



SUSTAINABLE INNOVATION IS A POWERFUL ENGINE FOR GROWTH

FY14/15 NIKE, INC.
SUSTAINABLE BUSINESS REPORT





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LETTER FROM OUR CEO

We live in a time of unlimited opportunity and relentless change.

The connection between the digital and physical worlds is closer than ever. The design process is faster and more personal. And the challenge of climate change demands everyone's ingenuity.

At NIKE, we unite these forces through sustainable innovation – a powerful strategy that drives us to dream bigger and get better. But to achieve the impossible, we have to rethink the fundamentals. Every day I challenge my team to do just that, guided by a single, moonshot question: “Can we double our business, while halving our environmental impact?”

Getting there means strengthening every aspect of our business. It means inventing closed-loop products; moving to 100% renewable energy; pioneering a manufacturing revolution that puts workers' voices at the heart of the business model; and fostering a diverse workplace and an inclusive culture that unleashes innovation.

Incremental change won't get us there fast enough. We have embraced sustainable innovation as a powerful engine for growth and a catalyst for change – not only for our own business, but across industries.

That's why we're partnering with innovators who help us accelerate systemic change at scale. With Flex, we're taking a fresh approach to footwear manufacturing. With DreamWorks and their technology company NOVA, we're building a 3D digital design system to transform our product creation process. And with the Ellen MacArthur Foundation we're exploring new business models that keep materials in play through reuse and regeneration.

These partnerships help us realize our own potential – because if we dare to design the future, we must do it together.

The NIKE, Inc. FY14/15 Sustainable Business Report, which details NIKE's progress in multiple areas, shows where we exceeded expectations, and where we came up short.

There is much to be proud of.

We've worked for over 15 years to understand, track and decrease carbon across our value chain. Since 2008, our revenues have increased by 64% and we've limited our absolute emissions to only 20% growth across product manufacturing, logistics and our owned facilities. This represents a decrease of our per-unit carbon emissions by 19%.

We continue to work with fewer and better factories that are committed to moving beyond compliance. We're investing in green, equitable and empowered workplaces – even as our business grows. And we're sharing the lessons we've learned across the industry, so everyone can work together to advance change.

We have continued our focus on decreasing waste dramatically. Today, Nike Grind – a palette of premium recycled materials – is used in 71% of NIKE footwear and apparel products, in everything from yarns and trims, to soccer kits and basketball shoes.

This work is challenging and we don't have all of the answers. But, it starts with focusing on where we can drive change.

From an impact standpoint, materials matter the most. In fact, in one pair of NIKE shoes, 60% of the environmental impact comes from materials. One of the keys to our success will be to develop a new palette of sustainable materials. To do that, we're innovating with others, such as the Sustainable Apparel Coalition and LAUNCH – a partnership with NASA, the U.S. Agency for International Development and the U.S. Department of State.

By creating low-impact and regenerative materials, we can continue to move toward a high-performance, closed-loop model that uses reclaimed materials from the start. Coupled with smarter designs, we can create products that maximize performance, lighten our environmental impact and can be disassembled and easily reused.

We plan to take the next step in our closed-loop vision with a bold target for FY2020: zero waste from contract footwear manufacturing going to landfill or incineration without energy recovery.

But that's just the start. We know that the transition to a low-carbon growth economy will be driven by a mix of business innovation, industry collaboration and government policies. That's why we are reducing carbon emissions through increased efficiency and renewable energy. To support smart policies, we signed onto the American Business Act on Climate Pledge and co-founded We Mean Business – representing the voice of businesses at the global climate negotiations.

Over time, an impressive story has unfolded: as we reduce our carbon footprint, we continue to drive amazing growth. Looking ahead, we're setting a target to reach 100% renewable energy in owned or operated facilities by the end of FY25.

But we're not stopping there. One of NIKE's most profound transformations is in how our products are made. We call it a manufacturing revolution.

It starts with our customers' rising expectations. Powered by mobile, they want every experience to be personalized and at their fingertips. Meanwhile, technology is accelerating. New tools, such as digital knitting and 3D printing, are rewriting the rules of performance engineering and manufacturing. This promises to increase efficiency, customization and speed to market for consumers everywhere.

While NIKE's manufacturing model is rapidly evolving, our fundamental principles remain the same. None is more important than contract factory workers who are valued and engaged.

We have worked alongside others for over 20 years to improve labor standards in contract factories. We've learned a lot in that time. And we've seen the limitations of the existing system. Compliance to our Code of Conduct is a foundational requirement, but it can't end there. We expect any contract factory partner we work with to understand that an empowered and engaged workplace is a productive and profitable business model. The factories that make these investments will be the ones that join the manufacturing revolution.

A decade ago, NIKE was the first company in our industry to publicly disclose our factory base. It embodied one of our core beliefs: that progress starts with transparency and collaboration. As the next step, we are advocating for a convergence of compliance standards across the entire industry as a way to help factories to accelerate progress for workers. By joining together, we can raise standards in far more factories, and affirm far more workers are protected, valued and engaged.

We have ambitious business targets for the future. To make them happen, we know it's going to take creativity, passion and leadership from our own people.

At NIKE, we believe that diversity fosters creativity and accelerates innovation. We value the unique backgrounds and experiences everyone brings, and want all who join us to realize their full potential. Because different perspectives can fuel the best ideas, we are committed to a workplace that is increasingly diverse and inclusive. We are strengthening our recruitment, promotion and retention of diverse talent throughout the world, with the goal of reflecting the diversity of the consumers we serve and the communities where we live and work. While we've made progress, we will accelerate our efforts by expanding representation of women and people of color to start, while continuing to increase diversity of all dimensions across our business long term. And we're advancing inclusion in the U.S. through a new Family Care benefit that will support all new parents, and also those caring for sick family members.

I'm proud of what we have achieved and, in many areas, we've made major transformations in our business. In others, we're still at the starting line. No matter if we miss, hit or surpass our targets, we will never stop trying to achieve our ultimate vision of the future.

A future where we produce closed-loop products – created with renewable energy and recyclable materials.

A future where supply chains are fueled by skilled and valued workers – all of them supported by industry's unified standards.

And a future where NIKE's creative, driven and diverse teams continue to push the boundaries of what's possible – while engaging deeply with local communities.

This represents a new business model, driven by sustainable innovation. I believe it will accelerate change like the world has never seen. It means leveraging all of our talents. It means taking the long view. And above all, it means embracing an innovation mindset, where we push the limits of our business – and our collective potential – in unprecedented ways.

Best,



Mark Parker
President & CEO
NIKE, Inc.

PERFORMANCE AND DISCLOSURE STATEMENT

We have long believed sustainability plays a critical role at NIKE, Inc. – it is a powerful engine for our future growth. We have spent more than a decade embedding sustainability across the company to help spark creativity and innovation to drive new solutions that deliver for athletes, our business and the world.

The bold intentions outlined in this report require not only an evolution of our business model, but also shifts in our industry and the transformation of entire supply chains.

Sustainable innovation is the key to unlocking this transformation.

To achieve our goals, we have to evolve how we source and design products. We must create a new business model to enable our future success and propel us to a low-carbon, closed-loop future.

The Corporate Responsibility/Sustainability Performance & Disclosure Committee helps drive this vision across the company – we challenge our business to understand our sustainability impacts, set ambitious targets to address them and overcome obstacles in meeting them.

We reinforce a unified approach across NIKE, encouraging strong attention to measuring sustainability and championing efforts that allow cross-functional teams to explore new opportunities. As seen in the report that follows, we continue to integrate sustainability into our business strategies through the 2020 targets.

We are on a journey and have made good progress to date. We are conscious that there is no finish line as we work to reach our future vision.

PERFORMANCE & DISCLOSURE COMMITTEE

NIKE has a Corporate Responsibility/Sustainability Performance & Disclosure Committee that meets regularly to review sustainability targets, performance and disclosures.

This committee includes:

- Chief Administrative Officer & General Counsel Hilary Krane
- Chief Communications Officer Nigel Powell
- Chief Financial Officer Andy Campion
- Chief Operating Officer Eric Sprunk
- Chief Sustainability Officer & VP Innovation Accelerator Hannah Jones

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OUR AMBITION: DOUBLE OUR BUSINESS, WITH HALF THE IMPACT

This is NIKE, Inc.’s moon shot – a single, bold and audacious innovation ambition guiding our future. One that will fuel our creative design process, drive innovation to disrupt our own business model and propel us to rethink and transform our industry.

We won’t always know how or when we’ll get there, but our strategies, our investments and our targets are being set with this ultimate objective in mind.

Over the past 20 years, sustainability has become a game-changer for NIKE. It’s a catalyst for revolutionizing the way we do business and an innovation opportunity that’s been integrated across our business in policies, processes and products. Today, we are innovating at scale to deliver better solutions that benefit athletes, the company and the world. We call this sustainable innovation.

Now, more than ever, we know with absolute clarity that sustainable innovation is a powerful engine for growth. It is unlocking a new paradigm in which sustainability, athletic performance, factory worker empowerment and business growth go hand in hand, rather than being seen as trade-offs.

As we accelerate the pace and scale of sustainable innovation, we will always do it in service of the athlete. We will design footwear and apparel that delivers both performance and sustainability, by considering every aspect of how we create them. When we make, we will activate and scale new manufacturing approaches that are lean and green, where workers are valued and engaged, where waste is reduced and materials are used time and again.

NOTE: NIKE, Inc., and subsequent references to NIKE includes NIKE Brand, Hurley, and Converse.



ACCELERATING TOWARD A LOW- CARBON GROWTH ECONOMY

A sustainable economy is a low-carbon growth economy. NIKE uses carbon as a leading indicator to assess our sustainability, but we recognize sustainability goes way beyond carbon. It means addressing all our impacts on the environment and in the communities where we operate, supporting labor rights in supply chains, and continuing to serve the athlete* and to deliver value for our shareholders.

As the world's leading designer, marketer and distributor of athletic footwear, apparel, equipment and accessories, NIKE is already adapting to the current and future challenges that climate change triggers. Resource scarcity, fluctuations in the prices of raw materials and disruptions to supply chains are real concerns for business. Across the NIKE value chain, they have the potential to affect our suppliers and their workers, along with our assets and partners. And as a company that exists to serve athletes, we understand the broader impact that climate-related issues have, such as pollution and extreme weather, which can prevent access to sport and affect an athlete's ability to perform.

For nearly 15 years, we've publicly stated our belief that the science is right, climate change is real and the world will need to radically redesign industrial systems and economies. With the Paris Agreement (21st Conference of Parties - COP21) on climate action, we see strong emerging signs that we're at the dawn of a fundamental economic and societal shift. NIKE aims to be at the forefront of catalyzing new technologies and policies that have the potential to drive our industry closer toward a low-carbon growth economy.

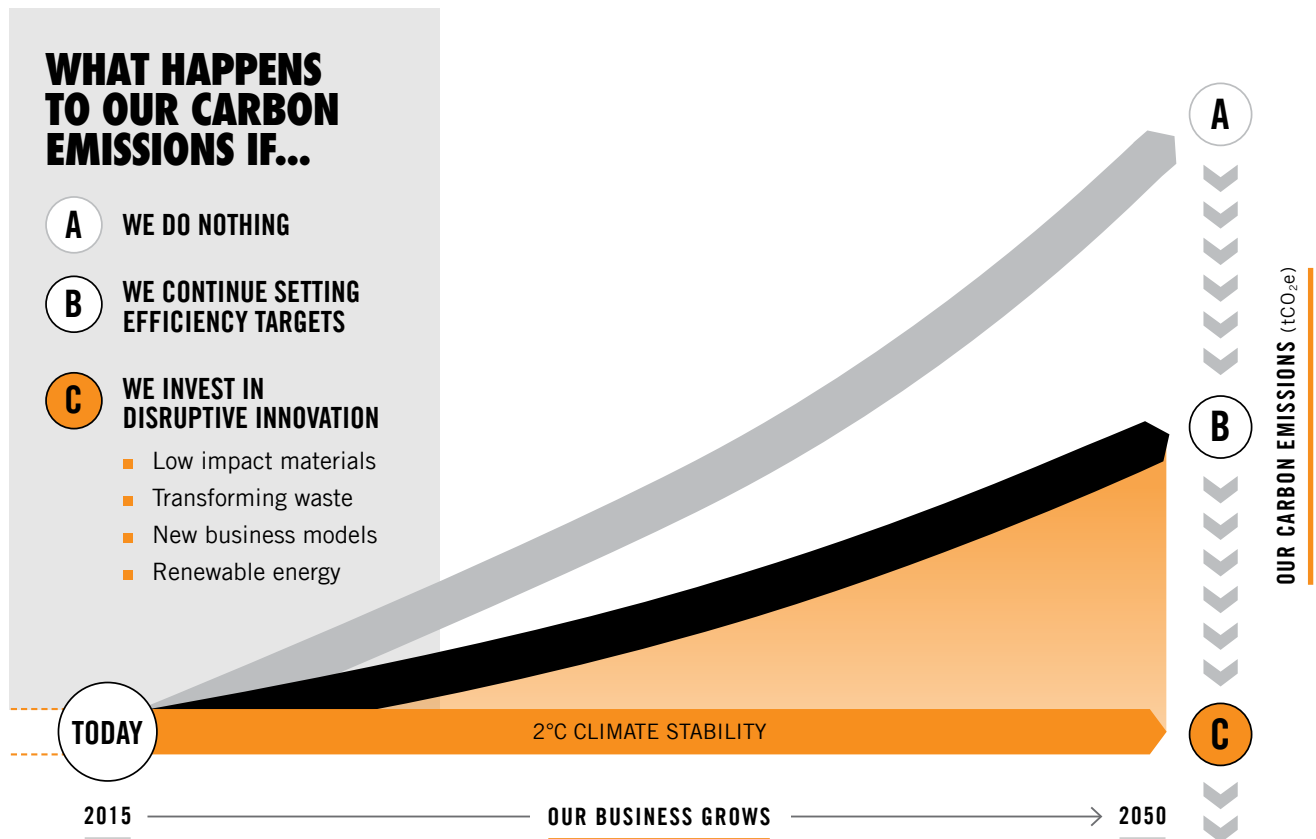
**"If you have a body, you are an athlete."
– Bill Bowerman*



THE INNOVATION IMPERATIVE

NIKE is committed to reducing our carbon emissions to a level that supports the global carbon budget (the total global carbon emissions possible to limit the average global temperature to a rise of no more than 2°C) agreed by 195 countries in December 2015 at COP21. We have forecast the rate at which our carbon emissions could increase if we were to follow a mindset of “business as usual” up to 2050, factoring in projected growth. What becomes abundantly clear is efficiencies alone will not suffice – for NIKE, or the world.

WE KNOW EFFICIENCY ALONE IS NOT ENOUGH. THE WORLD NEEDS SYSTEMIC CHANGE AT SCALE. WE MUST INNOVATE.



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THE FUTURE WILL BE CIRCULAR

Setting impact reduction and improvement targets continues to be a key foundation element in NIKE’s mid-term strategy. Our 2020 targets demonstrate NIKE’s commitment to setting aggressive efficiency measures across our entire value chain. They’re based on sound science and data, and supported with robust controls and governance to monitor progress. Every NIKE business function is accountable for delivering against our sustainability goals.

At the same time, we are aggressively investing in a portfolio of sustainable innovations to take us beyond 2020 and on to our moon shot of doubling our business with half the impact. In order to achieve this, and propel ourselves into a low-carbon growth economy, we know product and business model innovation will be critical.



We envision a transition from linear to circular business models and a world that demands closed-loop products – designed with better materials, made with fewer resources and assembled to allow easy reuse in new products. This will involve up-front product design, with materials reclaimed throughout the manufacturing process and at the end of a product’s life. We are re-imagining waste streams as value streams, and already our designers have access to a palette of more than 29 high-performance materials made from our manufacturing waste. Right now, materials left over from producing NIKE shoes are being reborn as tennis courts, athletic tracks and new shoes.

We are also focused on delivering the conditions for system change at scale. We are dedicated to catalyzing and incentivizing change that will help unlock access to flows of capital and level the playing field on standards across the industry. It is clear that no single company, organization or government has the ability to tackle the sustainable innovation challenge alone. It is an opportunity to think and act differently together. It needs collaboration among industry, civil society, policymakers, workers and business to deliver the financial, science and technology resources and capabilities that will accelerate system-level change.

OUR VISION: SUSTAINABLE INNOVATION IS A POWERFUL ENGINE OF GROWTH

OUR AIMS:

- ▶ Minimize environmental footprint
- ▶ Transform manufacturing
- ▶ Unleash human potential

DRIVERS OF SUCCESS:

- 2020 targets owned by business functions and implemented across NIKE
- Innovation to create closed-loop solutions across materials, products, business models and systems

ENABLED BY:

- Diverse teams unlocking change and innovation at scale
- Smart and consistent public policies that incentivize innovation, promote sustainability, protect supply chains and provide market certainty
- Flows of capital to innovators unlocking low-carbon growth economies



WHEN TO COMPETE AND WHEN TO COLLABORATE

Sustainable innovations are delivering a pipeline of sustainable products and services that unlock competitive advantage. That means we must hold some ideas close. At the same time, we believe there are pre-competitive spaces, where the entire industry can benefit from transparency, sharing innovation and the strategic open-sourcing of tools, data and insights.

When a sustainable innovation is competitive, we focus on building innovation partnerships, investing in start-ups, emerging technologies and new science. We test and prototype solutions, and then we take them to commercial scale. But when a sustainable innovation is pre-competitive, we apply a different set of strategies to scale them up: we collaborate, we share, we open-source, we help create coalitions and consensus, we drive market shifts, and we work to influence standards and public policy.



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To advance innovation and drive behavioral change in our industry, NIKE commissions or participates in independent academic research, such as the Harvard case study on “Governance and Sustainability at NIKE;”¹ the Stanford case study on “NIKE: Sustainability and Labor Practices 1998–2013;”² and the report, “Does Lean Improve Labor Standards? Capability Building and Social Performance in the NIKE Supply Chain.”³ Another example is our collaboration with the Massachusetts Institute of Technology (MIT) Climate CoLab, which has sought new ideas on how to engage industries, designers and consumers to value, demand and adopt low-impact materials.

We continue to promote legislative, regulatory and voluntary solutions that support and advance sustainability. We also support harmonized industry standards through organizations such as the Sustainable Apparel Coalition, BICEP (Business for Innovative Climate & Energy Policy) and We Mean Business.

We do all this because NIKE has the opportunity, as an industry leader, to influence industry convergence and systems change that helps enable a low-carbon growth economy.

WE MUST IMAGINE, INVENT AND DESIGN THE FUTURE TOGETHER.

OPEN-SOURCING TO ENABLE SPEED AND SCALE ACROSS THE INDUSTRY

Over the past 10 years, NIKE has provided multiple open-source sustainable innovation tools to our industry and the public. In 2012, we shared our Materials Sustainability Index (MSI) to the Sustainable Apparel Coalition, where the data has fueled development of their [Higg Index](#). We also used the MSI to launch our [MAKING app](#). It has enabled the industry to measure the sustainability performance of materials and products in a consistent way for the first time, and helped designers – both inside and outside of NIKE – to make informed decisions about the materials they choose.

We have shared our restricted substance list to help create an industry-wide manufacturing restricted substances list (MRSL) and shared a water-based solvent formula to enable the industry to eliminate the use of toxic chemicals in a key footwear process. We were also the first brand to disclose our factory locations on our [Manufacturing Map](#), in an effort to accelerate collaboration on labor rights in the supply chain.

In 2010, NIKE put 400 of our utility patents under a Creative Commons license to enable others to leverage them for sustainable innovation in multiple industries. We are founding members of LAUNCH, an open innovation platform designed to uncover breakthrough ideas in sustainable innovation, developed through a strategic partnership with NASA, the U.S. Agency for International Development and the U.S. Department of State.

1 Written by Lynn S. Paine, Nien-he Hsieh and Lara Adamsons and published June 17, 2013. For reference, the case number is 313146-PDF-ENG and the case study can be downloaded at <https://hbr.org/product/governance-and-sustainability-at-nike-a/313146-PDF-ENG>.
2 Written by Glenn Carroll, Debra Schrifin, David Brady in 2013. For reference the case number is IB106 and the case study can be downloaded at <https://www.gsb.stanford.edu/faculty-research/case-studies/nike-sustainability-labor-practices-2008-2013>.
3 Greg Distelhorst, University of Toronto Rotman School of Management and Massachusetts Institute of Technology (MIT) Department of Science; Jens Hainmueller, Stanford University Department of Political Science and Stanford Graduate School of Business; Richard M. Locke, Brown University and Massachusetts Institute of Technology (MIT) Department of Political Science. NOTE: Access full report at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2337601.



BUSINESS OVERVIEW

OUR MISSION: BRING INSPIRATION AND INNOVATION TO EVERY ATHLETE* IN THE WORLD.

*“If you have a body, you are an athlete.” – Bill Bowerman

NIKE, Inc. is the world’s leading designer, marketer and distributor of authentic athletic footwear, apparel, equipment and accessories for a wide variety of sports and fitness activities. In FY15, we shipped more than 1 billion units of shoes, apparel and equipment.

We aim to become a \$50 billion business by the end of FY20, while further reducing our environmental footprint and enhancing our positive impact on employees, workers in our supply chain and communities around the world.

COMPANY PORTFOLIO

NIKE, Inc. portfolio brands include the NIKE Brand, Jordan Brand, Hurley and Converse, each with a powerful connection to consumers:

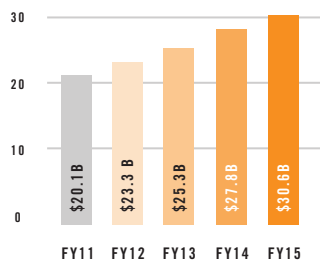
NIKE Brand is focused on performance athletic footwear, apparel, equipment, accessories and services across a wide range of sport categories, amplified with sport-inspired sportswear products carrying the Swoosh trademark, as well as other NIKE Brand trademarks.

