



**PRENTISS  
SMITH & CO**

Sustainable Investment Report for:

# On Holding AG

Zurich,

Ticker: ONON US Equity

Website: [www.on-running.com](http://www.on-running.com)

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## I. Exclusionary Screening

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Does On Holding AG appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

### Fossil Fuels & Precious Metals Mining

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- BICS - Oil, Gas & Coal Industries<sup>1</sup>
- BICS - Precious Metals Mining<sup>1</sup>
- CDP/CAI Carbon Majors Database<sup>2</sup>

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### Defense & Retail Gun Sales

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- BICS - Defense Primes<sup>1</sup>
- SIPRI Arms Industry Database<sup>5</sup>
- NRA Industry Allies/Gun Retailers<sup>6</sup>

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### Plastics Production

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- Top 100 Plastic Polymer Producers<sup>3</sup>

### Private Prisons

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- BICS - Security Services<sup>1</sup>

### Agrochemicals & Animal Cruelty

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- BICS - Crop Chemicals & Fertilizers<sup>1</sup>
- Cruelty Free Investing Worst Companies for Animals<sup>4</sup>

### Pornography, Gambling & Tobacco

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- BICS - Casinos<sup>1</sup>
- BICS - Tobacco<sup>1</sup>
- BICS - Pornography<sup>1</sup>

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<sup>1</sup> BICS = [Bloomberg Industry Classification Systems](#)

<sup>2</sup> [CDP/CAI Carbon Majors](#)

<sup>3</sup> [Minderoo Foundation Top 100 Plastic Polymer Producers](#)

<sup>4</sup> [Cruelty Free Investing 10 Worst Companies for Animals](#)

<sup>5</sup> SIPRI = [Stockholm International Peace Research Institute](#)

<sup>6</sup> NRA = [National Rifle Association Top 10 Industry Allies](#)

<sup>7</sup> Prentiss Smith & Company Internal Research

## II. Further Research

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What else has our research process told us about how On Holding AG conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

### Summary

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On Holding AG is a Swiss sportswear company specializing in high-performance running shoes and apparel. Founded in 2010, On (aka On Running) went public in September 2021. The company's initial innovation, which had to do with a new cushioning technology in the sole of its running shoes, has given way to several product sustainability initiatives, including a subscription service for sneakers and shirts that allows the company to recycle and reuse 100% of those materials, shoes constructed using two polyamides derived from castor beans (which are both sustainable and 100% recyclable), and even an EVA foam made from captured carbon emissions. The company also has SBTi-approved targets that include Scope 3 emissions, works with suppliers to improve energy efficiency and transition them to renewable energy, and is pursuing a goal for 100% of its suppliers in Vietnam to offer a living wage by 2025. On also conducts annual gender pay analyses with no pay gap reported for 2022, and reports diversity data for its workforce and leadership, including 44.5% women leaders, 22.5% Black, Indigenous and People of Color, and 37% of brand ambassadors from underrepresented backgrounds.

On's seven-member board of directors has just one woman and no people of color. For a company with strong SBTi targets for emissions reduction, we would also like to see On commit to a net zero target. We will also be watching the company's sneaker and clothing subscription services, along with its other circularity initiatives, in hopes that these see success and continued expansion.

## Products & Services

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### Background

- *Brief description of products/services:*  
ON is an athletic lifestyle clothing company that design and sells shoes, apparel, and accessories.<sup>1</sup>
- *Founding date:*  
Founded in 2010.<sup>2</sup>
- *Key historical changes to company structure (e.g. M&A):*  
On went public in September 2021.
- *Key historical changes to products:*  
On sells its Cloudneo shoe as part of a subscription service. It's made out of sustainable, 100% recyclable castor beans, and every six months or sooner customers send the shoes back to On. The company then sends a new pair of shoes and fully recycles the old ones back into new product.<sup>3</sup>

### Product Detail

- *Current products/services detail, including social/environmental benefits:*  
On offers apparel, accessories, and shoes for road running, trail running, hiking, tennis, and leisure. It was inspired by athletes and has a major focus on new technologies for more sustainable products such as recycled materials, shoe/shirt subscription services, and a focus on circularity.<sup>4</sup>
- *Significant recent developments or new plans for products/services (in the context of industry developments if applicable):*  
The CleanCloud sneaker is technology On is developing, in conjunction with partners, to turn carbon emissions into physical materials used for shoes.<sup>5</sup>

### Landscape

- *Company size:*  
1700+ employees in 2022.<sup>6</sup>

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<sup>1</sup> <https://www.on-running.com/en-us/>

<sup>2</sup> <https://www.on-running.com/en-us/explore/about-on>

<sup>3</sup> <https://www.on-running.com/en-us/explore/sustainability>

<sup>4</sup> <https://www.on-running.com/en-us/explore/sustainability>

<sup>5</sup> <https://www.on-running.com/en-us/explore/sustainability/cleancloud>

