissions in the coming years.

### Stated Goals in our Impact Progress Report 2022:

- By the end of 2027, 100% of our Tier 1 partners will be fully powered by renewable energy
- By the end of 2028, 100% of our Tier 1 and Strategic Tier 2 partners will not use coal as a direct energy source
- By 2030, all our vehicles will be 100% electric, where business and infrastructure allow

### Progress:

- In 2022, one-third of our Tier 1 suppliers (8 factory locations) used renewable energy through the use of biomass and onsite solar panels. Three suppliers were evaluating the feasibility of moving forward with a renewable energy solution. One supplier had signed a contract for an onsite solar rooftop which, when installed, will allow for almost 25% of its electricity to be generated by renewables. While we do not believe that all of our Tier 1 suppliers will be fully powered by renewable energy by the end of 2027, we are on track for Tier 1 partners to eliminate coal as a direct energy source by the end of 2025 and Strategic Tier 2 partners by the end of 2028.
- For our vehicles, we implemented policies stating that lease renewals, which are on a three-year cycle, will only be renewed as electric vehicles as a first choice, where the charging infrastructure allows. Additionally, upon lease renewal, we re-evaluate the need for a dedicated vehicle as well as the size of vehicles.

More information about our GHG emission reduction targets and our methodology can be found in On's 2022 Impact Progress Report.

Our product teams emphasize the utilization of low-water technology for dyeing and finishing processes whenever viable. An example of this can be observed in our Cloudsurfer shoe, where we've employed dope dye technology, a process that uses 90% less water than conventional dyeing techniques.

Our product team is using data to track and improve pre-production waste (e.g. pattern efficiencies and production samples) as well as working with our manufacturers on post-production waste (e.g. cutting waste with glues and chemicals which can be considered hazardous).

Water and chemistry play an important role in the manufacturing of our products. We have made efforts on our products to reduce water use by specifying, where possible, low-water use dyeing technologies and to keep our water clean by encouraging our suppliers to employ best practices in chemical management.

#### **Stated Goals in our Impact Progress Report 2022:**

- >90% Waste diversion rate at Tier 1 factories by 2025
- 80% of our Tier 1 partners achieve level 3 conformance with the Zero Discharge of Hazardous Chemicals (ZDHC) Manufacturing Restricted Substances List (MRSL) by 2025

#### **Progress:**

- During 2022, we conducted two waste pilot projects and gained a better understanding of some of the regulatory and recycling constraints in Vietnam. During 2023, we made progress on developing our post-use waste strategy based on the learnings from our pilot work in 2022 and anticipate to continue this work and define a new timeline for waste diversion in 2024.
- In 2022, we provided group training sessions for all of our Tier 1 footwear suppliers on best practices in chemical management. Additionally, we collected chemical inventories from 50% of our footwear suppliers. While we no longer believe that we can achieve our ambition of level 3 conformance with the ZDHC MRSL by 2025, we are currently formulating a water and chemical management strategy for Tier 1 suppliers that will unfold over the next couple of years.

#### **Product Chemistry and PFAS**

After investing significant time and resources, we are in the process of making all of our membranes and water-repellent finishes without PFAS. PFAS, or perfluoroalkyl and polyfluoroalkyl substances, are a group of synthetic 'forever chemicals' that do not degrade naturally and bioaccumulate in the environment.

#### **Stated Goal in our Impact Progress Report 2022:**

- By 2027, we will make all of our membranes and water-repellant finishes without PFAS.

#### **Progress:**

- In 2022, 90% of our waterproof footwear and apparel styles and 100% of our accessories were made without PFAS. Two of our waterproof footwear styles had bluesign® certified PFAS (C6) chemistry. We continue to align our efforts with regulatory requirements, which may lead to a revised goal.





# Governance and Ethics

## Code of Conduct

Since the very early days of On, we have focused not only on what we do as a team but also how we do it. Our [Code of Conduct](#) applies to all On team members worldwide and across the organization, from founders to interns. Despite our various functions, locations and roles, our core values are a common thread that unite us as a team.

Adherence to the Code of Conduct is a condition of employment. The principles and core values outlined in the Code are universal and binding, regardless of the nature of work, the location, or local customs. On does not tolerate violations and is committed to handling non-compliance cases rigorously. If we become aware of a potential violation, we will not look away but instead critically question the situation, seek advice, address any violations and speak up.