Jordan Brand designs, distributes and licenses athletic and casual footwear, apparel and accessories, predominantly focused on basketball, using the Jumpman trademark.

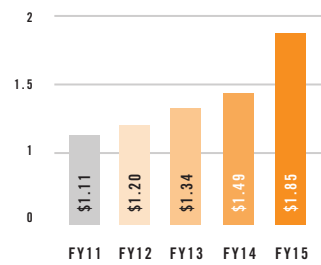
Hurley designs and distributes a line of action sports and youth lifestyle apparel and accessories under the Hurley trademark.

Converse, Inc. designs, distributes and licenses casual sneakers, apparel and accessories under the Converse, Chuck Taylor, All Star, One Star, Star Chevron and Jack Purcell trademarks.

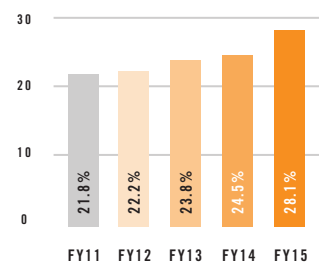
REVENUE GROWTH



DILUTED EARNINGS PER SHARE



RETURN ON INVESTED CAPITAL



NOTE: These amounts have been restated to reflect our December 2015 and 2012 two-for-one stock splits and historical results of continuing operations.



NIKE, INC. CORPORATE OVERVIEW

THE PHASES OF
OUR VALUE CHAIN



PLAN

We have five global headquarter facilities located in Beaverton, Oregon; Hilversum, the Netherlands; Shanghai, China; Boston, Massachusetts; and Costa Mesa, California.

62.6k

NIKE EMPLOYEES
WORLDWIDE IN FY15



MAKE

NIKE products are produced on a global scale.



MOVE

In FY15, we shipped 11% more units through our global supply chain, compared to FY13.



SELL

NIKE products are sold in almost every country worldwide.



OUR IMPACTS

When we consider sustainability, we look at what takes place not only within our own walls, but also throughout our value chain. This broad view is critical because the majority of our environmental and social impacts – as well as our biggest opportunities – occur in operations we do not directly control but influence. This balance of control and influence shapes the ways we can address change.

Through many years of managing sustainability across our business, we have developed a clear understanding of the issues we face. We complement this experience with ongoing analyses – including in-depth environmental footprinting and scenario planning – to help ensure that we continue to prioritize the most critical issues.

Our environmental footprinting uses actual and extrapolated data and is updated regularly as we refine our understanding of energy use, greenhouse gas (GHG) emissions, water use and waste across the value chain. The insights we gain from these analyses inform future investments and enable us to focus our efforts where we have the largest impacts, the greatest opportunities and the most potential to make a positive difference. In determining where to focus, we also consider factors such as timing and collaboration needed outside of NIKE.

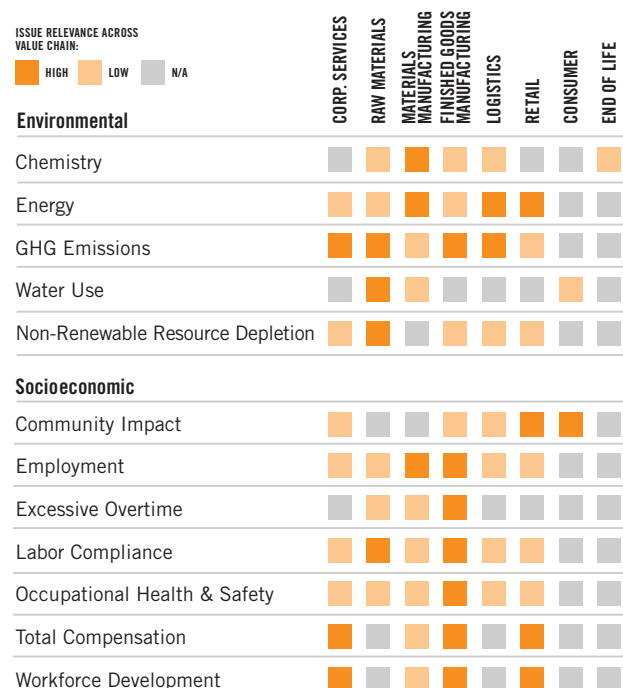
To explore the interconnections between these issues and our business, we run long-term, quantified scenarios of environmental impacts for energy, carbon dioxide (CO₂), waste and water, and review the financial effects of various decisions, such as changing the materials used in products or altering sourcing practices. This type of analysis enables us to understand the full range of outcomes and helps us transform sustainability from a conversation about corporate responsibility to one about business value.

FINE-TUNING OUR FOCUS ON WHAT MATTERS MOST

In FY15, we updated our assessment of the most relevant issues and megatrends facing our business, our industry and the world. Our process involved first identifying 400 possible issues and then applying a series of filters to distill the list down and focus on the areas that are most relevant to our business and our stakeholders, and that have the most significant environmental and socioeconomic impacts.

The assessment confirmed what we have known for many years and aligned with insights from our footprinting work – that the two leading drivers of environmental and socioeconomic impacts across our value chain are the materials we use in our products and the outsourced manufacturing of those products.

ENVIRONMENTAL AND SOCIOECONOMIC RESPONSIBILITY ASSESSMENT



HIGH – high relative importance to all material issues assessed.
 LOW – low relative importance to all material issues assessed.
 N/A – issue is out of scope.

ISSUE DEFINITIONS

Ultimately, we identified our most important environmental issues to be energy use, GHG emissions, water use, chemistry and non-renewable resource depletion, and our most important socioeconomic issues to be employment, labor compliance, excessive overtime, community impact, occupational health and safety, total compensation and workforce development. We pursue ongoing improvement in these areas, as illustrated on the following pages and throughout this report, and we continue to monitor emerging issues.

CHEMISTRY

The chemicals involved in making materials and products can make their way into the water and air, and create exposure for both athletes who use the products and the workers who make them. There are considerable challenges in knowing every chemical and formula used in both products and processes. Many of the touchpoints occur far back in our supply chain – including vendors that supply to materials suppliers.

WHAT NIKE IS DOING

See Chemistry section beginning on page [46](#)

ENERGY AND GHG EMISSIONS

Globally, the challenge of climate change is pressing, with dramatic and lasting impacts. We are aligning our carbon emissions reduction efforts with scientific consensus to improve the quality and credibility of our targets. Our biggest energy and carbon impacts occur in the materials stage of our value chain and in manufacturing. This stretches from how and where materials are grown or produced, processed and finished, to how and where finished products are assembled. Making the materials that go into products is energy-intensive and occurs in locations that typically have low access to or low incentives for renewable energy. Without access to renewable energy these facilities are typically powered by coal and diesel. The contract factories where our products are assembled are also typically located in areas with low access to or low incentives for renewable energy.

WHAT NIKE IS DOING

See our Carbon and Energy section beginning on page [32](#)

WATER USE

Water can no longer be taken for granted. It has impacts throughout our value chain – from the ability to grow and process raw materials through to consumer laundering. Additionally, much of our sourcing occurs in areas threatened by water scarcity.

WHAT NIKE IS DOING

See our Water section beginning on page [42](#)

NON-RENEWABLE RESOURCE DEPLETION

Our industry is reliant upon virgin, non-renewable inputs to produce materials. Resources such as oil, minerals and natural gas show up both directly (for example, polyester is made from petroleum-based ingredients, and often is processed in coal-powered plants) and indirectly (in the energy used to run manufacturing plants).

WHAT NIKE IS DOING

See our Product Design and Materials section beginning on page [24](#)

COMMUNITY IMPACT

Today's youth are part of the least physically active generation ever, with consequences for health, education and whole economies. Research shows that the window between ages 7 to 12 is key to setting kids on a path for more active lives. These are the ages when kids are developing lifelong habits and their preference for what they choose to do, and not to do.

WHAT NIKE IS DOING

See our Community Impact section beginning on page [73](#)

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EMPLOYMENT

Employment covers a range of factors, including the type of work being performed, workplace location and environment, and compensation.

Healthy, vibrant communities rely on jobs. It's a global issue that hits home locally and personally for the communities where we have offices and in the communities where we source for the individuals who are connected in our supply chain.

WHAT NIKE IS DOING

See the Our Workforce section beginning on page [68](#)

EXCESSIVE OVERTIME

The root causes of excessive overtime in contract factories that are NIKE influenced are due to forecasting and capacity planning issues, shortened production timelines and seasonal spikes. In factories that produce product for multiple brands it is difficult to identify root causes, but reinforces the fact that this is an industry-wide issue.

Excessive overtime unnecessarily taxes workers, and over long periods can have impacts on their health and quality of life. It also can result in errors and rework, making the added hours not necessarily productive. Traditional compensation models reward overtime with additional pay, sometimes making it attractive to, or expected by, workers.

The system that relies on excessive overtime needs to change.

WHAT NIKE IS DOING

See the Audit Results section beginning on page [63](#)

LABOR COMPLIANCE

Just having standards that establish guidelines for labor compliance in contract factories is not enough to ensure it. Strong standards must be backed up with a system that incentivizes factories to strive for performance beyond the foundation of compliance.

WHAT NIKE IS DOING

See the Setting Industry-Leading Standards section beginning on page [52](#)

OCCUPATIONAL HEALTH AND SAFETY

The health and safety of workers is a significant focus for a supply chain that includes contracted factories that employ more than 1 million workers making products in countries with varied building construction codes and types of services and infrastructure for the communities.

Every part of the value chain has potential health and safety risks that we hope to identify and work to eliminate. Beyond today's known risks, technological advances are changing manufacturing with an increase in the use of automated machinery and, with it, the associated risks.

WHAT NIKE IS DOING

See the Setting Industry-Leading Standards section beginning on page [52](#)

TOTAL COMPENSATION

The issue of wages elicits debate on multiple fronts. There is debate on what constitutes fair, competitive wages around the world, and there is debate on how those wages are then paid in a way that does not negatively impact growth and jobs.

WHAT NIKE IS DOING

For employees, see the Competitive Rewards section beginning on page [71](#)

For contract factory workers, see the Innovating the Role of the Worker section beginning on page [54](#)

WORKFORCE DEVELOPMENT

Global trends in employment can result in high competition for talent, and an increasing need for employees at every stage in the process to be flexible, continuous learners, who are able to offer solutions and adapt to new processes, technologies and consumer needs. It relies on a strong system of training and education along with management systems that nurture and develop collaborative problem-solving and learning.

WHAT NIKE IS DOING

For employees, see the Career Growth section beginning on page [70](#)

For contract factory workers, see the Transform Manufacturing section beginning on page [50](#)



OUR AIMS

NIKE is an innovation company. Innovation drives our entire approach – not only what we make, but how we make it and how we deliver for the athlete. Innovation drives how we think about efficiencies, how we work to grow our business and reduce our impact at the same time, and how we connect with the world. The mindset of innovation is about more than the final product. It’s about improving the process to get there. That requires learning the lessons of the past, setting bold goals and embracing new technologies that can propel us to a low-carbon, closed-loop future.

We know that innovation is fundamental to our growth. And we believe that growth should enrich everyone who is a part of the NIKE ecosystem – athletes, consumers, employees, shareholders, business partners, contract factory workers and communities. In a world where resources are becoming more scarce, we know that improving resource efficiency and reuse are essential parts of innovation.

OUR CORE STRATEGIC AIMS

01 MINIMIZE ENVIRONMENTAL FOOTPRINT

02 TRANSFORM MANUFACTURING

03 UNLEASH HUMAN POTENTIAL

01 MINIMIZE ENVIRONMENTAL FOOTPRINT

To minimize our environmental footprint, we plan to dramatically reduce our impacts while we grow our business. Even in a world of abundant resources, NIKE’s low-impact growth would be ambitious. But in a world with finite resources we know that efficiency alone is not enough.

Our strategy focuses on reducing environmental impact throughout the product lifecycle. That means looking upstream to materials vendors, contract factories and product transport to investigate opportunities for implementing lean manufacturing and better shipping options. It also means looking downstream – to our retail partners and consumers to explore better reuse and recycling opportunities.

In so doing, we are redefining the very concept of waste, seeing it as an input to our products and a material feedstock to other industries. By the end of FY20, we’re targeting that no waste from contracted footwear manufacturing is sent to landfills⁴ and excess materials in the manufacturing of NIKE shoes will fuel a future closed-loop model, where waste becomes a product input.

In 2015, we made a landmark target: to reach 100% renewable energy⁵ in our owned or operated facilities⁶ by the end of FY25 and to encourage broader adoption of renewables as part of our effort to control absolute emissions.⁷ We will also continue to explore ways to expand renewable energy in other parts of our value chain, including contract manufacturers, some of which are already using it.

For more detail on our approach and progress to date, see the Minimize Environmental Footprint section beginning on page [21](#).

⁴ Our FY20 target is to eliminate footwear waste to landfill and incineration without energy recovery.

⁵ The target scope includes electricity only.

⁶ Where we make energy purchase decisions on strategic assets.

⁷ Equivalent to absolute reductions in Scope 1 and 2 CO₂e emissions of at least 50% by FY25.



MINIMIZE ENVIRONMENTAL FOOTPRINT: 2020 TARGETS

TARGETS⁸

MEASURES⁹

PRODUCT: Deliver products for maximum performance with minimum impact, with a 10% reduction in the average environmental footprint¹⁰

Greater than 80% of all NIKE, Inc. products will be scored on sustainability performance

MATERIALS: Increase use of more sustainable materials¹¹ in footwear and apparel

Source 100% of our cotton more sustainably (certified organic, licensed to the Better Cotton Standard System for recycled cotton) across NIKE, Inc. by the end of calendar year 2020

CARBON AND ENERGY: Reach 100% renewable energy¹² in owned or operated facilities¹³ by the end of FY25 and encourage broader adoption, as part of our effort to control absolute emissions¹⁴

Decrease energy and CO₂e emissions 25% per unit in key operations (inbound and outbound logistics, distribution centers, headquarter locations, finished goods manufacturing and NIKE-owned retail)

Decrease energy and CO₂e emissions 35% per kg in textile dyeing and finishing¹⁵ processes

WASTE: Eliminate footwear manufacturing waste to landfill or incineration,¹⁶ while continuing to reduce overall waste

Reduce waste by 5% per unit in key operations (finished goods manufacturing, corporate headquarters and distribution centers; excludes retail)

Reduce waste to landfill in key operations (distribution centers and headquarter locations)

WATER: Innovate and adopt new approaches to reduce water use in our supply chain, with a 20% reduction in freshwater use in textile dyeing and finishing (l/kg)¹⁷ per unit of production

Build resilience through supplier water risk mitigation plans¹⁸ with materials processors¹⁹

CHEMISTRY: Enable zero discharge of hazardous chemicals (ZDHC)

100% compliance with NIKE restricted substance list (RSL)

100% compliance with the ZDHC manufacturing restricted substances list (MRSL)

Achieve better chemical input management through scaling more sustainable chemistries

Lead industry change through collective action

Return 100% of wastewater cleaner than required by local law and embed continuous improvement planning into textile dyeing and finishing processes²⁰

⁸ All targets and measures are through end FY20, unless stated otherwise.

⁹ Measures are additional commitments related to the target impact areas.

¹⁰ We are using CO₂e emissions as a proxy for other environmental impacts (e.g. energy, other air emissions), which generally are tied to CO₂e emissions. As we expand our capability to track other environmental impacts (e.g. water use) with the same level of confidence as CO₂e, we will include these into this target. This target includes NIKE-designed/developed NIKE Branded, Jordan Brand and NIKE Golf Global apparel styles, and NIKE Branded, Jordan Brand and NIKE Golf Global footwear styles.

¹¹ We define more sustainable materials as those that reduce the environmental impact of a product through better chemistry, lower resource intensity, less waste and/or recyclability.

¹² The target scope includes electricity only.

¹³ Where we make energy purchase decisions on strategic assets.

¹⁴ Equivalent to absolute reductions in Scope 1 and 2 CO₂e emissions of at least 50% by FY25.

¹⁵ Measure includes focus suppliers only. Focus suppliers represent key suppliers involved in the dyeing and/or finishing of materials, which directly support finished product assembly, that one or more impact areas will work with to achieve 2020 sustainability targets.

¹⁶ Incineration does not include waste to energy recovery unless otherwise noted.

¹⁷ Includes focus suppliers only. Focus suppliers represent key suppliers involved in the dyeing and/or finishing of materials, which directly support finished product assembly, that one or more impact areas will work with to achieve 2020 sustainability targets.

¹⁸ Mitigation plans include conducting source water vulnerability and flooding assessments and having in place locally relevant plans to mitigate risk.

¹⁹ Measure includes focus factories and suppliers only. Focus factories represent key strategic contract factories within our source base representing the majority of finished goods production of NIKE footwear, apparel, and Converse footwear that one or more impact areas will work with to achieve 2020 sustainability targets; focus suppliers represent key suppliers involved in the dyeing and/or finishing of materials, which directly support finished product assembly, that one or more impact areas will work with to achieve 2020 sustainability targets.

²⁰ Focused on key suppliers involved in the dyeing and/or finishing of materials which directly support finished product assembly.



02 TRANSFORM MANUFACTURING

Transforming manufacturing means ensuring the NIKE sourcing and manufacturing ecosystem continues to deliver sustainable growth across the entire value chain. It's not enough to just reduce waste and improve efficiency. We must also rethink how labor is valued within manufacturing.

The way we source: In 2012, we launched our Sustainable Manufacturing and Sourcing Index (SMSI), a system for combining factory ratings for lean manufacturing and human resource management, as well as for health, safety and the environment (HSE). This system gives environmental and human resource management performance equal weight alongside business metrics in our sourcing, increases transparency to reduce non-compliant practices, and creates targets and incentives to go well beyond compliance. To date, factories are making progress in meeting compliance with our standards – 86% of contract factories were rated bronze or better at the end of FY15. We're continuing our drive to source 100% of products from contract factories that meet our definition of sustainable²¹ by the end of FY20.

How workers are valued: We have set out to demonstrate to contract factories the importance of a valued and engaged workforce. These traits are key to our ability to achieve future growth that increasingly relies on well-trained people learning new skills and using new technologies. Toward this end, we are sharing and deploying our learning from pilot research programs to effect positive change inside factories, including regular worker voice surveys and management–worker

communication, supervisor and management behavior and capability training, enhanced compensation and benefit systems, and worker-led problem-solving on self-identified operational and wellbeing topics.

We are working to connect contract factories with providers who support the needs of workers on topics such as health, education and financial stability. We are continuously looking at innovating and piloting new approaches with factory communities that focus on workers' wellbeing outside and inside the factory and support the contract factory's ability to deliver improvements on key measures including worker engagement and wellbeing, productivity and quality. This approach is enabling us to embed best practices as standard. Ensuring that workers are supported with services and tools that enhance opportunities for financial management, education and training, access to lower-cost goods and services, as well as new ways of engaging and communicating with factory management, is a benefit to workers that translates into value for factories as well. Results show that workers who are participating in these pilots feel more engaged, are able to utilize services that save them time and money, are less likely to have issues of unplanned absenteeism, communicate greater levels of engagement and are more likely to want to continue to work at the factory that is connecting them to these tools and services.

For more detailed information on our approach and our progress to date, see the Transform Manufacturing section beginning on page [50](#).

TRANSFORM MANUFACTURING: 2020 TARGETS

TARGETS²²

MANUFACTURING: Source 100% from factories that meet our definition of sustainable²¹

LABOR: Ensure contract factory workers share in productivity gains

LABOR: Establish partnerships that support the needs of workers both inside and outside the factories

MEASURES²³

Achieve 100% bronze or better on the Sustainable Manufacturing and Sourcing Index
 Elevate a culture of health and safety
 Eliminate excessive overtime

Work with factories to develop and test new compensation and benefits models for their workers that can be scaled in the supply chain
 Deliver improvements on key measures: unplanned absenteeism, turnover, contract factory worker engagement and wellbeing

Scale services to support management and workers for improved engagement and wellbeing

²¹ We define sustainable factories as those that rate bronze or better on the Sustainable Manufacturing and Sourcing Index, demonstrating a beyond-compliance approach that includes effective management systems in place to meet and exceed baseline requirements in health, safety and environmental management; and labor best practices that create a safe, empowered workplace that engages and values workers.

²² All targets and measures are through end FY20, unless stated otherwise.

²³ Measures are additional commitments related to the target impact areas.

03 UNLEASH HUMAN POTENTIAL

We aim to unleash human potential by creating growth opportunities for NIKE employees and fostering vibrant communities.

As a company, our success relies on talented, creative and resourceful employees who strive to do their best in a challenging, fast-paced environment and a competitive industry. To bring out the best in our people, we offer resources that support career growth, health and wellbeing, and safety, as well as competitive pay and benefits. We nurture an increasingly diverse and engaged workforce supported by management that values creativity, diversity and continuous learning.

We also focus on getting kids active. Today's youth are part of the least physically active generation ever, with consequences for health, education and economic prosperity. NIKE is committed to shifting this trend by helping kids experience the joy of sport and movement at a time when they are forming lifelong habits. NIKE will continue to invest a minimum of 1.5% of our pre-tax income annually in community impact programs focused on getting kids active.

For more detail on our approach and our progress to date, see the Unleash Human Potential section beginning on page [66](#).

UNLEASH HUMAN POTENTIAL: 2020 TARGETS

TARGETS²⁴

EMPLOYEES: Attract and develop an increasingly diverse, engaged and healthy workforce

COMMUNITY IMPACT: Invest a minimum of 1.5% of pre-tax income to drive positive impacts in our communities

MEASURES²⁵

Provide visibility to our diversity and inclusion progress

Build stronger bodies and minds through health and wellness efforts

Provide comprehensive, competitive and equitable pay and benefits

Through the power of our brands and partnerships, get kids active early and for life, beginning with early, positive experiences for kids (ages 7 to 12) in schools and youth sports

Inspire a majority of NIKE employees to engage with their communities and support their giving of expertise, time and money

Drive sustained community impact in all our primary markets and sourcing backyards

²⁴ All targets and measures are through end FY20, unless stated otherwise.
²⁵ Measures are additional commitments related to the target impact areas.