<sup>6</sup> <https://www.statista.com/statistics/1381392/on-holding-ag-employees/>

- *Business segments and revenue:*  
1.2 billion Swiss Francs in net sales in 2022.<sup>7</sup> On is in the premium sportswear market.
- *Industry position/market share:*  
On accounts for \$25 billion in the premium run/run inspired segment out of the \$70 billion total premium lifestyle, individual movement, and individual sport segment. The total sportswear market is \$355 billion.<sup>8</sup>

## Impact

- *Detail on additional social/environmental impacts of products:*  
On is focused on making every product fossil fuel free, and on the circularity of its products. The company is using technologies to keep as much out of the landfill as possible. In 2022, the company reports that 30% of the materials it used were fossil fuel free.<sup>9</sup>

## Environment

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### Goals & Disclosure

- Environmental Commitments
  - *CDP reporting and score:*  
Not found.
  - *Emissions target(s)? 1.5-degree SBTi target?*  
On has an SBTi-approved target of 46% absolute reduction in scope 1 & 2 emissions by 2030.<sup>10 11</sup>
  - *Scope 3 targets?*  
On's SBTi target includes a 55% economic intensity reduction in Scope 3 emissions.<sup>12</sup>
  - *Water/waste/deforestation goals?*  
On has a goal to have a waste diversion rate at Tier 1 factories of > 90% by 2025. Another goal is to have 80% of strategic Tier 1 partners achieve level 3 conformance with Zero Discharge of Hazardous Chemicals and Manufacturing Restricted

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<https://investors.on-running.com/financials-and-filings/financial-releases/news-details/2023/On-Announces-Fourth-Quarter-and-Full-Year-Results-and-The-Filing-of-Its-Annual-Report-on-Form-20-F-for-2022/default.aspx>

<sup>8</sup> <https://d18m0p25nwr6d.cloudfront.net/CIK-0001858985/ec369271-c511-4451-acae-0f5bfa22cd62.pdf> pg. 34

<sup>9</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 19

<sup>10</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 3

<sup>11</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 28

<sup>12</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 3

Substances List by 2025. By 2027, the company wants 100% of their strategic Tier 1 partners to be fully powered by renewable energy.<sup>13</sup>

- Environmental Disclosures and Progress
  - *Emissions:*  
12% supply chain reduction in 2022 (based on 2019 baseline) with a goal of 55% reduction by 2030.<sup>14</sup>
  - *Water:*  
On uses “low water use dyeing technologies”.<sup>15</sup>
  - *Waste, including use of recyclable materials:*  
In 2022, their products used 85% recycled polyester, 94% organic/recycled/petrol-free cotton, and 76% recycled polyamide, with a goal of being 100% recycled by 2024.<sup>16</sup>
  - *Deforestation:*  
Not found.

## Product & Supply Chain Impacts

- *Further environmental benefits to using products:*  
See product detail above.
- *Significant environmental commitments in supply chain:*  
On sources sustainable cotton, recycled polyester, recycled polyamide, and recycled packaging.<sup>17</sup>
- *Do products help customers reduce emissions? By how much?*  
One of On’s goals is to create shoes made from CO2 emissions. Their Cloudprime Clean Cloud shoe has a sole made of 51% recaptured CO2.<sup>18</sup>
- *Intermediate scope 3 milestones and targets:*  
Tier 1 manufacturing partners account for 15% of On’s Scope 3 emissions. One effort to lower emissions was with the Higg Index rollout and providing training with energy efficiency and using renewable energy sources. On plans on expanding these resources to their Tier 2 partners in 2023.<sup>19</sup>
- *Significant environmental fines, remediation or controversy:*  
Nothing significant was found.

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<sup>13</sup><https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 3

<sup>14</sup><https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 4

<sup>15</sup><https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 39

<sup>16</sup><https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 4

<sup>17</sup><https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 34

<sup>18</sup><https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 24

<sup>19</sup><https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 37

## Operational Initiatives

- *Are scope 1 and 2 commitments 1.5-aligned?*  
Yes, "Our science-based targets are to achieve a 46% absolute reduction in our Scope 1 and 2 emissions, and a 55% economic intensity reduction (emissions per unit of value added) in our Scope 3 emissions by 2030."<sup>20</sup>
- *Intermediate scope 1/2 initiatives, milestones and targets:*  
Powering office buildings by 100% renewable electricity by 2024.<sup>21</sup>
- *Specific initiatives that could help achieve scope 1/2 targets, or lower emissions if no targets:*  
Creating more shoe material from CO2 emissions will help the company with their emission targets.
- *Other specific, internal initiatives in service of water conservation, waste management, etc:*  
On has a circular business model focusing on reusing, repairing, remaking, and repurposing to eliminate waste as much as possible.<sup>22</sup>