The Code of Conduct includes guidance for On team members in the following areas:

- Human rights and compliance
- Diversity and inclusion
- Environmental sustainability
- Responsible sourcing
- Business integrity
- Conflicts of interest
- Fair competition
- Data protection and business secrets
- Company property
- Financial reporting, tax and duty
- Insider trading
- Social media

On offers multiple channels for team members to report concerns. team members can directly address the situation with the person involved if comfortable. Discussions with a manager or trusted colleague are encouraged to leverage the team's collaborative spirit. For more serious concerns, particularly those involving managers, team members can escalate reports to the Talent Business Partners, higher-level management, or On's Group General Counsel. Finally, On provides a confidential Speak Up tool for anonymous reporting via a hotline or online platform.

## Anti-Corruption

At On, we foster an entrepreneurial culture based on honesty, integrity, respect for one another and, ultimately, the law.

As described in our Code of Conduct, we want to win with our performance and conduct all our business activities with integrity. We endeavor to deal fairly with customers, suppliers, competitors, the public and one another at all times and in accordance with ethical business practices. Offering or paying bribes or kickbacks breaks the trust that we have built with our community and is inconsistent with our company values.

As a global company, On is committed to observing the laws and regulations of the countries in which it operates. Offering or paying bribes or kickbacks is against the laws of the countries where we do business, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. In 2023, we strengthened our anti-corruption and bribery program by developing additional guidelines for our team members, which were approved by our Board of Directors in early 2024. Training on the new guidelines are currently being rolled out throughout 2024 and included in our On-Boarding program for all new team members. On does not tolerate corruption and will handle any non-compliance cases rigorously.

We expect our partners will respect our Responsible Business Policy and Supplier Code of Conduct, both of which contain anti-corruption provisions.

# Glossary

Advanced recycled materials	Advanced recycled materials are materials that come from advanced recycling technologies, such as chemically recycled fiber-to-fiber waste, or landfill waste where the material maintains its integrity and quality.
Bio-based materials	Biobased products are derived from plants and other renewable agricultural, marine, and forestry materials. Biobased products provide an alternative to conventional petroleum derived products.
Bio-attributed	At the origin of the supply chain, we substitute part of virgin fossil feedstocks by bio-based feedstocks. Then, we process both feedstocks in the same existing production assets, and the quantity of bio-based feedstock is segregated by bookkeeping to attribute this quantity to finished products at the end of the chain. We then speak about bio attributed materials.
De-fossilized materials	We class the following as de-fossilized materials: third-party certified conventional recycled materials, advanced recycled materials, novel bio-based and carbon emission-based polymers, as well as natural materials, ideally from regenerative sources, such as natural rubber, man-made cellulose, wool or cotton.
Supplier Code of Conduct	All suppliers that work with On must agree to our Supplier Code of Conduct. This document outlines the standards we expect our suppliers to meet to ensure safe working conditions, fair and respectful treatment of team members, and ethical practices.
Strategic Tier 2 (T2) suppliers	Strategic Tier 2 suppliers are materials and component suppliers that provide approximately 80% of our business volume. (Our Tier 1 suppliers are our assembly manufacturing partners).

## Forward-Looking Statements

This report includes estimates, projections, statements relating to the Company's business plans, objectives, targets, and goals that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In many cases, you can identify forward-looking statements by terms such as "may", "aims", "wants", "will", "should", "expects", "plans", "anticipates", "outlook", "believes", "intends", "estimates", "predicts", "potential" or the negative of these terms or other comparable terminology. These forward-looking statements also include, among other things, the Company's climate targets, emission reduction targets, sustainability initiatives and goals, previously stated goals, potential innovations, governance efforts and statements regarding timelines and current progress. These statements are based on management's current expectations but they involve a number of risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of risks and uncertainties, which include, without limitation: the strength of our brand and our ability to maintain our reputation and brand image; our ability and the ability of our independent manufacturers and other suppliers to follow

responsible business practices; our ability to implement our growth strategy; the concentration of our business in a single, discretionary product category, namely footwear, apparel and accessories; our ability to continue to innovate and meet consumer expectations; changes in consumer tastes and preferences including in products and sustainability, and our ability to connect with our consumer base; our generation of net losses in the past and potentially in the future; our limited operating experience in new markets; our ability to open new stores at locations that will attract customers to our premium products; our ability to compete and conduct our business in the future; health epidemics, pandemics and similar outbreaks, including the COVID-19 pandemic; general economic, political, demographic and business conditions worldwide, including geopolitical uncertainty and instability, such as the Russia-Ukraine conflict; the success of operating initiatives, including advertising and promotional efforts and new product and concept development by us and our competitors; our ability to strengthen our DTC channel; our ability to execute on our sustainability strategy and achieve our sustainability-related goals.