MINIMIZE ENVIRONMENTAL FOOTPRINT

Understanding which resources are used in every link of the value chain allows us to minimize our environmental footprint in the areas that matter most as our company grows.

To realize our ambition to double our business with half the impact requires us to relentlessly optimize operations and deliver sustainable innovation. We must reduce energy use, carbon emissions, water use and waste throughout our value chain, while developing breakthrough, game-changing technologies and product designs that effectively reduce the connection between environmental impacts and revenue growth.

This section first describes our product creation process to provide context for our approach to minimizing our environmental footprint, and then details our efforts in four key environmental impact areas: carbon and energy, waste, water and chemistry.



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OUR APPROACH TO MINIMIZING OUR ENVIRONMENTAL FOOTPRINT

Minimizing our environmental footprint involves understanding our environmental impacts – what they are and where they occur – and then integrating this knowledge into decision-making processes throughout NIKE, Inc. operations and our value chain. In this way, NIKE and the contract factories and material vendors with which we work can make responsible business decisions that ultimately result in more sustainable operations and products.

To achieve this, we use customized analytical tools along with external, science-based information. We strongly believe in the power of data and analysis to unlock insights, inform decision-making and incentivize behavior change.

We began calculating our environmental footprint in 2002, expanded it in breadth and depth over time and publicly shared it in our FY12/13 reporting. The footprinting process reveals where our biggest impacts occur across our value chain. It clearly shows, for instance, that our most significant carbon emission, energy and water impacts stem from the raw materials used in our products and processing those materials into textiles. That means our overall impacts are in large part driven by the materials choices we make.

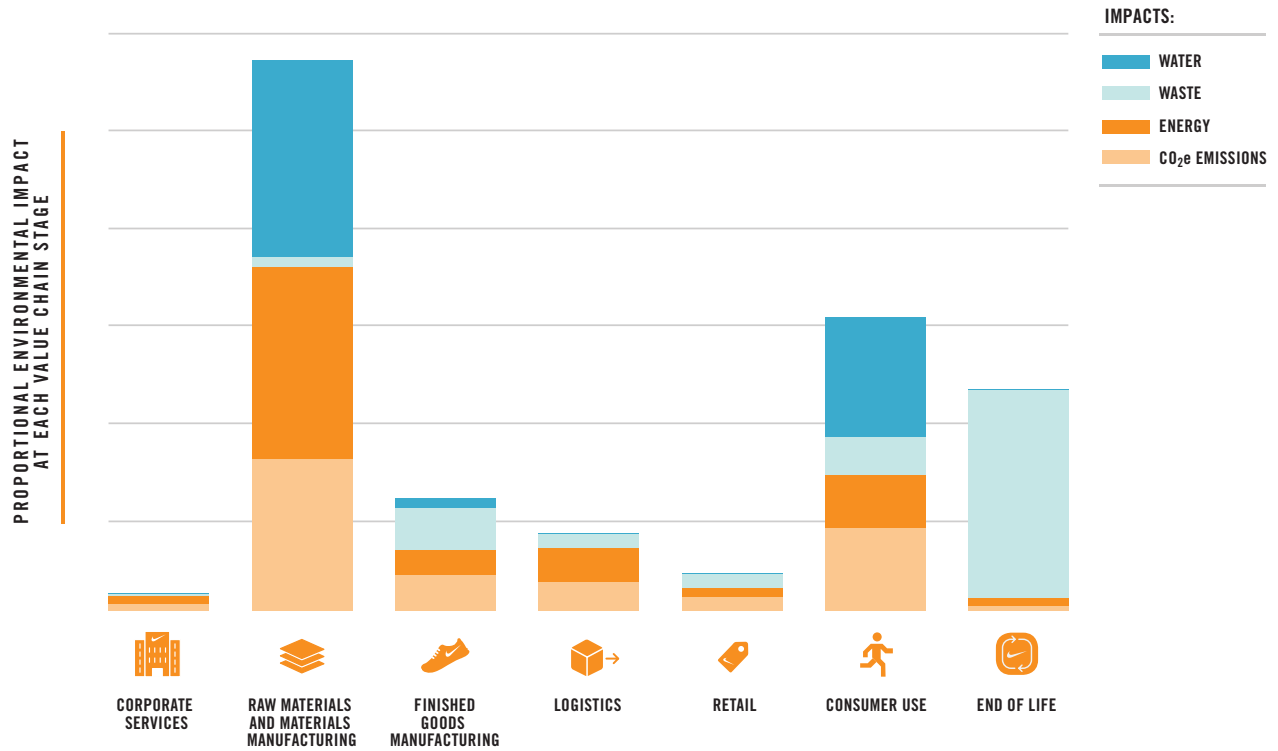
We have also conducted thorough lifecycle assessments (LCAs) for several individual products, including our Pegasus and Flyknit models. In these LCAs, we calculated all of the critical environmental impacts of the products at each stage of the value chain. In addition, we have conducted detailed assessments of the individual materials that go into our products to determine their environmental impacts.

The following sections provide more details about our approach and progress in each environmental impact area. While we discuss these impact areas separately for the purposes of reporting, in practice we consider them holistically. In our contract factories, for example, most water used in production is heated, so process improvements that reduce water use also reduce energy use. And in supplier facilities that dye textiles, technology upgrades can often simultaneously reduce water, energy and chemical use.



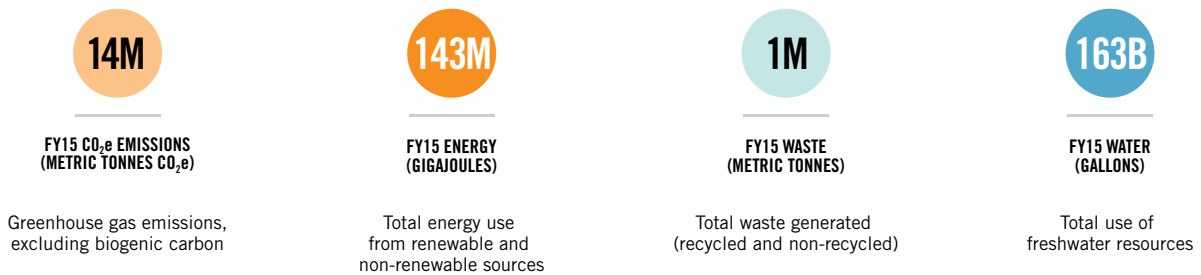
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FY15 NIKE, INC. VALUE CHAIN FOOTPRINT



NOTE: Corporate Services includes all headquarter facilities and corporate travel. Logistics includes transportation and distribution centers.

TOTAL IMPACT ACROSS THE VALUE CHAIN



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PRODUCT DESIGN AND MATERIALS

From concept to creation, NIKE constantly looks for ways to create better products and experiences for athletes. Our product teams have a singular focus on innovation, creating and designing products that offer athletes superior performance.

Today, NIKE's definition of product excellence means continuing to deliver on performance and functionality, while also addressing sustainability. Reaching our 2020 goal of \$50 billion in revenue, while simultaneously decreasing our impact will require more than incremental changes in efficiency. It will require innovation and we are working to develop a new generation of products that achieve maximum athletic performance with minimal environmental impact.

BY FY20, 81% OF ALL NIKE, INC. PRODUCTS WILL BE SCORED ON SUSTAINABILITY PERFORMANCE, UP FROM 28% IN FY15

Our approach to sustainability goes well beyond a single-product philosophy. We are embedding sustainability as a core competency in NIKE product creation teams and working to scale sustainability improvements across our entire product line to include every brand, every category and every product.

OUR APPROACH TO PRODUCT CREATION

Our holistic approach to product creation brings different teams and skill sets to the development process – from design and sourcing to engineering. Working together to find new and better product solutions helps reduce the environmental and social impacts of our products significantly, while also adding value to our business. It also offers a more integrated way of thinking, moving teams beyond their own subject matter expertise to achieve greater efficiency and greater sustainability. For example, placing design teams alongside production teams allows both to take full advantage of innovative breakthroughs.

We've grown from producing niche products, such as our Considered Design boot developed with vegetable-based dyes and recycled rubber, to introducing high-volume product lines, such as the NIKE Pro Bra and our Legend Pant – some of the first to make significant use of recycled polyester.

Moving forward, we're focused on making all products more sustainable and proliferating portfolios of sustainable products across the business. For example, we're scaling the use of technology such as NIKE Flyknit, which has disrupted the traditional method of making shoes and enabled our designers to microengineer every stitch of an upper, reducing waste by about 60% on average compared to cut and sew footwear. NIKE Flyknit has grown from one model in 2012 to 28 models across six categories in fall 2015, and is continuing to expand.



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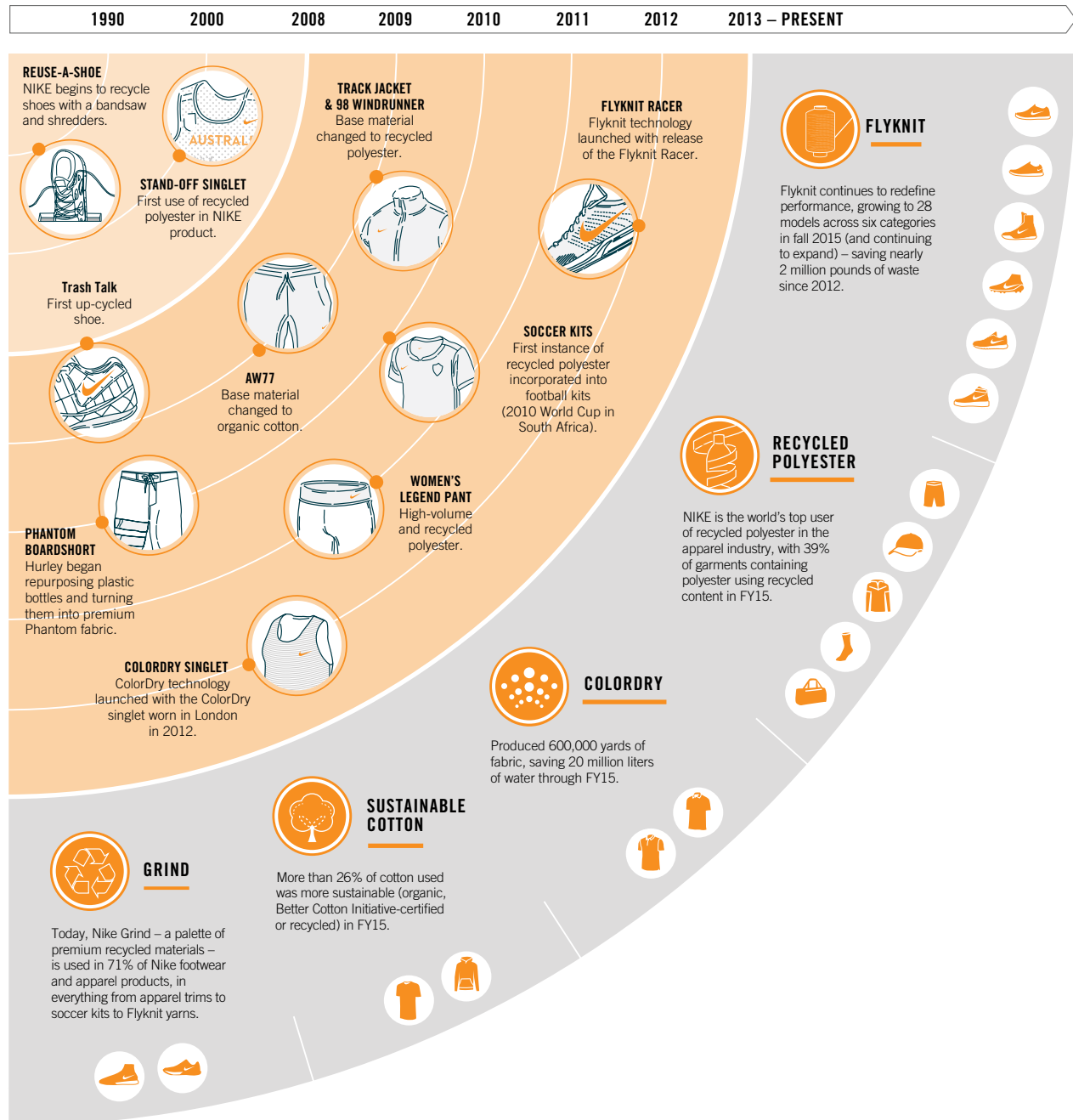
SCALING SUSTAINABLE INNOVATION

At NIKE, once we introduce a new product or technology, we take what we've learned from the experience to scale the concepts. For instance, we first used recycled polyester in our Stand-Off singlet, featured in Sydney in 2000. Sixteen years later, as the world focuses on Rio, we've become the biggest user of recycled polyester in the apparel industry, according to Textile Exchange.²⁶

DEVELOPING THE CONSIDERED DESIGN ETHOS

CREATING SUSTAINABLE ICONS

SCALING SUSTAINABLE PRODUCT & TECHNOLOGY



²⁶ Textile Exchange is a non-profit organization committed to the responsible expansion of textile sustainability across the global textile value chain.

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MEASURING OUR PRODUCT IMPACTS

The materials used in our products – from growing crops to manufacturing finished goods – have the greatest environmental impact in the entire product lifecycle, so reducing this impact is among the strongest levers we have for improving our overall environmental performance. NIKE has worked for a number of years to create sustainability scoring tools and indices that give our product creation teams the information they need to make better decisions about the materials they use and the processes they adopt. Two key levers help improve a product's score: reducing waste by improving pattern efficiency and using more sustainable materials.²⁷

We use more than 16,000 materials in our products each year, and a single pair of shoes may contain up to 30 materials. The NIKE Materials Sustainability Index (MSI) encourages our teams to choose better materials from better vendors by allowing them to compare the environmental impacts of 57,000 different materials, supplied by 741 vendors.

The MSI provides scores based on a variety of relevant environmental criteria and forms the basis for how we measure the sustainability of products. The index takes into account the energy, water and chemicals used to make materials, as well as waste generation. It also rewards material suppliers for participating in sustainability programs. By leveraging the MSI, our teams can choose materials with verifiably lighter environmental footprints.

The materials score feeds our product indices – the Footwear Sustainability Index (FSI) and the Apparel Sustainability Index (ASI). These indices provide a way for our product creation teams to measure the complete environmental profile of each product and make better choices in planning, designing and developing our products. The materials score from the MSI accounts for more than 50% of the score for both footwear and apparel, which helps teams understand that materials choices impact much more than just the shoe.

Teams also understand how they can improve the sustainability scores of products by using better materials, such as cotton that is recycled, organic or certified by the Better Cotton Initiative (BCI). Teams can also claim incentives to improve product sustainability scores, such as using materials that require fewer chemicals or use less energy during manufacturing.

²⁷ We define more sustainable materials as those that reduce the environmental impact of a product through better chemistry, lower resource intensity, less waste and/or recyclability.

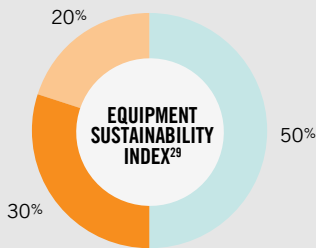
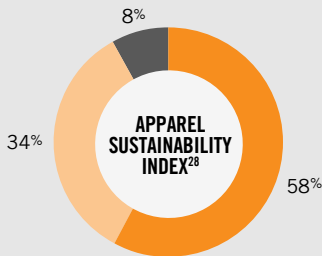
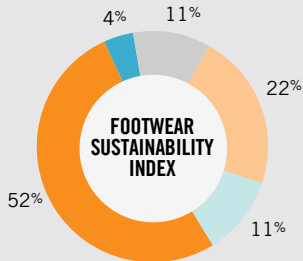


MAKING BETTER DECISIONS FOR THE ENVIRONMENT



WHAT WE MAKE

Better products by measuring the environmental profile of products and making better choices in planning, design and development.

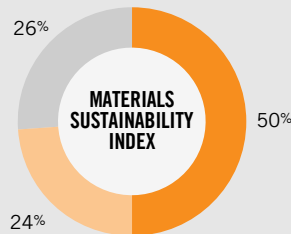


- NIKE MSI SCORE FOR MATERIALS
- WASTE IN MANUFACTURING
- SOLVENTS IN MANUFACTURING
- ENERGY/CO₂e IN MANUFACTURING
- INCENTIVES TO DRIVE NEW SUSTAINABLE TECHNOLOGIES
- INCENTIVES FOR RECYCLED TRIMS AND SINGLE FIBER GARMENTS



WHAT WE MAKE IT FROM

Better materials by comparing the environmental impacts of materials and vendors through the MSI.

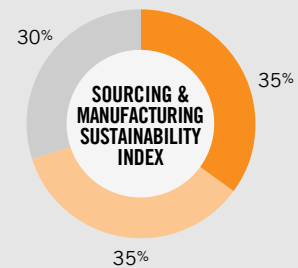


- BASE MATERIAL SCORE
- MATERIAL ENVIRONMENTAL ATTRIBUTES
- SUPPLIER PRACTICES



HOW WE MAKE IT

A sustainable supply chain of contract factories that are measured on sustainability alongside traditional metrics of cost, quality and on-time delivery.



- LABOR: 35 POINTS
- HSE AUDITS: 35 POINTS
- BEYOND COMPLIANCE: 30 POINTS

100% = perfect score and gold rating
70% = bronze

NOTE: Each product engine has a unique distribution of impacts, to which scoring is designed accordingly.

²⁸ Bags, gloves and socks are scored similarly.

²⁹ Inflatables are scored according to the Equipment Sustainability Index.

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MINIMIZING FOOTPRINT, MAXIMIZING PERFORMANCE

To cut the carbon footprint of our products an average of 10% by FY20, we must increase our use of environmentally preferred materials (EPMs), especially for those we use most frequently – cotton, polyester and leather. We define EPMS as materials that reduce the environmental impact of a product through better chemistry, lower use of resources, less waste or improved recyclability.

We track average NIKE MSI scores to assess whether the materials available to our product creation teams have a reduced environmental footprint. From FY13 to FY15, the average NIKE MSI score for footwear materials increased by 58%, and the average NIKE MSI score for apparel materials increased by 76%. MSI score improvements were driven by improvements along our value chain, including better vendor practices, such as wastewater compliance, and better materials selection by our product creation teams, including choosing recycled polyester.

BETTER COTTON

NIKE has long been a leader in advancing better approaches to cotton. Our volume of organic cotton places us as one of the top-five users globally, according to Textile Exchange.³⁰ Over the past five years, our use of organic cotton has remained steady. In FY15, of our total cotton use, 10% was organic, down slightly from 11% in FY11.

As one of our top-volume materials, cotton represents about 32% of water use across our entire value chain, mostly during the growing phase of material production. In 2011, we committed to sourcing 100% of our cotton more sustainably by the end of calendar year 2020. Due to our growth, we decided to broaden our portfolio of options beyond organic and recycled fiber, and identified BCI as having the greatest potential for driving systemic change in the cotton-growing industry.

BCI is a multi-stakeholder organization with over 700 members representing every part of the supply chain, as well as other brands – including IKEA, Levi Strauss and H&M. As an accredited standard-setting body, it aims to make mainstream cotton more sustainable and focuses on helping farmers reduce the use of water, pesticides and synthetic fertilizers while increasing yields. It also addresses labor practices and working conditions.

In 2015, 19% of the cotton used in any NIKE, Inc. product was BCI-certified, and 26% was more sustainable (certified organic, licensed to the BCI standard or recycled cotton). NIKE Brand apparel is leading, with 24% of its cotton in 2015 sourced as BCI, and 34% sustainable (certified organic, BCI or recycled).

RECYCLED POLYESTER

Polyester is the highest-volume material used in NIKE products, so we continue to expand the cost-effective use of recycled polyester. According to Textile Exchange, NIKE is the world's top user of recycled polyester in the apparel industry and, in FY15, 39% of NIKE Brand global polyester garments contained recycled fiber compared to 27% in FY11. All told, 17% of the polyester we purchased in FY15 for apparel was recycled.

CERTIFIED LEATHER

From ranching to tanning, we know that the leather supply chain has the potential to have significant environmental impact if the processes are not well managed. With this in mind, we ensure that our NIKE Brand footwear is certified according to the standards of The Leather Working Group (LWG), an organization that rates tanneries based on environmental standards for leather processing. Among the criteria the group uses for assessment are water consumption, waste management and the transparency of effluent treatment, with tanneries graded on a medal-rating scale. All of our NIKE Brand footwear leather suppliers are certified by the LWG and, of those, 80% are gold-certified.

30 According to the Textile Exchange 2015 "Preferred Fibers Market Report".



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ENVIRONMENTALLY PREFERRED RUBBER

NIKE has a long history of reducing the impact of rubber, including developing two environmentally preferred rubber base formulations suitable for performance footwear in the 1990s. In FY15, 76% of NIKE Brand footwear designs used environmentally preferred rubber, up from 3% in 2004 but down slightly from 80% in FY13. This decrease was due to implementing a more accurate data-measurement methodology as part of our new sustainability targets.

MATERIALS INNOVATION

Creating a new palette of sustainable materials is one of the greatest innovation challenges of our time. The world is ripe for innovation in materials, including what they are made from, how they are processed and used, and the opportunities they present for infinite recyclability and reuse. Discovering new ways to source and use materials will help pave the way to a closed-loop future.

At NIKE, we drive change by focusing on materials at the portfolio level. Four of our top-volume materials – polyester, cotton, leather and synthetic leather – are found in 98% of our products. We've made progress developing and sourcing more sustainable options for these materials but, moving forward, we know we can do more.

We see the biggest opportunity in polyester. We're leveraging our robust materials innovation pipeline to find better solutions and are pursuing a number of opportunities to tackle waste, chemistry and closed-loop processes.

We also collaborate with other organizations to drive material innovations, including LAUNCH, an open innovation platform designed to uncover breakthrough ideas in sustainable innovation, developed through a strategic partnership with NASA, the U.S. Agency for International Development and the U.S. Department of State.