## Management Integrity and Ethics

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### Leadership & Diversity

- *Brief profile of CEO and any other notable leaders:*  
Marc Maurer, Co-CEO: Has been Co-CEO since January 2021 and joined On in March 2013. Maurer was COO of the company, and has been head of business development and marketing for another European retail company. He has a master's in business from INSEAD.<sup>23</sup>  
Martin Hoffmann, Co-CEO & CFO: Has been Co-CEO and CFO since January 2021, and joined On in July 2013 as the CFO. Before On, Hoffman was the CFO at another European retail company. He has a degree in business management and computer science from the University of Kaiserslautern.<sup>24</sup>
- Leadership Composition
  - *Executive team:*  
6 women on the leadership team of 16 people, races not disclosed.<sup>25</sup>

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<sup>20</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 55

<sup>21</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 30

<sup>22</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 6

<sup>23</sup> <https://investors.on-running.com/governance/management/Marc-Maurer/>

<sup>24</sup> <https://investors.on-running.com/governance/management/Martin-Hoffmann/>

<sup>25</sup> <https://investors.on-running.com/governance/default.aspx#management>

- *Board:*  
1 woman on the board of 7 people, races not disclosed.<sup>26</sup>
- Employee/Management Composition and Pay Equity
  - *Employees:*  
44.5% of leaders are women, 22.5 % of leaders are BIPOC.<sup>27</sup>
  - *Management:*  
34.4% of senior leaders are women, 14.8% of senior leaders are BIPOC.<sup>28</sup>
  - *Pay equity:*  
There is no gender pay gap and this is “verified by equity analysis” which follows the Swiss government Gender Pay methodology regression model.<sup>29</sup>

## Human & Labor Rights

- *Are clear policies in place on forced labor and supply chain monitoring?*  
Yes On has a clear [supplier code of conduct](#).
- *What % of the supply chain is covered?*  
100% of Tier 1 suppliers have been audited, Tier 2 was not audited in 2022.<sup>30</sup>
- *Supply chain enforcement mechanisms:*  
The supplier is required to provide accessible grievance systems for all of their employees.<sup>31</sup>  
The goal is to have 100% of Tier 1 and 80% of Tier 2 partners undergo a workplace standards audit by 2023, and have 100% of Tier 1 manufacturers implement a living wage by 2025.<sup>32</sup>
- *Employee safety metrics:*  
None found.
- *Labor relations disputes or successful agreements:*  
None found.
- *Employee satisfaction metrics:*  
An internal survey reports that 89% of employees feel they are a part of a team and 86% of employees believe that they can be their authentic selves at work.<sup>33</sup>
- *Programs requiring diverse hiring practices, professional training in underserved communities, or other equity-focused initiatives:*  
Initiatives not specified, but the report states “We’ve increased our diversity ambitions.

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<sup>26</sup> <https://investors.on-running.com/governance/default.aspx#management>

<sup>27</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 5

<sup>28</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 5

<sup>29</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 51

<sup>30</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 60

<sup>31</sup> [https://assets.cffassets.net/628ldvrkiogn/4dRlcdwsSptv2NgAN4bOEN/57a4b4e0282bfc61adab88ab9a29833c/On\\_AG\\_Supplier\\_Code\\_of\\_Conduct\\_EN.pdf](https://assets.cffassets.net/628ldvrkiogn/4dRlcdwsSptv2NgAN4bOEN/57a4b4e0282bfc61adab88ab9a29833c/On_AG_Supplier_Code_of_Conduct_EN.pdf)

<sup>32</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 41

<sup>33</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 5



We've taken great strides to include underrepresented communities in our recruitment process, almost doubling the percentage of underrepresented candidates throughout the hiring process."<sup>34</sup>

## Political & Charitable Activity

- *Does the company have a policy not to spend anything on lobbying or political contributions?*  
None found.
- *Federal lobbying expenditures and political donations:*  
None found.
- *Is lobbying data voluntarily disclosed, including state and local contributions, trade association memberships, and PACs?*  
None found.
- *How much is spent annually on charitable contributions?*  
In 2022 On donated \$200,000 in grants and 4,300 products.<sup>35</sup>
- *How much volunteer time do employees give annually?*  
The 2023 goal is 1200 volunteer hours by 300 On employees.<sup>36</sup>
- *Major charitable or volunteer projects with meaningful long-term impact:*  
In 2020, On launched "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." The company says the program impacted 60,000 community members in 2022.<sup>37</sup>  
On also has a partnership with Charity:Water, where they made an app challenge to have every km logged donate 10 liters of water. They had donated 110 million liters of water this way, along with 4 water sanitation systems.<sup>38</sup>

## Legal

- *Outstanding legal disputes with significant reputational and/or financial stakes (including shareholder lawsuits):*  
Nothing significant was found.
- *Significant fines paid or in dispute:*  
Nothing significant was found.
- *Current or recent headline controversies involving the company or its management:*  
Nothing significant was found.

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<sup>34</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 10

<sup>35</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 47

<sup>36</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 47

<sup>37</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 47

<sup>38</sup> <https://cdn.on-running.com/sustainability/impact-report-2022.pdf> pg. 48

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