OUR PLAN FOR THE FUTURE

Looking ahead, our product target for FY20 is to deliver products with maximum performance and minimum impact, achieving an overall 10% reduction in the average environmental footprint of our products. For each product scored, we'll use the CO₂ emissions equivalent as the proxy for an environmental footprint.

This FY20 target represents a step change in how we measure progress. We now have the ability to translate our product index metrics into equivalent CO₂ emissions metrics and are committed to a measurable reduction in environmental impact through every product we make. We believe the FY20 target will help drive significant change – though it will require product and materials innovation and progress in manufacturing in order to meet it.

Each in-scope category – for instance, golf apparel or running footwear – has its own improvement goals. Product teams were deeply involved in setting these category goals to ensure ownership, that each represents real improvement and that each is achievable.

Our FY20 materials target is to increase our use of more sustainable materials³¹ in apparel and footwear from FY15 baselines of 19% and 31% respectively. We'll measure overall progress through product scores in our ASI and FSI, while initiating broader efforts for the highest-volume and highest-impact materials in our supply chain – such as our commitment to source 100% of our cotton more sustainably. To support these efforts, we're introducing greater accountability in the way we score our products and how product teams are evaluated, with targeted training to support their work.

Other strategic initiatives include optimizing the use of recycled polyester, identifying low-water and no-water materials dyeing processes, using fewer and better chemicals to process materials, and finding new opportunities to reuse product waste. Overall, we see sustainability as a driver of innovation, not a constraint, and we will continue to seek opportunities to deliver innovative technologies with lower environmental impacts.

31 We define more sustainable materials as materials that reduce the environmental impact of a product through better chemistry, lower resource intensity, less waste and/or recyclability.



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FY15 REVOLUTIONIZE PRODUCT PERFORMANCE

AIM

Design products that provide superior performance and lower environmental impact across NIKE, Inc.

FY15 TARGET

Understand and improve the environmental profile of our product designs by the end of FY15.

FY15 PERFORMANCE



98%
NEW NIKE BRAND GLOBAL FOOTWEAR REACHED SILVER OR BETTER



80%
NEW NIKE BRAND GLOBAL APPAREL REACHED BRONZE OR BETTER



83%
NEW NIKE BRAND BAGS REACHED BRONZE OR BETTER IN FY15

Based on our performance toward our commitments, we believe we achieved our overall target.

COMMITMENTS

SUSTAINABLE FOOTWEAR

New NIKE Brand global footwear product achieves minimum silver rating by the end of FY15

We consider our commitment to design 100% of our new footwear products to a silver or better rating by the end of FY15 achieved, as 98% of our new footwear products were rated silver or better, an increase of 37% compared to FY13. Many footwear categories exceeded the target, with nearly half of our scored footwear products achieving a gold rating.



OF THE IN-SCOPE PRODUCT WAS SCORED IN THE FSI, ALMOST DOUBLE THE AMOUNT SCORED IN FY13

Progress was driven by materials score improvements from better data and improved suppliers.

SUSTAINABLE APPAREL

New NIKE Brand global apparel product achieves minimum bronze rating by the end of FY15



OF THE IN-SCOPE PRODUCT WAS SCORED IN THE ASI, UP 31% FROM FY13

At the end of FY15, 80% of our apparel product scored bronze or better on the ASI. Though we did not fully achieve our commitment, this is significant progress given the complexity of some apparel product materials and silhouettes. Importantly, NIKE apparel category teams successfully integrated sustainability into their product creation process, scoring 100% of the product in scope of the target (up 31% from FY13).



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SUSTAINABLE EQUIPMENT

New NIKE Brand global equipment product achieves minimum bronze rating by the end of FY20

Bags achieved 83% bronze or better in FY15. We continue to score socks, bags and inflatables categories, and are establishing new baselines for our FY20 targets.

Converse is now scoring and establishing baselines as well, and in FY17 will be setting product score goals.

EXPAND REACH

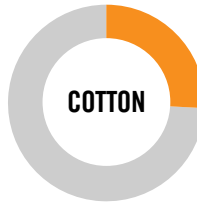
Expand reach of indices to score other NIKE, Inc. product (i.e. products of affiliate brands, licensees and carry-over products)

In FY14, Converse and Hurley teams started using a scoring tool that applies ASI and FSI frameworks to score their products. Converse is currently creating a baseline product score and will use the baseline to develop a 2020 goal. Hurley teams are being trained on a new tool and will start using it in FY17.

BETTER MATERIALS

Increase use of environmentally preferred materials

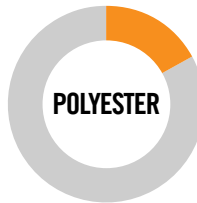
The average overall apparel NIKE MSI score increased 58% compared to FY13 to 39 out of 100. The average overall footwear NIKE MSI score increased 76% compared to FY13 to nearly 29 out of 100.



26%

NIKE BRAND COTTON MET DEFINITION OF SUSTAINABLE (BCI, ORGANIC OR RECYCLED), WITH 19% LICENSED TO THE BCI STANDARD

79% of NIKE's global apparel containing cotton used at least 5% organic cotton (down from 90% in FY11); 10% of NIKE's total cotton use was organic (down slightly from 11% in FY11).



17%

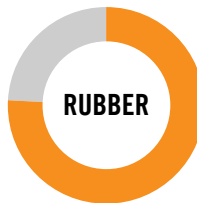
OF POLYESTER PURCHASED FOR APPAREL WAS RECYCLED POLYESTER

37% of NIKE Brand global polyester garments contained recycled polyester, compared to 27% in FY11.



100%

OF LEATHER USED IN NIKE BRAND FOOTWEAR CAME FROM LWG MEDAL-RATED SUPPLIERS



76%

OF NIKE BRAND FOOTWEAR DESIGNS USED ENVIRONMENTALLY PREFERRED RUBBER

NOTE: More sustainable cotton constitutes cotton that is certified organic, Better Cotton (cotton grown according to the Better Cotton Standard System) or recycled.



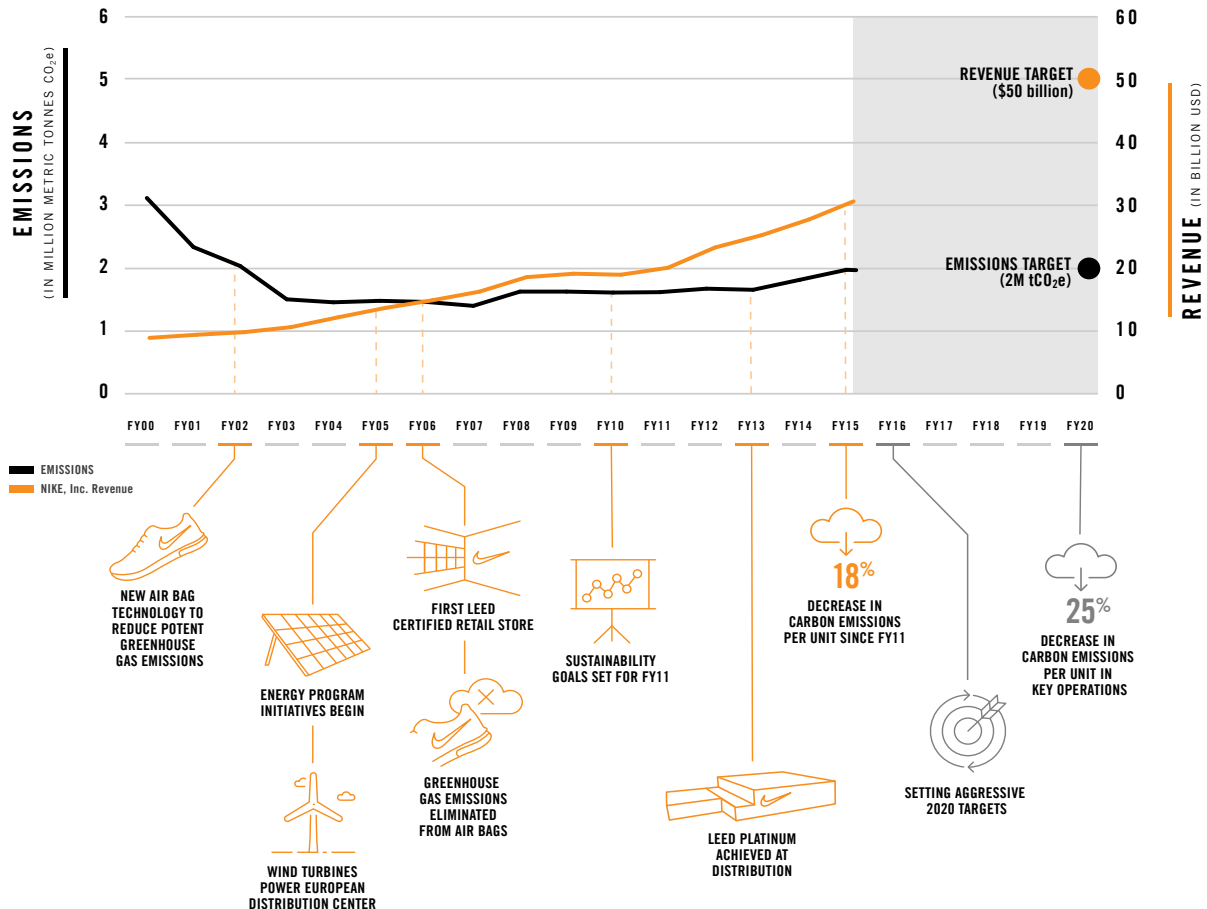
CARBON AND ENERGY

To define and thrive in a low-carbon future, we share the same two critical levers as the rest of the world – energy efficiency (use less) and renewable energy (use better). NIKE’s approach to reducing our carbon footprint involves pursuing innovation in low-impact materials, driving energy efficiency in our supply chain and advancing renewable energy³² in our owned or operated facilities.³³



SUSTAINABILITY AND BUSINESS GROWTH ARE COMPLEMENTARY

We have reduced absolute CO₂e emissions while simultaneously increasing revenues since FY00.



32 Target includes electricity only.
 33 Where we make energy purchase decisions on strategic assets.

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USE LESS AND USE BETTER

Our biggest carbon and energy impacts occur in the materials stage of our value chain (i.e. materials growing, processing and finishing). We address these impacts in part using our sustainability indices, which enable our product creation teams to choose lower-impact materials, and by educating those teams on the importance of making better choices for our products. We are also working to improve the carbon footprint of key high-volume materials such as cotton and to develop new, innovative materials with lower carbon impacts (see page 28). We're already working with many lower-carbon materials, including recycled polyester, ColorDry-dyed polyester and BCI-licensed cotton. We are engaging further upstream in our supply chain with material suppliers to assess their energy use and identify improvement opportunities. For example, in FY15, we partnered with Washington State University to develop a comprehensive energy-efficiency resource toolkit for dyeing and finishing facilities that we are rolling out in FY16 and FY17.

Product manufacturing is another area of significant impact, especially for footwear. NIKE field teams work with contract factories to identify ways they can reduce energy use and emissions. Since we launched this effort in 2008, NIKE footwear manufacturers have cut their energy use per unit in half, meaning today it takes about half the energy and half the emissions to make a pair of shoes compared to eight years ago.

In FY15, we set a bold new target for renewable energy³⁴ in our owned or operated facilities,³⁵ as discussed later in this section. For many years, we've utilized renewable energy generation at some of our largest distribution facilities, including solar panels and wind turbines at our European Logistics Campus in Laakdal, Belgium, and solar panels at our logistics center in Taicang, China. Many of the contract factories we source from are also increasing the use of renewable electricity. For example, in FY15 about 20 contract factories in both finished goods manufacturing and materials dyeing and finishing used 500,000 MWh of renewable energy and are continuing to scale. Going forward, we have committed to working with contract factories to scale renewable energy use.

Our owned or operated facilities comprise a relatively small portion of our end-to-end carbon footprint, but are where we have the most direct control. We pursue Leadership in Energy and Environmental Design (LEED) certification for the majority of new NIKE retail stores and have made significant investments in efficient lighting and energy management systems. A typical LEED-certified NIKE store uses 40% less lighting-related energy.

³⁴ Target includes electricity only.

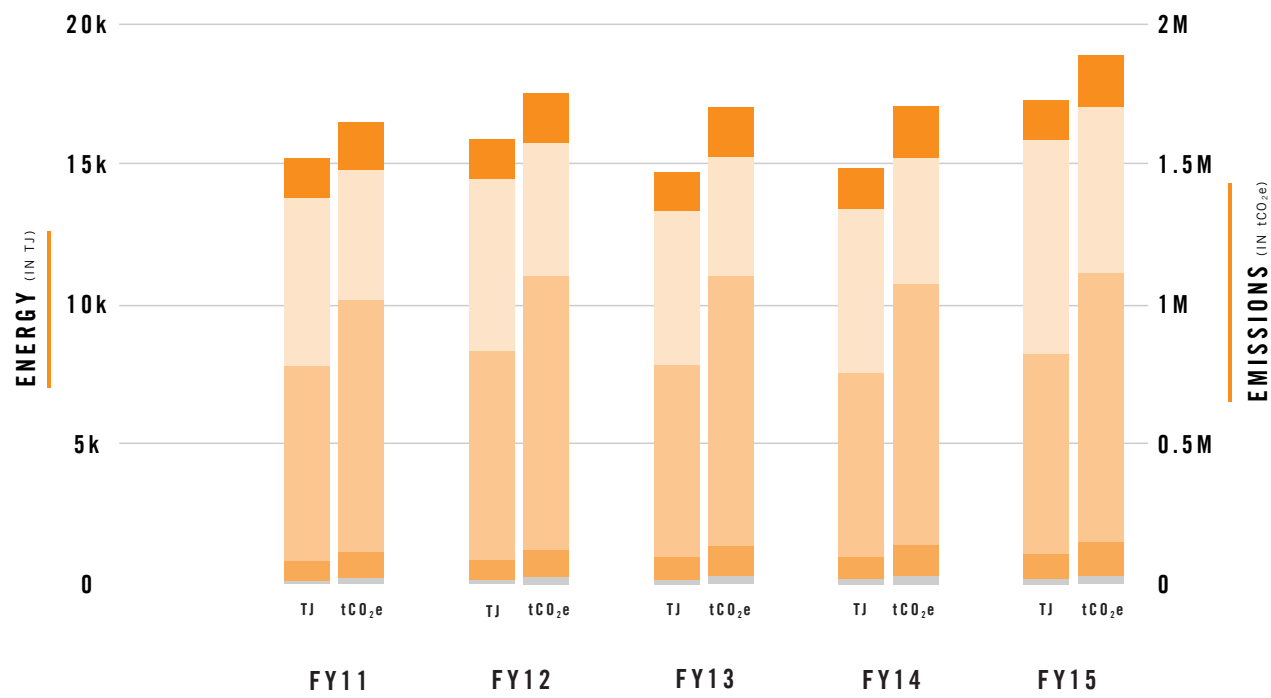
³⁵ Where we make energy purchase decisions on strategic assets.



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NIKE, INC. TOTAL ASSESSED ENERGY AND CO₂e EMISSIONS

Our assessed footprint provides year-on-year comparisons on our absolute energy use and emissions, and helps us to gauge our overall progress toward minimizing our environmental footprint.



	FY11		FY12		FY13		FY14		FY15	
	ENERGY	tCO ₂ e	ENERGY	tCO ₂ e	ENERGY	tCO ₂ e	ENERGY	tCO ₂ e	ENERGY	tCO ₂ e
FACILITIES	1,397	172,350	1,426	175,972	1,374	177,469	1,436	185,445	1,444	186,550
INBOUND LOGISTICS	6,021	466,397	6,142	475,780	5,525	427,965	5,837	452,129	7,636	591,502
FOOTWEAR MFG	6,984	897,662	7,484	980,554	6,863	964,067	6,595	934,849	7,164	960,969
APPAREL MFG	698	96,300	696	96,086	792	109,304	792	109,285	898	123,871
EQUIPMENT MFG	135	20,153	170	25,365	182	27,147	193	28,756	189	28,262

NOTE: "TJ" is terajoules (a measurement of energy use) and "tCO₂e" is metric tonnes of carbon dioxide equivalents. Reporting is in alignment with WRI GHG Protocol Scopes 1, 2 and 3. Baseline year for comparison is FY11. Data on emissions and energy use for FY11–13 excludes discontinued operations from Cole Haan and Umbro.

NOTE: Amounts previously reported have been revised for the correction of an immaterial error related to Scope 1 energy use.

NOTE: Facilities (Scope 1 and 2) include the built environment: World Headquarters (WHQ), European Headquarters, Hurley Headquarters, high-volume global distribution centers, global retail, North America sales offices and In-House Manufacturing.

NOTE: Inbound logistics (Scope 3) covers shipment from finished goods factories to distribution centers globally. Emissions data reported in CO₂, not CO₂e.

NOTE: Footwear Manufacturing (Scope 3) refers to finished goods manufacturing, of which 98% is factory-reported primary data and 2% is extrapolated data. FY11, FY12 and FY13 Tier 1 footwear manufacturing energy and carbon data was restated due to grid emissions factor realignment, methodology improvements and system enhancements. In our FY12/13 Corporate Responsibility Report, we reported FY11 Tier 1 footwear manufacturing energy use and CO₂e emissions at 7,064 TJ and 906,969 tCO₂e respectively; FY12 at 7,024 TJ and 888,472 tCO₂e; and FY13 at 6,592 TJ and 865,703 tCO₂e. The increase from FY11 to FY12 in footwear manufacturing energy use and emissions reflects a large growth in production volume.

NOTE: Apparel manufacturing (Scope 3) is calculated using extrapolations based on lifecycle analysis data. For perspective, the energy used across the entire cut-and-sew contract factory base for our production is estimated to be equivalent to a single footwear factory.

NOTE: Equipment manufacturing (Scope 3) is calculated using extrapolations based on lifecycle analysis data.

NOTE: Business Travel is excluded due to methodology changes and data capture scope expansions preventing meaningful comparison with previous years.

NOTE: The accounting methods companies have historically applied for Scope 2 renewable energy purchases vary. Based on updated GHG Protocol Scope 2 guidance on market-based methods, we've included on-site wind renewable energy credits in our measurements and calculations for FY11–15 emissions. Going forward, we plan to follow the GHG Protocol's market-based method of accounting for Scope 2 emissions and are exploring options to increase data availability of more specific emissions factors.

The chart above shows our total assessed energy and carbon emissions (which includes a wider scope than outlined in our target) and indicates that our absolute emissions increased last year due to a spike in emissions

from inbound logistics. From FY11 through FY15, both absolute energy use and absolute carbon emissions in our assessed footprint increased 14% each, as revenue grew 52% during the same period.

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OUR PLAN FOR THE FUTURE

We have an ambitious target for reducing our carbon emissions. In our owned or operated facilities,³⁶ we aim to use 100% renewable energy³⁷ by the end of FY25 as part of our effort to control absolute emissions. This is equivalent to reducing absolute Scope 1 and 2 carbon emissions in those facilities by more than 50% from FY15 to FY25.

Beyond Scope 1 and 2, we plan to reduce upstream Scope 3 carbon emissions per unit of apparel and footwear by 10% from FY15 to FY20.³⁸ This includes reducing emissions for finished goods manufacturing and textile dyeing and finishing, selecting lower-impact materials and reducing waste from our products through the use of our footwear and apparel indices.

These goals are aligned with the level of mitigation needed to limit average global temperature to a rise of no more than 2°C above the pre-Industrial Revolution average. The World Resources Institute (WRI) has confirmed that NIKE's Scope 1 and 2 target is effectively a science-based target. In addition, NIKE's Scope 3 target is ambitiously addressing all areas in our product value chain from raw materials extraction through finished goods manufacturing, which further reinforces our commitment to science-based targets. Aligning our emissions reduction efforts with scientific consensus improves the quality and credibility of our targets, while preparing our business to thrive in a low-carbon future.

BROADER COMMITMENTS

- Joined RE100, a global initiative of businesses setting similar renewable energy goals (see www.there100.org)
- Signed the White House American Business Act on Climate Pledge
- Committed to the Better Buildings Challenge, run by the U.S. Department of Energy³⁹

Meeting these goals will require us to continue improving our efficiency, from manufacturing to corporate services, but it will also require proliferating innovative solutions across our value chain.

³⁶ Where we make energy purchase decisions on strategic assets.

³⁷ The target scope includes electricity only.

³⁸ We are using CO₂e emissions as a proxy for other environmental impacts (e.g. energy, other air emissions), which generally are tied to CO₂e emissions. As we expand our capability to track other environmental impacts (e.g. water use) with the same level of confidence as CO₂e, we will include these into this target.

³⁹ See <http://betterbuildingssolutioncenter.energy.gov/partners/nike-inc>



FY15 CARBON AND ENERGY PERFORMANCE

AIM

Drive innovation and collaboration and promote public policies to reduce carbon emissions across the value chain.

FY15 TARGET

Achieve a 20% reduction in CO₂e emissions per unit from FY11 levels through FY15 (in aggregate across the built environment, logistics and footwear manufacturing).

FY15 PERFORMANCE

We drove progress through reductions in energy and related emissions in contracted footwear manufacturing and inbound logistics during a period of exceptional growth. For context, in FY15 we shipped more than 1 billion units through our supply chain, and our revenue increased 52% from FY11 through FY15. That growth, as a backdrop to continued efforts and achievements in carbon reductions, shows we are on our way to minimizing our environmental footprint.



REDUCTION IN CO₂e EMISSIONS PER UNIT ACROSS FOOTWEAR MANUFACTURING, INBOUND LOGISTICS AND BUILT ENVIRONMENT



REDUCTION IN CO₂e EMISSIONS PER UNIT FROM CONTRACT FOOTWEAR MANUFACTURING



REDUCTION IN CO₂ EMISSIONS PER UNIT IN INBOUND LOGISTICS



REDUCTION IN CO₂e EMISSIONS PER SQUARE FOOT IN NIKE RETAIL STORES



ABSOLUTE EMISSIONS REDUCTION AT WHQ

This was achieved by implementing various NIKE Energy and Carbon Program initiatives that aim to decrease energy consumption on the factory floor. From FY11 through FY15, energy use per unit decreased 24%. In addition, many of our contract factories are now investing in renewable energy, both on site and through direct sourcing partnerships.

However, reducing emissions in inbound logistics during this period proved more challenging than expected. In FY15, for instance, we used 35% more airfreight than planned, due in part to congestion and strikes at some key U.S. shipping ports. Moving our products by air emits about 25 times more CO₂ than ocean shipping, and we are actively seeking

solutions in our supply chain to reduce all unnecessary airfreight. Over the next five years, we expect significant growth in our e-commerce business, and we are exploring options to evolve our logistics network to best serve our growing e-commerce consumer base, while minimizing carbon emissions.

Due to LEED standards proliferating across retail, we achieved a 14% reduction in kWh/square foot and a 13% reduction in CO₂e/square foot.

COMMITMENTS

MANUFACTURER PERFORMANCE

Increase contracted manufacturer participation in NIKE's Energy and Carbon Program

96%

OF NIKE BRAND FOOTWEAR PRODUCT VOLUME OVER THE PAST FIVE YEARS ON AVERAGE CAME FROM FACTORIES PARTICIPATING IN THE NIKE ENERGY AND CARBON PROGRAM

RENEWABLE ENERGY

Expand use of renewable energy in our built environment (where available), including all new retail stores

49%

OF ENERGY USED AT WHQ OFFSET BY RENEWABLE ENERGY CERTIFICATES

In FY15, we purchased 37,360 MWh in Renewable Energy Certificates (RECs), which is about 49% of energy used at our World Headquarters (WHQ). Additionally, we purchased RECs for all retail stores that opened in North America in FY14 and FY15. We are now pursuing increased direct use of renewable energy to work toward our FY25 100% renewable energy⁴⁰ target. We have solar panels and wind turbines at our European Logistics Campus in Laakdal, Belgium, and solar panels at our logistics center in Taicang, China, which collectively generated 50 million kWh in FY14 and FY15.

LEED DESIGN

Design new NIKE, Inc. builds to LEED standards

77

NIKE RETAIL STORES LEED-CERTIFIED

In FY15, 37 new NIKE retail stores were LEED-certified, bringing the total to 77 LEED-certified stores globally – up from 33 in FY13. An additional 70 stores are pursuing certification. The U.S. Green Building Council recently recognized and commended NIKE for having the first LEED Version 4 retail project in the world, in Norwich, U.K.

GHG FOOTPRINT

Assess and report energy and CO_{2e} footprint

Overall, both absolute energy use and absolute CO_{2e} emissions in our assessed footprint increased 14% each from FY11 through FY15. Our energy and CO_{2e} assessed footprints increased 17% and 11% respectively from FY14 to FY15⁴¹ primarily due to a significant increase in absolute emissions from inbound logistics.

⁴⁰ The target scope includes electricity only.

⁴¹ The accounting methods companies have historically applied for Scope 2 renewable energy purchases vary. Based on updated GHG Protocol Scope 2 guidance on market-based methods, we've included on-site wind renewable energy credits in our measurements and calculations for FY11–15 emissions. Going forward, we plan to follow the GHG Protocol's market-based method of accounting for Scope 2 emissions and are exploring options to increase data availability of more specific emissions factors.



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WASTE

NIKE sees waste as a resource that can be harnessed to ignite innovation along our entire value chain, rather than something to be discarded. Waste offers excellent opportunities for value capture and cost savings, and we are working toward a closed-loop future that eliminates the very concept of waste.

Today, waste is generated across our value chain – from agricultural waste associated with harvesting raw materials, to the manufacturing waste created in our contract finished goods factories, to the waste created when our products reach the end of their useful lives and are thrown away.

In the manufacturing space, the best way to reduce waste is to design it out of products from the start. For example, Flyknit technology enables the creation of footwear uppers directly from yarn rather than cutting them from fabric. As such, the production of a Flyknit shoe results in not only a high-performance product, but also significantly less scrap waste than a typical shoe upper. Since its introduction in 2012, Flyknit has expanded from a single model to 28 models across six categories in fall 2015 (and is continuing to expand), and has helped NIKE reduce waste by about 2 million pounds as of the end of FY15. All core yarn for all NIKE Flyknit shoes is now recycled polyester Flyknit yarn, which to date has diverted more than 182 million plastic bottles from landfills.

Of course, not all of our products are as efficient as Flyknit. In fact, some new and popular footwear models generate higher-than-average waste volumes during production. As a result, our contract factories and materials suppliers have implemented an array of efficiency initiatives aimed at reducing waste, and we are continuing to develop new solutions to address new challenges. For example, we encourage material vendors where possible to cut footwear components at

their facilities and then ship the pre-cut pieces to our contract finished goods manufacturers. This practice means those material vendors are able to recycle the scrap back into usable materials at their own facilities. It also reduces waste sent to landfill and cuts down on CO₂e emissions related to transporting the materials from the vendor to the contract factory. In other cases, our finished goods factories are cutting material and then shipping the scrap directly back to material vendors for recycling. For example, one of our material suppliers is recycling Flyknit yarn waste into the material used underneath sock liners in new Flyknit shoes.

As we work toward a closed-loop future, we are leveraging Nike Grind – a premium materials palette born from a regeneration process of original materials and products. Nike Grind materials deliver on NIKE's expectation that materials and products will perform beyond a single use, living on from one product to the next.

In 2016, NIKE expanded the definition of Nike Grind to include multiple recycled and regenerated materials across the company, including recycled polyester. As NIKE works toward a closed-loop future, we are focused on innovating a new palette of sustainable materials.

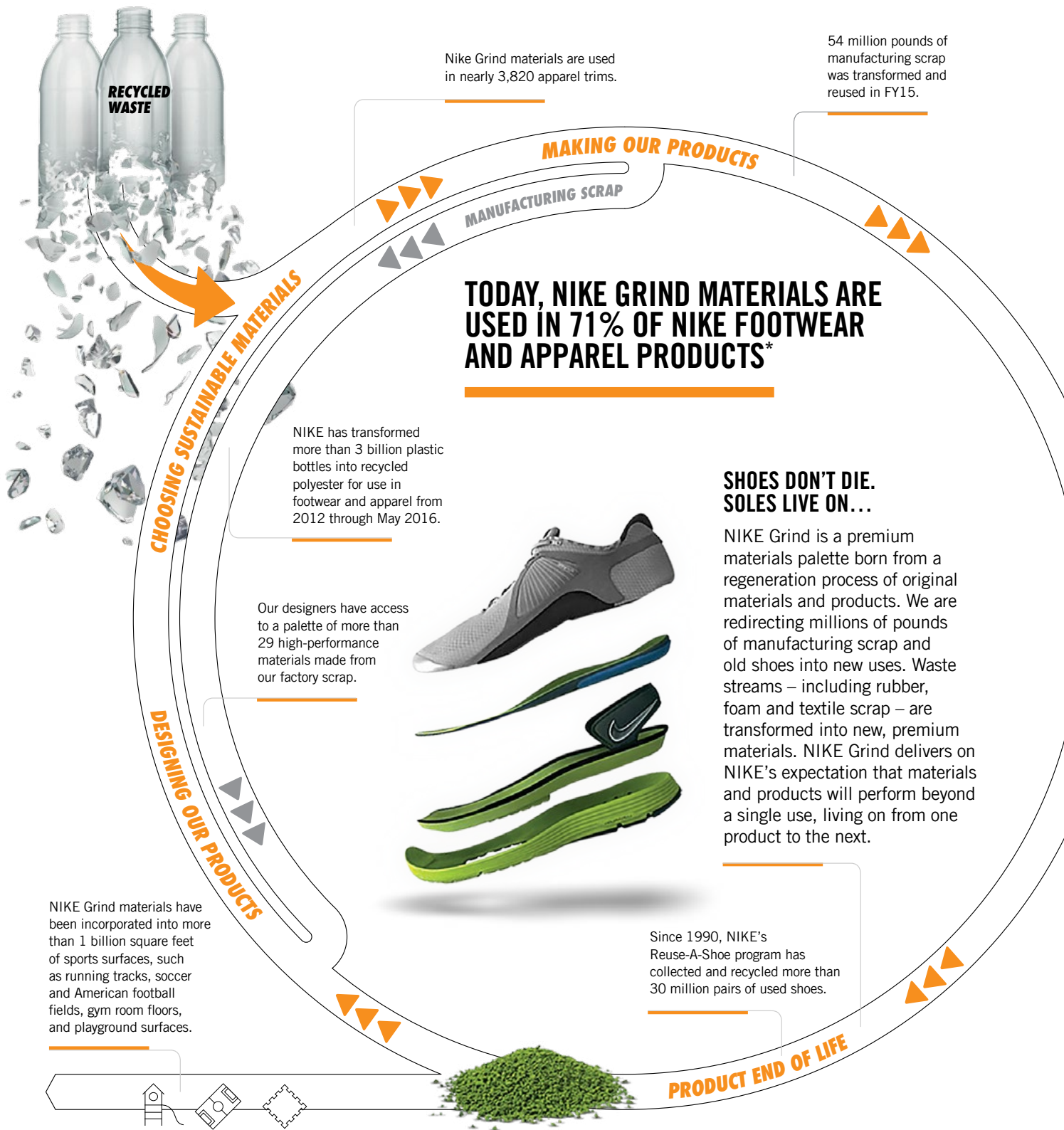


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* Percentage of Nike Grind varies by individual product and style

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OUR PLAN FOR THE FUTURE

To achieve our vision of a closed-loop business model, our first step is to revolutionize the way waste is managed in our value chain through materials efficiency, closed-loop materials and improved waste management pathways. We will seek new ways to capture value by harnessing waste materials to create new and innovative high-performance products. And we will be taking a close look at how to minimize and/or recycle difficult materials such as leather.

Our primary waste target for FY20 is to completely eliminate footwear waste from manufacturing to landfill or incineration,⁴² while continuing to reduce overall waste. In addition, by FY20 we are seeking to:

- Reduce waste generated by 5% per unit in key operations, which include finished goods manufacturing, corporate headquarters and distribution centers
- Reduce waste to landfill in key operations, including distribution centers and headquarter locations

FY15 WASTE PERFORMANCE

AIM

Use less, use better, use again and innovate to reduce impact across the value chain.

FY15 TARGET

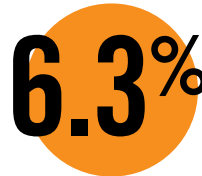
Achieve a 10% per-unit reduction in waste from finished goods manufacturing across NIKE, Inc. and in shoebox weight per unit (from an FY11 baseline through FY15).

FY15 PERFORMANCE

Building on the 35% reduction in footwear manufacturing waste we achieved since sharing our aims in 2005.



PER-UNIT SAVINGS OVER THE PAST FIVE YEARS IN FOOTWEAR, APPAREL AND EQUIPMENT MANUFACTURING



REDUCTION IN TOTAL SHOEBOX WEIGHT PER UNIT, THROUGH THE NIKE BETTER BOX PROGRAM

⁴² Incineration without energy recovery.



COMMITMENTS

REDUCE AT MANUFACTURING

Reduce waste in manufacturing

2M

LBS OF WASTE AVOIDED THROUGH FLYKNIT TECHNOLOGY THROUGH FY15

- Footwear manufacturing waste streams were tracked by implementing a system that reports on 50 separate waste streams quarterly. The consistent collection of data enabled our Sustainable Manufacturing & Sourcing team to make more informed decisions and set strategies for future waste reductions.
- We continued to work with contract factories to reduce waste per unit through materials efficiency and waste management optimization and reduced waste per unit. Some changes in product mix and new footwear materials have presented new waste challenges for which we continue to seek solutions.
- From its introduction in 2012, through FY15, more than 2 million pounds of waste have been avoided through Flyknit technology.

IMPROVE PACKAGING

Improve packaging

We achieved a 3% average weight reduction per shoebox by testing and assessing multiple box designs, and ultimately implementing one that optimized fiber reduction without compromising essential strength or performance attributes for transport.

1.5M

KGS TOE STUFFING SAVINGS

1.4M

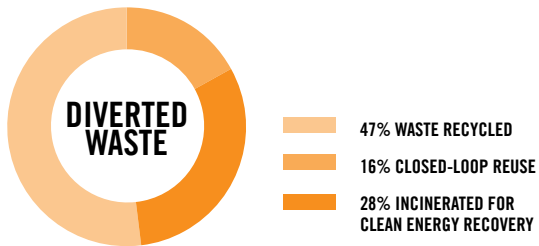
KGS CORRUGATED SHOEBOX SAVINGS

- Reductions in tissue wrapping and toe stuffing added an additional 3.3% average weight reduction per box, for a total of 6.3% average weight reduction per box
- Our shoeboxes are made from 100% recycled content and fully recyclable

RECYCLE, REUSE, REPURPOSE

Increase recycling, reuse, repurpose and composting of waste (in manufacturing, retail, distribution centers, offices)

Over the past five years, we have worked to increase recycling, reuse and composting across our value chain.



- In FY15, footwear manufacturing achieved a 92% diversion rate of total solid waste from landfill and incineration without energy recovery
- A representative sample of 29 NIKE Brand retail stores achieved a 47% waste diversion rate in FY15, improving 1% from FY11
- NIKE WHQ achieved a 70% waste diversion rate, a 5% improvement from FY11
- Our distribution centers achieved a 91% diversion rate, which is consistent with performance over the past five years
- Through recycling, down-cycling, closed-loop materials and clean energy recovery opportunities, we realized a 6% increase in our footwear manufacturing diversion rate from FY11

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WATER

The World Economic Forum has flagged water quantity and quality as the biggest threat facing the planet over the next decade.⁴³ At NIKE, we have been working to reduce our water footprint for years, and we recognize that this elevated threat to water could pose a risk to our business. That’s one reason we’re more focused than ever on understanding, reducing and improving our water use.

Significant water is used in growing or raising crops and in processing, dyeing and finishing materials – even before products get to consumers, who add to the water footprint through laundering.

A closed-loop future for water relies on resiliency, efficiency and smart management. We seek to build a water-resilient source base with world-class water efficiency and innovative wastewater management. We collaborate primarily with material vendors, whose textile dyeing and finishing operations are particularly water-intensive, to expand the use of innovative approaches to water management, wastewater treatment and water recycling. We engage most closely with our largest material vendors – those that account for approximately 80% of material production – that have the largest water withdrawals and the greatest opportunity for adopting new technologies. We readily provide support to other suppliers who seek assistance addressing their water challenges.

We work with material vendors and contract factories to track and report their water use and wastewater discharge compliance. To incentivize their participation in the NIKE Water Program suppliers’ performance is included in our MSI. By including water performance in our tools, we encourage our product creation teams to make more water-efficient material choices and help suppliers raise their awareness of their water footprint and impact on the environment. Along with



the contract factories’ self-reported data, we also utilize the China Pollution Map Database developed by the Institute of Public & Environmental Affairs (IPE) to screen facilities in China for wastewater violations. Of the facilities that are actively reporting, 99% were compliant with at least local regulations in FY15. Program participation has increased from 713 facilities in FY11 to 811 in FY15.

We continue to seek out revolutionary technologies and practices that can radically reduce water use. For example, one of our contract textile dyeing facilities in Taiwan utilizes ColorDry – a game-changing technology that dyes fabric without water. ColorDry instead uses recycled CO₂ in the dyeing process, resulting in brilliant and consistent colors. Through FY15, this facility produced 600,000 yards of fabric for our ColorDry polos, saving 20 million liters of water.

We are also working to reduce water use further upstream in our value chain at the raw material stage. This is where the greatest water impacts are, though it is also where we have the least direct influence. Growing cotton is particularly water-intensive – cotton alone is responsible for 65% of water use in our raw material stage and 32% of water use across our total value chain. We are sourcing from the BCI, a standard system that aims to make conventional cotton more sustainable – including less water-intensive (see page [28](#)).

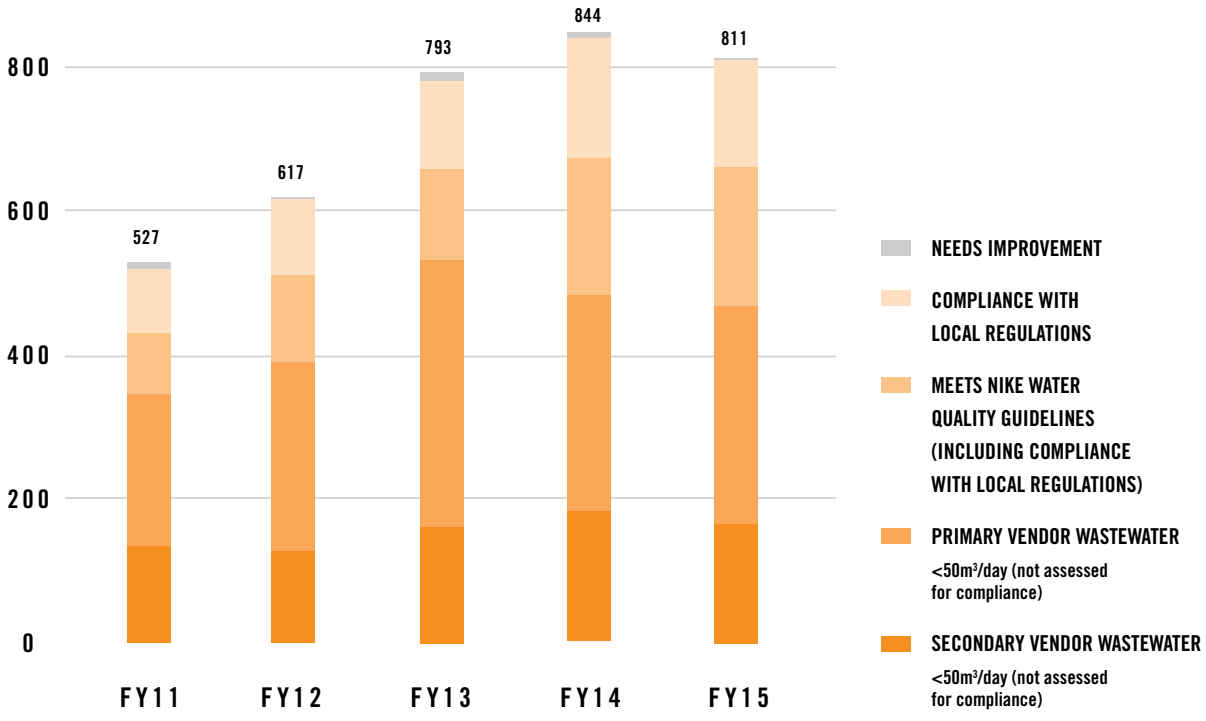
43 World Economic Forum, “Global Risks 2015” report.



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Finally, we enable our product creation teams to make more water-efficient material choices through our product indices, which take into account the amount of water used to make a material, among other factors.

VENDORS PARTICIPATING IN THE NIKE WATER PROGRAM



NOTE: Normal shifts within the supply chain can lead to fluctuations within NIKE Water Program participation among factories and material suppliers.

OUR PLAN FOR THE FUTURE

Following our success in surpassing the FY15 targets, we set a new water target for FY20. Our primary FY20 goal is to achieve a 20% reduction in freshwater use in textile dyeing and finishing per kilogram of material from our primary material vendors.⁴⁴ We will achieve this target by continuing to drive innovations in water recycling technologies and transformative water-saving technology upgrades.

Our wastewater discharge quality target is to return 100% of wastewater cleaner than required by local law and embed continuous improvement planning into textile dyeing and finishing processes.⁴⁵ As we continue to reinvent our operating model to embrace a closed-loop approach, we envision a supply chain where there is zero industrial wastewater discharge, in time making the long-term need for a wastewater quality guideline obsolete.

⁴⁴ For focus suppliers only. Dyeing and finishing focus suppliers represent key suppliers in Tier 2 or below within our supply chain.

⁴⁵ Focused on key suppliers involved in the dyeing and/or finishing of materials that directly support finished product assembly.

Finally, we have mapped our global supply chain to identify regions where water stress and flooding have the potential to impact our contract factories and material vendors. We use the best-available global tools to assess water stress, including the WRI's Aqueduct tool. We are now conducting local assessments to add

context, inform strategy and protect manufacturing from disruption. Next, we will work with each of the identified contract factories and material suppliers to ensure they have plans in place for handling a flood or a drought.

FY15 WATER PERFORMANCE

AIM

Borrow water and use it responsibly.

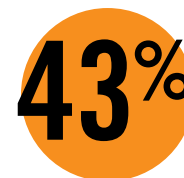
FY15 TARGET

Improve water efficiency by 15% per unit in apparel materials dyeing and finishing, and in footwear manufacturing, from FY11 through FY15.

FY15 PERFORMANCE



PER-UNIT WATER USE REDUCTION IN APPAREL MATERIALS



PER-UNIT WATER USE REDUCTION IN FOOTWEAR MANUFACTURING

APPAREL

- We achieved water reductions in apparel materials by educating material vendors about water conservation to raise awareness, as well as leveraging NIKE MSI to incentivize vendors to reduce their water footprints.



LITERS OF WATER SAVED WITH COLORDRY TECHNOLOGY THROUGH FY15

FOOTWEAR

- Footwear reductions were due to implementing the Environmental Safety Assessment Tool (ESAT) in footwear factories, which helped drive water reductions, as did quarterly reviews of performance data and SMSI scoring with factory leadership (see page 52). Other savings came from upgraded and more efficient systems and processes throughout contract factories, including in areas such as dormitories and kitchens.



FEWER LITERS OF WATER USED IN FOOTWEAR MANUFACTURING

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COMMITMENTS

PROGRAM PARTICIPATION

Increase participation in NIKE Water Program across NIKE, Inc. brands

811

VENDORS AND FACTORIES
ACTIVE IN NIKE
WATER PROGRAM

In FY15, 811 materials vendors and contract factories actively reported through the NIKE Water Program, compared to 793 vendors in FY13 and 527 in FY11.

INDUSTRY CHANGE

*Drive industry change through expanded access to the use of NIKE-developed H₂O*Insight Tool*

We made the H₂O*Insight Tool available to the industry in 2011, allowing us to create greater awareness about water risk across the industry. Through our work with the ZDHC program we continued to expand our efforts to improve standards and drive industry change.

GEOGRAPHIC IMPACT

Assess geographic impact of water

We completed the planning for an initial water stress/flooding assessment to be conducted in FY16 to identify the current environmental status of NIKE's contract focus factories⁴⁶ and suppliers. The next steps include working with our regional field teams around the world to validate the results at the local level to see whether updates or modifications need to be made. We will then work with each of the contract focus factories and suppliers to ensure they have plans in place for handling flood or drought.

⁴⁶ Measure includes focus factories and suppliers only. Focus factories represent key strategic contract factories within our source base representing the majority of finished goods production of NIKE footwear, apparel, and Converse footwear that one or more impact areas will work with to achieve 2020 sustainability targets; focus suppliers represent key suppliers involved in the dyeing and/or finishing of materials, which directly support finished product assembly, that one or more impact areas will work with to achieve 2020 sustainability targets.



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CHEMISTRY

Innovation breakthroughs in our industry often involve the application of new chemical technologies and processes. Advances in product performance benefit the athlete, and we need to make sure we are using the right chemistries to achieve this. For both human health and the environment, we work to decrease the use and discharge of toxic chemicals in our supply chain by replacing them with better alternatives.

Chemicals are used throughout the raw material supply chain. They support agricultural production of natural fibers, enable the transformation of fibers into fabrics and give us the ability to add color and performance to a variety of materials. While our materials science and chemistry teams work to explore and test new chemistries – such as environmentally preferred rubber formulations that we co-developed and now use in more than 90% of NIKE footwear – we also set and implement standards for chemicals and materials used throughout manufacturing.

Industry alignment is the key to success. The industry uses a wide range of materials, processed using many different chemicals across an extensive – but often shared – supply chain. Chemical formulations are often protected intellectual property and regulation varies widely across jurisdictions. Contract factories often must meet inconsistent approaches to chemicals management from different brands and legislative bodies. Much of the work developing standards across the industry is performed through industry associations, such as the Apparel and Footwear International RSL Management (AFIRM) Group and the ZDHC program. We work collaboratively with other contributor brands of these organizations to scale the implementation of standards across the supply chain.



Collaborations such as these build on the work we've done in our own supply chain and support our future direction. We established an [RSL](#) in 2001, which sets out chemical standards for our materials that meet or exceed regulatory or legislative requirements from around the world and includes substances that we have voluntarily restricted from products. Our work with AFIRM strengthens this program, and by collaborating with the ZDHC program, we are able to turn our attention to better managing chemicals before they enter facilities.

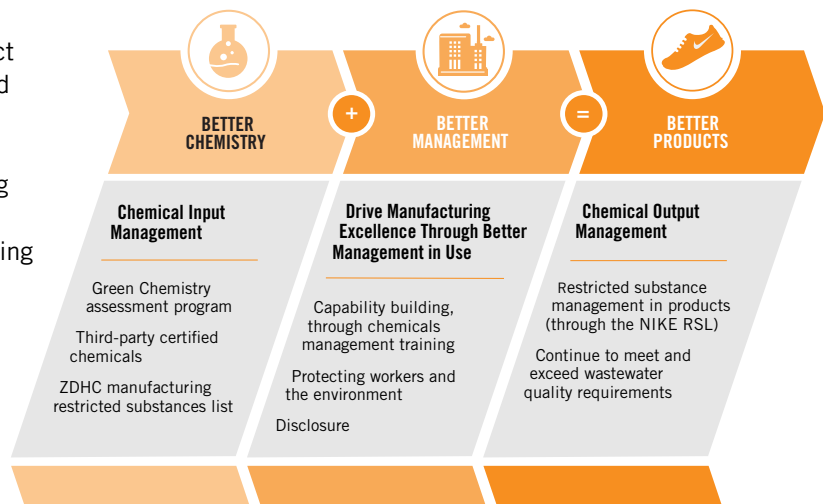
NIKE enforces these standards through supply agreements that include adherence to our RSL, in addition to our Code of Conduct, which contains health and safety standards relating to exposure, safe handling and proper ventilation.

Many of our efforts focus on dyeing and finishing operations in our materials supply chain, as those processes carry the greatest chemical footprint in our supply chain and, therefore, the greatest opportunities for minimizing impacts. Our chemistry teams work closely with material vendors, as well as with our contract finished goods manufacturers, and in FY15 we moved forward with a number of new initiatives, including building a base of tools and knowledge that will enable the targeted deployment of programs to minimize risk, optimize manufacturing and spur innovation.

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It is clear that better selection and use of chemistry can help reduce the impact of manufacturing materials and finished goods. We also see chemistry as an important tool to unlock some of the key innovations for the future, including performance-maximizing material, component improvements and overcoming roadblocks to closed-loop processing.



OUR PLAN FOR THE FUTURE

To advance our work on chemistry, in FY15 we established a Chemistry Center of Excellence. This new organization will co-ordinate expertise and resources, while mitigating risk, accelerating innovation and enabling the adoption of better chemistries throughout our value chain.

We aim to proliferate better chemistry across NIKE by reaching 100% compliance with the NIKE RSL and 100% compliance with the ZDHC MRSL, achieving better chemical input management through scaling more sustainable chemistries and innovating new solutions.

We remain committed to the aspirational goal of zero discharge of hazardous chemicals. Our efforts will focus on driving standards for wastewater from textile dyeing and finishing that exceed the quality requirements defined by governments and communities, maintaining a world-class RSL program, improving chemical input management and leading industry change through participation with the ZDHC program and collaboration with other brands.

FY15 CHEMISTRY PERFORMANCE

AIM

Minimize the impact of product ingredients throughout the lifecycle.

FY15 TARGET

Achieve the goal of zero discharge of hazardous chemicals for all products across all pathways in our supply chain by 2020.

FY15 PERFORMANCE

MRSL

With ZDHC coalition we developed a manufacturing restricted substances list (MRSL), detailing chemicals restricted from use in the manufacturing process. ZDHC members adopted and shared this list with their material vendors and contract finished goods factories.

RSL

Developed restricted substance list (RSL), regularly tested at our material vendors, contract finished goods factories and independent third parties.

CONSTANT TESTING AND IMPROVEMENTS

We continuously test different ways to improve data collection and measurement, and we aim to scale these approaches through industry coalitions, such as the ZDHC and the Sustainable Apparel Coalition (SAC).

- To achieve our targets, we focus on controlling chemical inputs, managing the use of chemicals and managing outputs through wastewater compliance and our RSL.
- To control chemical inputs, we worked with the ZDHC coalition to develop an MRSL, which details chemicals restricted from use in manufacturing processes. ZDHC members adopted and shared this list with their material vendors and contract finished goods factories.
- While the ZDHC MRSL addresses input chemistry, the NIKE RSL identifies substances that cannot be present in our finished products. Our material vendors, contract finished goods factories and independent third parties regularly test materials to ensure they meet our strict standards; any material that fails its RSL test is considered defective and prevented from entering production.
- We work closely with vendors to identify the root causes of any failure and to remedy the issues.
- We regularly update the RSL, taking into account forthcoming legal requirements and increasing NIKE's voluntary restrictions.
- We phased out long-chain (C8) perfluorinated chemicals (PFCs) as of January 2015. We replaced these chemicals, which are typically used in water-repellent finishes, with high-performing, improved alternatives that passed comprehensive screening.

96%

REDUCTION IN THE USE OF PETROLEUM-DERIVED SOLVENTS SINCE 1995

479k

CHEMICAL TEST RESULTS GENERATED TO CONFIRM MATERIALS CONTAINED NO RESTRICTED SUBSTANCES

95%

OF MATERIALS PASSED

- Another long-term success is reducing the use of petroleum-derived solvents (PDSs) in our footwear. We have worked to improve processes and chemistry with contract manufacturers for more than 20 years and, since 1995, we have seen a 96% reduction in the use of PDSs per pair of shoes through the adoption of water-based adhesives. PDSs decreased by 3% per pair over the past five years to an average of 12 grams per pair.



COMMITMENTS

INDUSTRY COLLABORATION

Establish an industry-wide management program

This commitment has been achieved with the establishment of ZDHC as a legal, formal organization in FY12 and the hiring of its first executive director in FY15. Twenty-one brands and three associations are currently participating in the ZDHC coalition.

POSITIVE CHEMISTRY

Expand use of environmentally preferred chemistries

In addition to screening out less desirable chemical formulations through the use of industry tools and NIKE-specific chemical assessments, we are working to make it easier for vendors and contract factories to source and use better chemistries. That's why we've given our materials supply chain access to the bluesign® bluefinder database, which lists more than 4,300 pre-screened certified textile chemical formulations, including dye systems, detergents and other chemicals used in textile manufacturing. The bluesign® bluefinder provides our suppliers with an easy-to-use, rigorously vetted list of chemical products that helps them to reduce the environmental impacts of their processes and our products.

TRACEABILITY

Expand material traceability

We are continually working to increase visibility into all aspects of our supply chain and to better understand where and how our materials are sourced, to encourage sustainability improvements.

TRAINING

Expand chemicals management and awareness training

We conducted targeted RSL and chemicals management training in FY15 with key materials suppliers. In FY16/17, we will be launching an intensive training initiative with our material vendors and finished goods manufacturers.

DISCLOSURE

Explore disclosure advancements

In FY15, we undertook a Chemical Data Transparency pilot project in Taiwan, asking vendors to measure and share their performance against the ZDHC MRSL. We set out to prove that data and transparency of chemical inputs are key to unlocking the challenge of adopting better chemical inputs in our extended supply chain, and that the process of tracking chemical purchases would open conversations about the quality of chemicals between vendors and their suppliers. The project focused on data and measurement standards and resulted in better transparency regarding vendors' chemical use, providing insights to us and to the industry.

WHAT WE'VE LEARNED

There is no finish line on our journey to becoming a more sustainable company. With each step, we learn more about how to minimize and optimize the use of constrained resources, as well as how to drive innovation to uncover disruptive, game-changing solutions.

We still have many opportunities to continue reducing our impacts through efficiency. We also know that to achieve our aims, we must innovate and unlock new technologies, create new partnerships, support evolving legislation and scale new processes.

TRANSFORM MANUFACTURING

It's time for a manufacturing revolution. Over the past 20 years, we've learned a lot – grappling with how to apply and enforce standards, seeing the limitations of policing and monitoring, and encountering entrenched behaviors and old ways of thinking. As a result, we've come to realize that real progress only happens when factory management understands that a lean, green, equitable and empowered workplace is a productive, profitable and successful business model.

Compliance with NIKE, Inc.'s Code of Conduct is a non-negotiable requirement for our contract factories. We know that our future contract factory partners will be those that transform their business and go beyond the foundation of compliance to come with us on this manufacturing revolution, in pursuit of uncompromising product excellence.

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Historically, the industry has been low-tech and low-skilled – we’re at the forefront of changing that dynamic. As demand expands for quicker-to-market products that meet our exacting performance standards and we transition to leaner, more sustainable, technology-driven manufacturing, factories will require new skills from their workers, with higher-value roles. The path to a low-carbon growth economy will be achieved by evolving and disrupting the current industry supply chain model, and transitioning to one that sees sustainability and valued workers as competitive differentiators rather than compliance requirements.

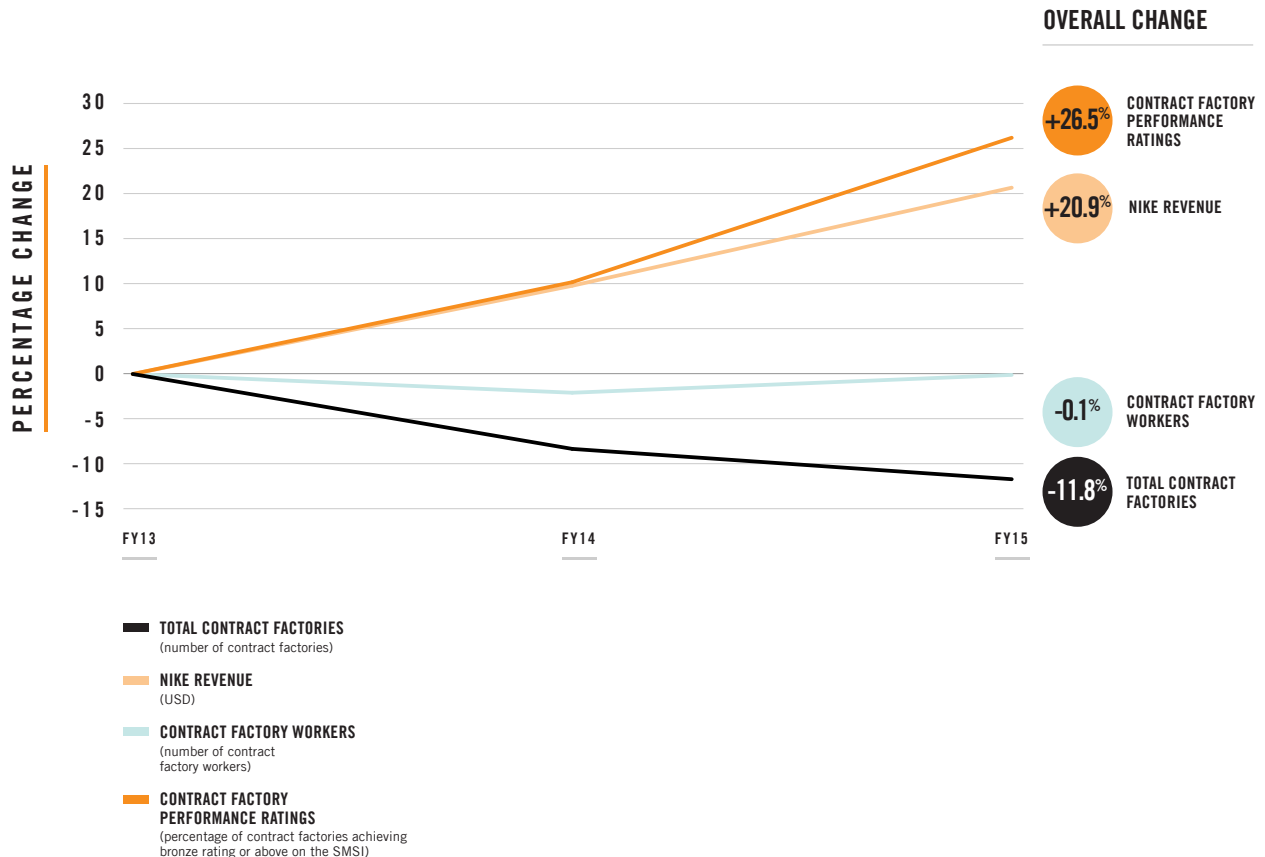
OUR APPROACH TO TRANSFORM MANUFACTURING

We’ve reduced our supply chain from 785 factories in FY13 to 692 at the end of FY15, while still growing the volume of products we make by 11%. We are

focusing on quality, long-term partnerships with fewer factories, where sustainability and product excellence is at the heart of the partnership. We’re developing new methods of making, catalyzing technological and labor innovations, and incentivizing implementation with our supply chain partners. We are driving changes at every level and transforming manufacturing by changing the way we work, whom we work with and what we expect of our partners.

This revolution includes both modernization, which focuses on improving what we’re currently doing, and innovation, which looks to new methods of making to enable large-scale changes in processes, people and products. It builds upon a foundation of excellence in lean manufacturing, aimed at creating an optimized production process that reduces impacts, eliminates waste, enables skilled and engaged workers to drive quality and productivity, and that is strategically led by managers who see value in an empowered workforce.

FOCUSING ON QUALITY, LONG-TERM PARTNERSHIPS WITH FEWER FACTORIES



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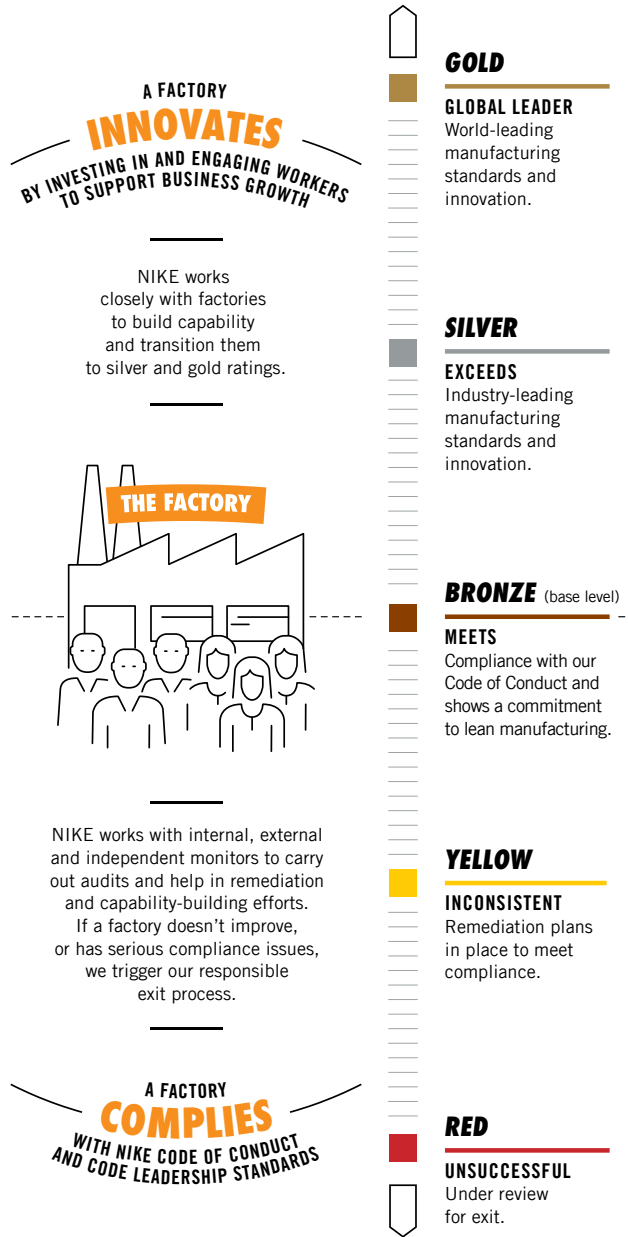
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We believe that a skilled and valued workforce is key to achieving our ambitious goals for growth and sustainability. It relies on a source base that is high-performing, resilient and agile, with workers that are motivated and compensated to deliver high productivity and world-class products. While our robust standards, indices and protocols will always be the foundation for our approach (see page 58), it's become increasingly clear that focusing only on compliance only drives incremental change. Over the years, we've noticed that while non-compliant factories can improve on the individual violation for as long as they are under review, their commitment to fundamentally change or adopt new approaches beyond the isolated incident needs to be steadfast. Today, we are pursuing systemic change so workers can show up at their factories on time every day, feeling focused, motivated, supported and rewarded for their contribution.

SETTING INDUSTRY-LEADING STANDARDS

Every contract factory in our supply chain is subject to a rigorous set of compliance requirements. This starts with risk analysis of the host country and our Code of Conduct, supported by our internal team of over 150 trained experts who monitor, remediate and provide improvement tools to the factories. We regularly audit contract factories, which are monitored on a schedule based on their performance. These assessments take the form of audit visits, both announced and unannounced, by internal and external parties, who measure against the NIKE Code of Conduct using our Code Leadership Standards, which communicate how NIKE measures factories' compliance efforts and progress. With the knowledge and agreement of our contract factories, we also work with accredited third parties, such as the Fair Labor Association (FLA), to conduct independent monitoring. We're also using insights gained from our labor pilot research programs (see page 54) to inform our approach to factory modernization.

CREATING PERFORMANCE INCENTIVES



We know that our ability to influence our supply chain is dependent in part on how we build the right incentives and sanctions into our business relationships. This is why we source based on an assessment of both our production needs and factory performance. Our Manufacturing Index (MI), introduced in 2012, scores factories on sustainability – including labor practices – on a par with traditional metrics of cost, quality and on-time delivery. We assess the sustainability component through our SMSI and focus on bringing all factories to a bronze rating – our base acceptable level – or above.

Our SMSI has become an important tool in factory selection, encouraging performance improvement, eliminating underperformance in factories and driving business to those that perform best. Reaching a bronze rating on our SMSI demonstrates factory compliance with our Code of Conduct and Code Leadership Standards, which are designed to protect the rights of workers and create a safe working environment. Those that reach silver and gold reflect an additional commitment to progressively embedding lean manufacturing and performance management systems.

If we are alerted to an issue of non-compliance within one of our contract factories by a third party, we investigate it immediately and, where improvements are required, NIKE takes a collaborative approach to working with factory managers to see that corrective actions are taken and problems are remediated.

For more on audits and compliance, see page [58](#).

TOWARD HEALTH, SAFETY AND ENVIRONMENTAL EXCELLENCE

We're helping our contract factories put in place comprehensive HSE management systems that focus on prevention, identification and elimination of hazards and risks to workers. We are defining what it means to uphold a culture of safety, underscoring the importance of empowering workers to identify and speak up when they notice any potential safety issue. We set the bar at the highest internationally recognized standards and expect our contract factories to perform better than industry averages in injuries and lost-time accidents, and to become self-governing and accountable for their safety performance. As well as embedding a safety culture, we are also collecting and validating performance data to set baselines and measure progress in safety performance.

Working side by side with our contract factory partners, in FY15, we focused on helping contract factories move beyond compliance in areas of high environmental impact within materials processing. This meant assessing the factory's own supply chain, where many of the indirect environmental impacts arise. Once we had a transparent picture of the impacts, we worked together to reduce them. For example, we saw a near-20% reduction in water use in materials dyeing and finishing. For more on our environmental progress, see page [21](#).

IN FY15, OUR PRODUCTS WERE PRODUCED IN 692 CONTRACT FACTORIES ACROSS 42 COUNTRIES BY OVER 1 MILLION WORKERS

Find out more: [NIKE Code of Conduct](#) [NIKE Code Leadership Standards](#)



INNOVATING THE ROLE OF THE WORKER

We know that when workers are valued, issues of compensation, overtime, workplace conditions and worker engagement will fundamentally shift. As manufacturing processes become more sophisticated and automated through modernization and innovation, the role of the factory worker is changing. Our future contract factory partners will be those that transform their business by investing in the skills and capability of workers and promoting collaboration between worker and manager to support a more sustainable manufacturing model.

Reaching a bronze rating on our SMSI demonstrates compliance with our standards for workers' rights and that legal wages are being paid. However, when a contract factory is below a bronze rating, we often find it's in part because that factory is not fully engaging with its workforce and that workers are not enabled to perform well at their jobs.

Increasingly, we are working with factory partners that share our philosophy that workers, when valued, contribute more; leading to better opportunities for themselves, the factories for which they work and their broader community. We expect our contract factories to create working environments and cultures where skills are maximized and where workers feel free to speak up and suggest better ways of doing things.

We are investing in working with our factory partners to better engage and value their workers. Since 2012, we have run a number of pilot research programs in four countries dedicated to, among other topics, testing leadership mindset and worker engagement, creating new compensation and benefit models for workers, and delivering smartphone services to support and meet the needs of workers. These efforts are aimed at engaging, empowering and connecting workers to help make positive changes inside and outside the workplace.

PILOT: LEADERSHIP MINDSET AND WORKER ENGAGEMENT

In 2012, we initiated pilot research studies in two factories in Indonesia. The work included stabilizing the lines, skilling workers and accurately using data, such as our newly developed survey on engagement and wellbeing, alongside measures of safety, productivity and quality, among others.

In 2014, we took these measures a step further, following one of the factories more deeply into questions of leadership mindset and worker engagement. Over the course of this study, our largest, farthest-reaching and longest-running pilot, we trialled different approaches to the types of communication skills needed by factory management and workers, including social dialog; enabled worker-led problem-solving on self-identified wellbeing topics; and initiated daily processes to recognize and motivate team performance. The following results represented approximately 2,000 workers at this factory and showed differences of pilot lines and control lines, each averaged across the two-and-a-half years of the pilot:

- 19% higher productivity levels
- 7% better quality levels
- 22% higher worker self-reported levels of being valued
- 12% higher worker self-reported levels of feeling more energized
- 5% higher worker self-reported levels of feeling more supported

- Better communication between workers and management, including suggestions, insights and skill development, as reported by workers
- Productivity, quality and the above worker metrics improved within the first year and were sustained or improved through the end of the pilot

We have already begun implementing the learnings from this pilot into a program called Lean 2.0 across key strategic partners.

PILOT: COMPENSATION AND BENEFITS

Creating new, strategic, easily understood compensation systems aligned with quality, efficiency and productivity means that factory managers, floor supervisors, line leaders and workers can all share in a factory's profitability. At one apparel factory in Thailand we are testing different compensation models, enabling factory management to value their workers, increase wages and improve factory performance, and also to retain their talent, to attract the right skills and to develop their workforce. This work was started in 2014 and is ongoing. Some initial insights have shown that even before incentive systems can be effective, stability on the lines, commitment from factory leadership – to valuing its workers and to understanding the importance of this information for the future of manufacturing – and communications between factory management and workers are critical.

PILOT: NEW VENTURES

The New Ventures pilot is dedicated to engaging and empowering workers by connecting them to networks of life-improving technologies and services, both inside and outside the factory. These efforts, which go far beyond our foundation of compliance, reached more than 30,000 workers at 10 footwear and apparel contract factories in three countries:

- **Disruptive tools** – we are in a smartphone revolution for workers. Apps can enable workers to learn new skills, see their pay breakdown, access discounts, buy goods and manage money. Inside the factory, they use digital technology to support management communications, the provision of job and skills training, pay and leave management, grievance systems and engagement programs. Outside the factory, these services for workers include access to lower-cost daily necessities, information about financial management, and life skills, health coaching and capability development for their jobs.
- **Factory technology** – data helps factory leaders to understand how workers can be enabled to perform at their best and to make decisions about interventions that affect workers. Now, factories are piloting how to use data systems and technologies to make these processes more effective.

With each set of results, we work with our contract factories to enable scaling across our supply chain by co-investing in innovation and setting business-based incentives.

NEW VENTURE PILOT SNAPSHOT

APP ENABLES ENGAGEMENT TRAINING AND COMMUNICATION IN CHINA

Provider: MicroBenefits

Pilot details: Three footwear and apparel factories in China over nine months.

Services: Workers were offered a smartphone-based platform for services ranging from discounts at local shops to skills development, while also providing a direct communication channel between contract factory workers and management. Workers could take classes related to work and quality of life topics, including stress management and parenting. Workers also had direct access to their personal human resources (HR) information, including salary, attendance and annual leave.

Results:

- 19% improvement in self-reported engagement and wellbeing at the apparel pilot factory, according to an anonymous worker survey
- Turnover among users at apparel factory was 4% lower than among non-users
- Based on an average cost of turnover in NIKE's contract factories in China, the annualized savings for a footwear contract factory was around \$450,000
- Workers at one factory reported a 25% improvement in the quality of the worker-management relationship over the course of the pilot
- Workers enjoyed 10% increase in purchasing power due to discounts

Insights: Workers are highly interested to know more about what is going on at the factory – what management is planning, what food the canteen will have, or what policy changes mean. They are also keen to increase their skills to be able to perform their current job better or to move to a new job inside the factory or in a new opportunity, such as running their own business. Factory management also saw the benefits, not only in cost savings from turnover, but also in terms of saving HR department time and in engaging in communicating with their workforce.

MOBILE PLATFORM OPENS TWO-WAY BENEFITS IN INDONESIA

Provider: Workplace Options

Pilot details: Three contract footwear factories in Indonesia.

Services:

- **Wellness** – more than 65 wellness programs offered via a digital platform to factory workers. Topics included physical and mental health, financial and family issues. Contract factory workers received proactive, individual, anonymized coaching on their choice of wellness issues over SMS message exchange.
- **HR and grievance** – workers also had direct access via the anonymous mobile platform to factory HR to ask questions or report problems or concerns. Digital grievance mechanisms were piloted and data shared anonymously with management via a communication dashboard, tracked using a monitoring and evaluation mechanism, and progress communicated back to workers.

Results:

- More than one-quarter of eligible factory workers participated, an extremely high rate compared to global averages for employee assistance programs, which are around 5% of a company's workforce
- 76% of users completed individual services
- 69% of users reported an increase in specific knowledge
- After one year, contract factories reported a 33% decrease in turnover

Insights: Workers began to practice preventative self-care for health and home issues using knowledge and coaching from the service. We expect this will increase their health and reduce absenteeism at the factory. Workers liked the services, especially being able to ask privately about medical information, rather than asking friends at work. The service also began to build trust between workers and management, as workers felt management cared about them by offering these services. When measuring reductions in turnover and unplanned absenteeism, the wellness programs had a \$4 return for every \$1 spent.

INNOVATING THE ROLE OF TECHNOLOGY

In FY14 and FY15, we launched modernization centers – seed beds for new manufacturing technologies and ways of working. Since then, we've been developing a number of projects to make our products better, reduce manual labor and improve quality and performance.

One example is the use of robotics technologies to apply accurate, time-saving and waste-eliminating auto-cementing to the sole units of footwear. Another example is the use of technology to stream data from the production floor to a central location, enabling production managers to make real-time adjustments for optimal efficiency. This is shifting worker responsibilities from low-skilled machinery work, to monitoring, calibrating and maintaining equipment, as well as requiring new soft skills, such as ownership of safety processes, collaboration to solve problems and communicating real-time data.

We are also constantly testing the ways in which technology and scientific advances can help us create better products, while making our business sustainable for the long term, and improving the workplace. In partnership with our strongest-performing contract footwear factories, we've invested in a significant portfolio of work that is reinventing what a footwear factory looks like and how footwear is made.

Demonstrating clearly the impact of our sustainable innovation work, in 2012, we launched NIKE Flyknit technology. Developed after more than 10 years of research, NIKE Flyknit enables designers to microengineer every stitch of a shoe upper – scientifically tuned to meet the exact specifications of athletes – while also shaving ounces off each. Just like the technology needed to manufacture Flyknit, the next performance technology innovation will require higher-skilled workers who are invested in and trained.

To incubate more ideas like these, we've set up an Advanced Product Creation Center to bring together engineers, material scientists and designers to work with advanced manufacturing methods that can seed breakthrough technologies. In 2015, we announced a partnership with global manufacturer Flex to accelerate advanced innovation in our manufacturing supply chain. Together, we are sharing know-how to accelerate finding new ways to make customized products closer to market.

TRANSPARENCY AND COMPLIANCE

TRANSPARENCY FOR CHANGE

We have long believed that transparency is essential for advancing labor practices across the industry. NIKE was the first company, in 2005, to voluntarily disclose the locations of all its contract factory suppliers. This transparency is key for all our stakeholders – our [NIKE Manufacturing Map](#) clearly identifies our global footprint and assigns accountability for our chosen source base.

We measure contract factory performance through our SMSI, an index that elevates labor and environment standards to an equal level with traditional measures of quality, cost and delivery. Since introducing the SMSI in 2012, we have seen steady progress, with 49% of factories reaching high-performance or bronze status in FY11, 68% at bronze in FY13 and 86% at the end of FY15.

NIKE is fully committed to the independent monitoring of contract factories that manufacture NIKE products. We established a structure more than 15 years ago with comprehensive systems and protocols to support independent third-party audits, monitoring and investigations. Any audit or investigation that takes place requires in-depth knowledge of the NIKE Code of Conduct and Code Leadership Standards measurement against a very specific set of guidelines. With the knowledge and agreement of our contract factories, we have consistently worked with independent, accredited third parties.

Our experience in working on labor rights in supply chains tells us that it is critically important to have multiple levels of checks and balances so that factories comply with our Code of Conduct, Code Leadership Standards and with local laws. We have long believed that a combination of internal audits, external audits, independent audits and investigations, alongside government bodies enforcing rule of law, is crucial to enabling a robust system of oversight in the industry.

We work with industry peers, non-governmental organizations (NGOs), entrepreneurs and policymakers to continue to build even greater transparency into factory performance data and engagement with workers. We are exploring ways to unlock business value and support worker engagement and development, which includes piloting new approaches. For example, when negotiating supply agreements with manufacturers, we stipulate that contract factories provide open access to an independent body for the industry to carry out assessments and help in remediation efforts where needed.

We are continuing work with the SAC and others to simplify and consolidate the way baselines are applied and data is collected. We have also partnered with organizations like Better Work, a joint project of the International Labour Organization (ILO) and the International Finance Corporation (IFC) (part of the World Bank Group), to improve labor standards and competitiveness in global supply chains. Our partnership with Better Work aims to improve worker-management co-operation, working conditions and social dialog, helping workers understand their rights and gain the skills needed to realize them.

CREATING PERFORMANCE INCENTIVES

In partnership with the IFC, we have established a pilot project where certain NIKE contract factories will be invited to join the IFC's Global Trade Supplier Finance program. Under the program, contract factories will be able to leverage tools available in the financial markets to obtain short-term financing with a progressively lower cost of capital tied to a higher sustainability rating, as assessed by NIKE's SMSI. We will be testing this approach to incentivizing performance improvements as one element of our overall strategy to improve business and sustainability performance with contract factories. The IFC's decision to use NIKE's SMSI, which assesses sustainability across the environment and labor practices, as a factor in underwriting credit is an indication of the robustness of NIKE's performance measurement tools and commitment to continuous improvement in manufacturing practices.



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TO TRANSFORM OUR INDUSTRY, COMPLIANCE NEEDS TO BE A GIVEN

We are proud of our approach to enforcing standards and incentivizing new business models. But we know it is not enough. Most factories – particularly in apparel – supply to multiple brands and NIKE may be as little as 5% of a factory’s total business. There is no one code of conduct for the industry, so requirements can vary, and there is no agreed protocol for how monitoring is done, or for assuring the quality of internal and external monitoring. Each brand and each factory is approaching this differently, with varying degrees of rigor and investment. At the same time, local, national and international laws may not always align and, while activists and watchdog institutions play an important role in highlighting issues, surfacing a problem is not the same as enabling the solution.

WE MUST RAISE THE BAR AS AN INDUSTRY THROUGH A UNIFIED CODE OF CONDUCT AND STANDARDIZED AUDITING PROCESS



NIKE'S APPROACH...

A strategy to move to fewer, better factories where NIKE is a long-term partner

First to disclose factory base, publishes NIKE Manufacturing Map

Requires factories to meet or exceed highest international standards through NIKE Codes*

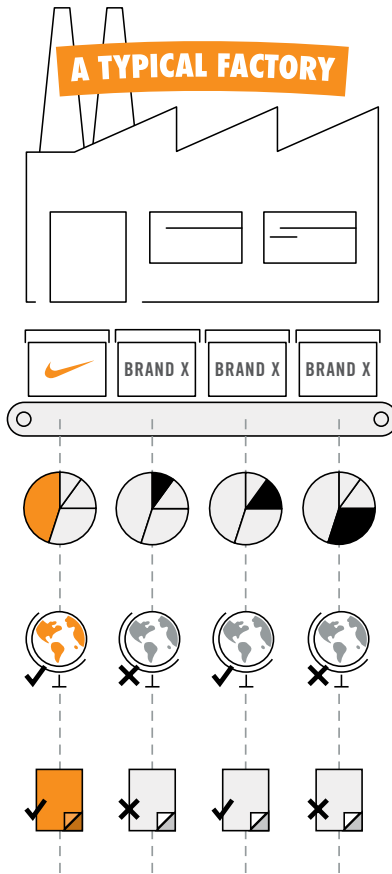
Aligns labor and sustainability to business incentives for the factory with a team focused on monitoring and helping factories go beyond compliance

Trains and retains third-party auditors to monitor against NIKE Codes*

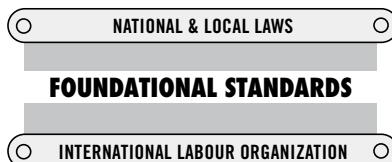
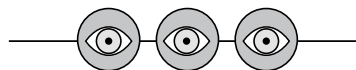
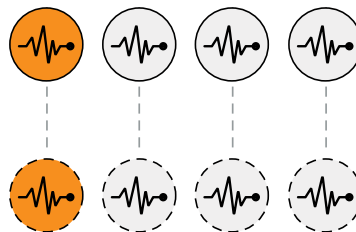
Coordinates with ILO Better Work and FLA for audits

NIKE responds quickly and transparently to information shared

*NIKE Code of Conduct and Code Leadership Standards



THE FACTORY IS SUBJECT TO...



THE BUYING BRANDS WILL...

Represent a varying percentage of the factory's business

Vary in their disclosure of factory location

Have varying codes of conduct

Varying approaches to internal monitoring by brands, from none to robust approaches

Inconsistent protocols within the industry for external monitoring

Not all brands are members of the Fair Labor Association (FLA) or work with ILO Better Work program

Activist, watchdog and campaigner scrutiny

CONVERGENCE OF STANDARDS TO ACCELERATE CHANGE



A SINGLE CODE OF CONDUCT

It is increasingly clear that enabling a convergence toward a single Code of Conduct across the footwear and apparel industry is critical. If each brand is holding a factory to a different standard, imagine the confusion for the factory and the wasted time attempting to comply with each, rather than investing in one. NIKE has been a part of discussions throughout the years, and commits to partnering further with our industry and other stakeholders to accelerate this conversation and move toward action.



INDUSTRY-WIDE PROTOCOLS IN AUDITING

To ensure the independence of monitors, the right checks and balances need to be in place, with auditors trained against a common protocol to deliver uniform depth and quality of work. Auditing to the NIKE Code of Conduct, which is backed by the NIKE Code Leadership Standards, demands specific skills and auditing expertise. We commit to engaging in multi-stakeholder discussions on this, and enabling independent research to help us find common ground.



DRIVING TRANSPARENCY AND TOOLS

We believe greater levels of transparency across the industry – around the factories where all companies source – will enable coordinated enforcement of a standard Code of Conduct and joint remediation efforts where issues of non-compliance are found. We also believe it leads to more innovative, better crafted and higher quality product.



NIKE'S COMMITMENT TO TRANSPARENCY

The [NIKE Manufacturing Map](#) discloses the names, locations and demographic information about the workforce at the factories we contract to make our products. We have also implemented a balanced scorecard approach to evaluating factory performance – where sustainability is assessed at an equal measure with cost, quality and delivery. The metrics for success are openly shared with factory management teams, and the scorecard is directly linked to NIKE's sourcing strategy, delivering incentives for factories to elevate their sustainability performance beyond the foundation of compliance. When a factory hears the same message from all its buyers, we have far more chance of seeing change happen. When the industry converges on a common code of conduct and standardized protocols for monitoring, we stand ready to disclose our audits of factories.

FACTORY AUDITS

We audit factories directly and through third parties to help factories measure and achieve higher levels of performance. These steps encourage factories to take more direct responsibility and accountability for their performance, and align to industry efforts to normalize auditing tools and processes for factories that produce for multiple brands. Beginning in FY16, all factories will pay for their third-party audits (while still being subject to checks and reviews) and provide results to NIKE.

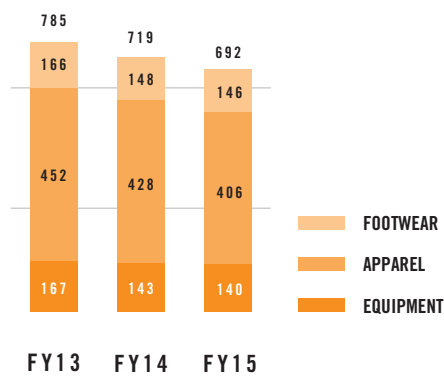
Factories that exhibit consistently successful ratings will be able to have less frequent audits. We will also consult with factories rated bronze or better on a range of topics to help them continue to implement lean processes and develop their capabilities in health, safety and environment and human resource management.

Factories rated red or yellow will be reviewed at quarterly meetings through elevated NIKE leadership reviews.

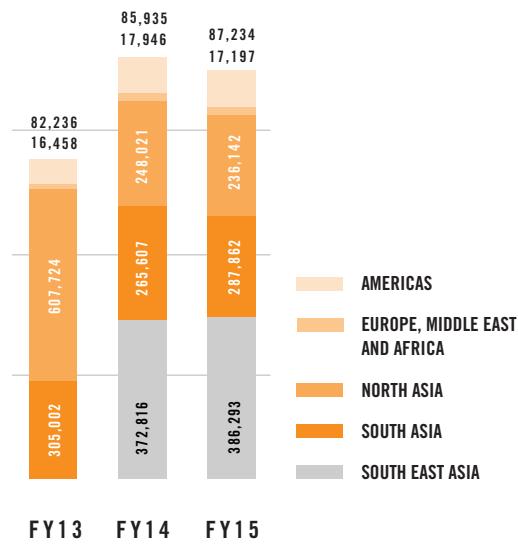
Those reviews, which take an integrated look at historical performance, current issues and action plans, ensure visibility and accountability for sourcing decisions and help to reinforce our beyond-compliance expectations. The quarterly meetings are also used to plan how to accommodate NIKE's growth, while continuing to improve the performance of contract factories.

All told, we reduced the number of factories we contract with by 12% between FY13 and FY15, while increasing production by 11%. That result tells part of the story: we focused on root causes of non-compliance, committed to addressing them with factories, and increasingly sourced from factories that demonstrated alignment with our standards and aims. We work with factories to ensure communication remains open and that orders are timed and grow in ways that mitigate potential impacts on turnover, productivity and worker engagement.

CONTRACT FACTORY COUNT BY PRODUCT ENGINE



CONTRACT FACTORY WORKERS BY REGION



NOTE: In Q1 of FY14 an additional region was added to increase management support. The addition of Southeast Asia included Cambodia, Laos, Thailand and Vietnam and removed these countries from the previous South Asia and North Asia regions. **Europe, Middle East & Africa** includes Turkey, Bosnia, Bulgaria, Egypt, Hungary, Israel, Italy, Moldova, the Netherlands, Poland, Portugal, South Africa, Spain and the United Kingdom. **North Asia** includes China, Taiwan, Hong Kong, Japan and the Philippines. **South Asia** includes Indonesia, India, Bangladesh, Pakistan, Sri Lanka, Malaysia, Singapore and Australia. **Southeast Asia** includes Cambodia, Laos, Thailand and Vietnam



AUDIT RESULTS

Audit results are improving overall within our source base as we continue to progress toward sourcing only from factories that score bronze or better on the SMSI. In FY15, 654 audits were conducted and, overall, the number of factories with non-compliance issues decreased, when compared to the 685 audits conducted during FY14. However, the issues that audits find continue to show familiar patterns, with wages and hours the most frequent causes of non-compliance. These patterns are not unique to NIKE’s contract factories but are common across our industry, and we are involved in collaborative efforts to address these findings.

NIKE and independent organizations, including the FLA and the Better Work Programme of the ILO, conduct audits of contract finished goods factories to monitor compliance. NIKE audits assess contract factory compliance with NIKE’s Code of Conduct and protocols. The FLA and Better Work conduct independent audits on behalf of the industry. In FY14 and FY15, more than 1,300 factory audits were conducted. During that period, NIKE auditors conducted 96% of the audits (1,279) and the FLA and Better Work conducted 4% of the audits.

Additionally, within 60 days of the end of FY15, 21 of the remaining factories had completed audits, 5 had audits scheduled and the remaining 12 were divested.

At 56% of incidents overall, excessive hours was by far the top issue found in audits. We are committed to prioritizing sourcing from factories that have eliminated excessive overtime. In FY15, 96% of contract factories had no incidents of excessive overtime violations, as defined in NIKE’s [Code of Conduct](#). The factories that reported excessive overtime violations were escalated to Global Sourcing and Manufacturing leadership review.

AUDITS COUNT BY NIKE, INC., FLA AND BETTER WORK

	FY14	FY15
NIKE, Inc.	654	615
FLA	0	14
Better Work	31	25
TOTAL	685	654

TOP ISSUES OF LABOR NON-COMPLIANCE IN CONTRACT FACTORIES (CODE OF CONDUCT VIOLATIONS)

	FY14	FY15
Age	<1%	<1%
Freedom of Association and Collective Bargaining	0%	<1%
Harassment	2%	2%
Hiring	2%	1%
Hours	53%	56%
Other	9%	12%
Wages	35%	27%

NOTE: Percentages may not add to 100 due to rounding.



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INNOVATING THE ROLE OF TECHNOLOGY

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TRANSPARENCY AND COMPLIANCE

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OUR PLAN FOR THE FUTURE

Our target continues to focus on sourcing from factories that are investing in our sustainable vision for the future.

First, we remain committed to sourcing 100% of our products from factories that meet our definition of sustainable. To us, sustainable factories demonstrate

a beyond-compliance approach and performance in environmental management, as well as labor, best practices that create a safe, empowered workplace that engages with and values workers and delivers high performance products.

And, second, we want to ensure that contract factories share in productivity gains.

FY15 TRANSFORM MANUFACTURING PERFORMANCE

AIMS

Transform our working relationship with contract factories to incentivize changes that benefit their workers. Instill changes in our Code of Conduct, instigate innovation, educate to build management capabilities, address root causes in our own processes, work with the industry and reward factories' progressive achievement. Be a catalyst to drive standards for our industry.

Drive improvement in factory sustainability performance by implementing sourcing systems that include measures of sustainability performance (as well as traditional performance metrics of cost, quality and delivery) in sourcing-evaluation processes when selecting factories with which to source from over time.

FY20 TARGET

Source from factories that demonstrate a commitment to workers by achieving minimum bronze rating on our Sustainable Manufacturing and Sourcing Index (SMSI) by the end of FY20.

FY15 PERFORMANCE

CONTRACT FACTORIES ACHIEVING BRONZE OR BETTER SCORING ON THE SMSI

FY11	FY12	FY13	FY14	FY15
50%	70%	68%	75%	86%

4 SILVER-RATED FACTORIES

589 BRONZE-RATED FACTORIES

53% REDUCTION IN YELLOW-RATED FACTORIES FROM FY14

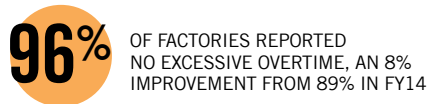
33% REDUCTION IN RED-RATED FACTORIES FROM FY14



COMMITMENTS

EXCESSIVE OVERTIME

Align sourcing decisions by the end of FY20 to prioritize sourcing in factories that have eliminated excessive overtime (defined by our Code of Conduct as more than 60 hours in a week or less than one day off in seven)



LEAN MANUFACTURING

Require commitment to lean manufacturing and demonstrate progress toward a lean culture for contract factories to move beyond compliance by the end of FY15

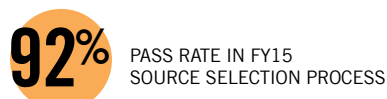
A commitment to lean manufacturing is a requirement for factories to receive a bronze or better rating on the SMSI. NIKE is providing updated sustainable manufacturing training to help factories strengthen their lean culture and processes, building on earlier modules. This new training reached 67 factories, representing nearly 10% of all factories and 38% of workers at the end of FY15.

This new training is in addition to base training completed in FY12 and reached factories delivering 91% of NIKE Brand footwear production volume and 44% of NIKE Brand apparel production volume.

SOURCING SELECTION

Incorporate factory labor and environmental performance criteria into production vendor sourcing selection and evaluation

Labor and environmental performance criteria were incorporated into NIKE's new source selection process in FY11.



EQUITABLE MANUFACTURING

Develop and test new models of manufacturing by the end of FY15 that serve to improve factories' approach to workers, their skills and livelihood, and share findings to drive industry change

We continued to test new models of manufacturing with pilot projects in factories in Indonesia and China. We documented the impacts of advanced lean implementation and human resource management in pilot factories by establishing control and experimental lines, training workers, managers and leaders, and developing new ways of working aligned to lean implementation. Workers and management also worked together to address issues identified through focus groups and worker engagement and wellbeing surveys.

Systems for daily, weekly, monthly and as-needed problem-solving were established for issues not directly related to production processes. Other initiatives focused on communication, recognition and fostering relationships between management and workers.

Learnings from the pilots are being integrated into ongoing lean program implementation.

ENGAGE PARTNERS

Engage external partners to drive sustainability and transparency across the industry

NIKE is aligning with the FLA's monitoring approach in an effort to share data on factory performance with other companies, helping to create a path toward identifying and remediating systemic issues in our industry.

EXPAND CAPABILITY

Enable contract factories to expand and optimize their labor and environmental sustainability capabilities

Nearly 10% of contract factories (67) are covered in sustainable manufacturing training, which together employ more than 385,000 workers.



UNLEASH HUMAN POTENTIAL

Our mission – to bring inspiration and innovation to every athlete in the world – drives us to encourage every person to reach their full potential, whether it's on the track, field or court, at work or at home. We strive to help people be active and engaged, fully participating in the world around them.

What's good for our consumers is also good for our employees and our communities. We believe that investing in our employees and our communities is essential to achieving our ambitious growth and innovation agenda.

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OUR APPROACH TO UNLEASHING HUMAN POTENTIAL

When it comes to NIKE employees, the growth of our business is fueled by the performance of our teams – and, in turn, NIKE's success offers advancement opportunities for our workforce. With this in mind, we continue to offer employees resources that support career growth, health and wellbeing, and safety, as well as competitive pay and benefits programs. We also embrace the power of a diverse team and an inclusive culture in helping to unleash the full potential of our employees.

In communities, we are committed to giving kids an opportunity to realize their full potential through sport and physical activity. Today's youth are part of the least physically active generation ever and NIKE is committed to shifting this trend. Beginning with kids ages 7 to 12, we are creating access to early positive experiences that lead to a lifelong passion for movement and give kids an opportunity to enjoy all the benefits of sport.

In FY14/15, we renewed our efforts to invest in and support employees and communities. This meant continuing to do some of the things we've always done, such as supporting transformational causes and working to attract, engage and develop all our employees. It also meant approaching some areas differently – creating new organizational structures within NIKE for both community impact and diversity and inclusion.

**62,600 EMPLOYEES
ON SIX CONTINENTS
AND IN 53-PLUS
COUNTRIES
MAKE UP ONE
GLOBAL NIKE TEAM**

OUR WORKFORCE

The NIKE, Inc. team is the spark that ignites our innovation. We seek to attract, develop and retain the most capable and diverse talent, and to inspire the type of performance and innovation that spurs growth in our business. With NIKE’s growth comes an increased opportunity for members of our workforce to stretch and achieve their career aspirations. Investing in our employees and unleashing their potential translate into a pipeline of new ideas, methods and products that drive the future of sport.

A DIVERSE, INCLUSIVE WORKFORCE

NIKE continuously strives to serve an increasingly broad consumer base. To do that well, we seek to attract and engage a workforce that reflects the diversity of the consumers we serve and the communities where we live and work.

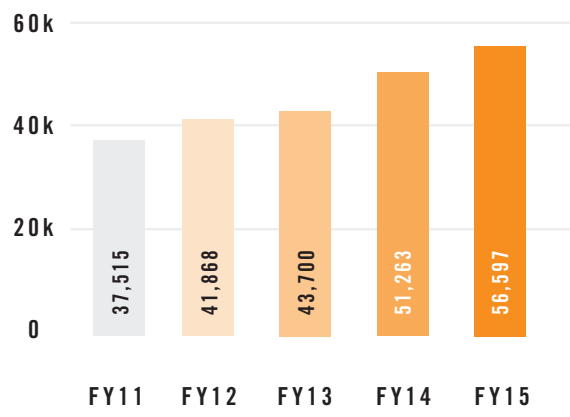
Over the past two years, we have embedded our Diversity and Inclusion team within our Human Resources function. Not only does this move allow us to leverage the scope and reach of our Human Resources team, it amplifies our efforts by integrating diversity and inclusion into all aspects of our team and talent strategy.

In FY14/15, for the first time, the percentage of NIKE employees who identify as non-white in the U.S. rose above 50%. Racial and ethnic diversity within NIKE’s People Manager team also rose steadily, increasing by 5% between FY12 and FY15. While other diversity percentages remained relatively steady, it is important to note that these statistics are based on a growing population of employees. In reviewing the number of diverse communities represented within our workforce, we have seen solid gains – and, while the overall ratio of female-to-male people managers has remained steady (41% female to 59% male), we added more than 800 female managers to our staff through hiring and promotions during this time period. This represents positive progress, but we also recognize that there is still work ahead.

As part of our focus on creating a more diverse workforce, we have included in this report additional details about our people manager and leadership/management populations. People managers play an important role in making talent decisions that impact the diversity of our workforce. Leadership/management positions are senior-level roles that make critical decisions about our workforce and resources to support NIKE’s business.

While the percentages showing the racial and ethnic diversity of NIKE’s leadership/management remained relatively steady, it is notable that 60% of the growth in this population has been non-white. In addition, even as our overall employee population has grown, more than 600 more women are now in leadership/management positions, slightly increasing the overall ratio of women to men. The disclosure of this additional data reflects our commitment to tracking specific segments of our population to ensure we continue to make progress.

NIKE, INC. GLOBAL EMPLOYEES



NOTE: FY15 data represented here excludes employees classified as temporary (i.e. primarily seasonal retail employees).



In addition to attracting and amplifying opportunities for a diverse pool of talent, we are equally committed to a culture that embraces difference and values inclusion. Employee and leadership development are central to this. Our onboarding process for new hires continues to include behavior-specific trainings, so every new employee feels engaged as part of the NIKE team. In addition, through our online training platform, which includes a refreshed manager excellence program, we continue to expand our reach to locations around the globe with translated materials, so that every employee will have access to training and development opportunities.

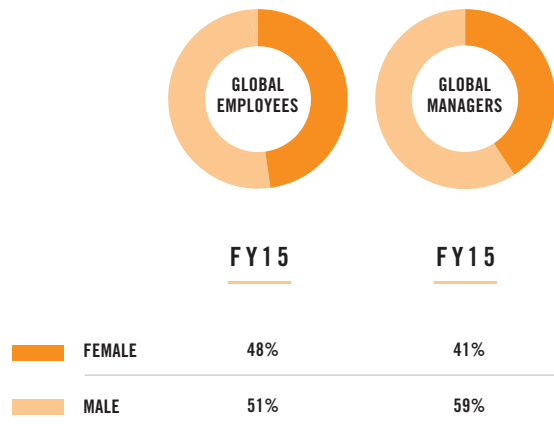
As we build the capabilities of our leaders and continue our focus on inclusion, we expect to create greater momentum in diversifying our future workforce and leadership teams.

OUR GLOBAL DIVERSITY AND INCLUSION TEAM SPONSORS NIKE'S EIGHT EMPLOYEE NETWORKS.

- Ability Network
- Asia Pacific Network
- Black Employee Network
- Latino and Friends Network
- LGBTQ & Friends Network
- NIKE Military Veterans and Friends
- Native American Network
- Women of NIKE

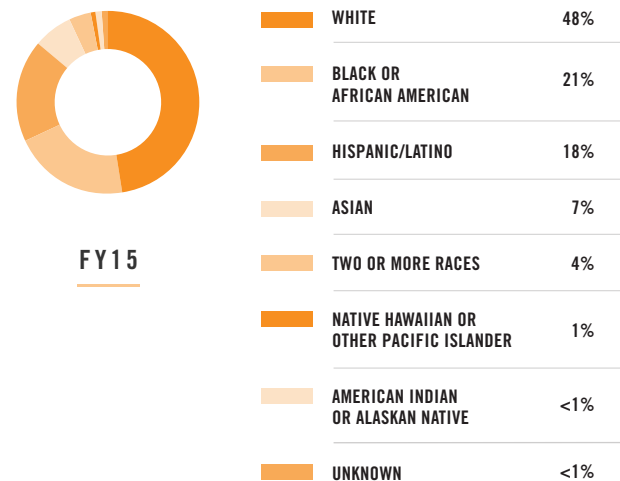
These networks serve to increase cultural awareness, deliver career development experiences and demonstrate our commitment to diversity and inclusion in the communities where we live and work. In partnership with our employee networks, we have raised cultural awareness through celebrations such as International Women's Day and Black History Month. We were also proud to build support for marriage equality, culminating in the judicial overturn of a ban on same-sex marriage in Oregon in May 2014.

NIKE, INC. EMPLOYEE & MANAGER TOTALS BY GENDER (GLOBAL)



NOTE: For data on FY11–FY15, please see the Appendix pages 92–93.
 NOTE: Percentages may not add to 100 due to rounding.

NIKE, INC. EMPLOYEE TOTALS BY ETHNICITY (U.S.)



NOTE: Percentages may not add to 100 due to rounding.

HEALTH AND WELLBEING

Encouraging people to live a healthy, active lifestyle is core to who NIKE is. It's reflected in the products we design to help people reach their goals, as well as the resources we offer to NIKE employees. As a brand committed to sport and fitness, we actively encourage our workforce to engage in a healthy lifestyle to the best of their ability. In fact, we see health as an imperative for a high-performing workplace culture.

We enable employees to make customized choices in their wellbeing benefits, while offering consistent opportunities across our business, regardless of location. Resources are available to meet employees' individual preferences – from access to (and discounts on) fitness facilities to on-site wellness centers, to competitive health benefits. We're focusing on three wellness areas: Health, Balance and Move. These initiatives will amplify the NIKE experience for employees by engaging them with meaningful programs that will improve their lives inside and outside of work.

CAREER GROWTH

At NIKE, we are serious about unleashing the potential of our employees. Given the fast pace of our growth, we see it as an imperative to ready many generations of world-class talent for the opportunities ahead. This begins with inspiring employees to own their careers and engaging them, so they can do their best work. In addition, we have focused on creating world-class managers who can lead, coach drive and inspire their teams every day in pursuit of the highest performance.

Our numerous development offerings, programs and resources support our workforce in fulfilling their potential. For example, through our online training platform established in FY12, we offer a variety of internal, web-based and instructor-led courses designed for various functions within the company. With the global nature of our business and our rapid growth, we have scaled our development offerings to enable productive, efficient delivery of training to all NIKE employees. We are gaining excellent traction in

this area. For example, in FY14/15, employees at NIKE completed nearly 200,000 courses. The number of courses completed online tripled in FY15 compared to FY14, enabled in part by technology and additional language offerings.

COURSE COMPLETIONS THROUGH TRAINING PLATFORMS

COURSES	FY14	FY15	CUMULATIVE (SINCE FY12 LAUNCH)
Number Web-based	40,987	115,605	450,879
Number Instructor-led	18,094	17,913	273,328
TOTAL	59,081	133,518	724,207

NOTE: The increase in web-based courses from FY14 to FY15 is attributable to continued employee growth, the expansion of online curricula and targeted custom curricula and system enhancements.

SAFETY IN THE WORKPLACE

NIKE uses a proactive, continuous learning model to identify and address workplace risks, while encouraging employees to communicate about safety needs. As the business accelerates, so do our safety efforts. We are implementing new program enhancements for ergonomics in offices and distribution centers around the world to reduce repetitive motion and material-handling injuries. And, employees working in the retail environment are seeing additional focus on health and safety risk specific to their environment, building on our existing good performance record compared to the industry.

To ensure we are improving safety across the company, we have aligned global efforts to develop standards for operations, tools for easier measurement, and simplified and expedited access to expert help within NIKE. For example, many NIKE employees in places as diverse as Portland, Amsterdam and Shanghai recognize the health and environmental benefits of using a bicycle rather than a car, and our Global Environmental Health & Safety group is launching several initiatives to improve employee bicycling safety, including encouraging the use of NIKE's own high-visibility Flash apparel and gear.



NIKE is also bringing proven processes from other industries into our own processes, including aligning with Procurement to include a review of the safety performance of vendors before they are hired.

In FY14 and FY15, our recordable injury and lost-time rates remained well below industry averages by business division, a continuation of good performance from FY11 through FY13. For data please see page [98](#).

COMPETITIVE REWARDS

The potential of every NIKE employee is part of our competitive advantage in fueling growth. That's why we provide a suite of compelling compensation and benefit programs to encourage the best from our teams. With an emphasis on pay for performance and market competitiveness, our programs are designed to attract and retain top talent, reward business results and individual performance, while maximizing shareholder value. Among other compensation and benefits, we offer eligible employees:

- A competitive base salary that reflects accountabilities, skills, experience and performance
- Medical, dental and vision insurance
- Company-supported life and disability insurance for financial protection
- Retirement savings
- Opportunity to enroll in the Employee Stock Purchase Plan in most locations
- Paid time off
- Employee discounts on NIKE products
- Access to, or discounts on, fitness centers
- Employee assistance plan

We recently launched a new Family Care benefit in the U.S., which provides up to eight weeks of additional paid time off for eligible employees, enabling all new parents to bond with their newborn or adopted child, while also supporting employees caring for a sick family member.

OUR PLAN FOR THE FUTURE

Our heritage is rooted in the spirit of innovation and sport. As our business grows, we are committed to continuing this legacy and continuously elevating opportunities for employees. We recognize that NIKE's growth is fueled by our people, and we believe that helping them maximize their potential will result in greater innovation and stronger performance. With this in mind, we have set forth a comprehensive team and talent strategy, sharpening our focus in three key areas:

- Aligning resource investments against areas of critical growth
- Building an increasingly diverse global team with the capacity to grow our business
- Embracing and promoting an inclusive culture that spurs innovation

In particular, we have developed a thoughtful plan to increase the diversity of our workforce and leadership teams. We will accomplish this through recruitment, development and retention of diverse talent, with an initial focus on women and people of color and the goal of reflecting the diversity of the consumers we serve and the communities where we live and work. Our strategy includes:

- Attracting diverse external talent by positioning NIKE as an employer of choice and investing in our recruiting teams
- Investing in employee development that inspires our team, fuels performance and supports the development of the next generation of diverse talent
- Supporting an inclusive culture by actively listening to employees and training NIKE employees in unconscious bias by 2020, with an initial focus on senior executives
- Evaluating our promotion, pay and benefit practices
- Holding senior leaders accountable and tracking progress against their multi-year diversity plans
- Creating an Executive Diversity Committee comprised of NIKE's most senior leaders to oversee our diversity and inclusion initiatives



FY15 PEOPLE AND CULTURE PERFORMANCE

AIM

Tap our people and our culture, our most powerful source for innovation and change.

FY15 TARGET

Invest in employee development.

FY15 PERFORMANCE

We are making progress in our efforts to invest in our own people's potential by focusing on building a diverse, healthy and talented workforce.

450k

**COURSES TAKEN BY
EMPLOYEES THROUGH
OUR ONLINE TRAINING
PLATFORM SINCE LAUNCH**

COMMITMENTS

INVEST IN EMPLOYEE DEVELOPMENT

We extended our online training platform to include content in five new languages: Mandarin, Japanese, Korean, Spanish and Portuguese.

ENGAGE EMPLOYEES

We designed enhanced onboarding resources to ensure that new NIKE employees are engaged, productive team members more quickly and effectively.

INSPIRE IDEAS AND IGNITE INNOVATION

We introduced new manager expectations and enhanced feedback and developmental tools to help managers create high-performing, innovative teams.

COMMUNITY IMPACT

NIKE has always believed in the power of sport to change the world. This belief is at the core of who we are as a brand, and it has been an essential part of our community work from the very beginning.

Between 2010 and 2014, NIKE joined more than 70 expert organizations to develop, launch and champion Designed to Move, a framework that highlights the growing epidemic of physical inactivity and outlines a call for action to help end the crisis by creating positive experiences for children in sports and physical activity, and integrating physical activity into everyday life.

We remain committed to engaging our employees and our consumers to get the world to move in a positive, healthy direction. In FY14 and FY15, we met our annual goal of investing a minimum of 1.5% of NIKE's pre-tax income to drive strategic programs with three goals: make a targeted and sustained impact on local communities, deliver early positive experiences in sport and physical activity, and inspire the world.

We believe these goals – in collaboration with efforts from communities, schools, governments and other partners – can tackle today's physical inactivity epidemic. Today's youth are part of the least physically active generation ever, with consequences for health, education and whole economies. NIKE is committed to shifting this trend. Using the learnings outlined in the

Designed to Move framework, we are starting with kids, specifically the 7 to 12 year-olds who are missing out on the lifelong benefits of a physically active lifestyle. Research shows that the window between ages 7 and 12 is key to setting kids on a path for more active lives. This is when kids are developing their skills for sports and when they are forming their preferences and motivations for what they choose to do – and not to do.

To deliver against this commitment, we have evolved our approach to focus our Global Community Impact efforts to provide early positive experiences for youth. During the reporting period, we created a new team to deliver against this global mission with a focus on:

- Creating early positive experiences in youth sports and schools around the world in communities where we live, work and play
- Harnessing the collective passion of our employees to volunteer and connect with their own communities
- Leveraging the visibility of our brands to amplify our work, and give consumers and other stakeholders an opportunity to connect with causes they care about
- Collaborating with governments, NGOs, companies and multi-stakeholder partnerships to create a more active world

**ACTIVE KIDS
ARE HAPPIER,
HEALTHIER
AND MORE
SUCCESSFUL**

DELIVER LOCAL IMPACT

All sport is connected to place – a player on a particular field in a particular neighborhood. That's where movement starts. And that's where we start, too – in the communities where we work, helping to give kids access to sport, play and movement.

Through our work with experts and other partners to develop the “Active Schools Guide,” we have learned that one of the most impactful ways to introduce physical activity into the daily lives of kids is to make it an option before, during and after school. Research shows that active kids are healthier, happier and more likely to be successful in life. That's why we have invested in programs focused on helping schools offer kids early positive experiences with sport and physical activity.

In China, for example, our Unlock School Gates pilot – where school doors remain open after hours – was named the 2014 “Best Social Practice” by the Jing'an District of the Shanghai Government. The program focuses on building a whole-community approach to youth sports, with mentoring for coaches, parents and teachers, and incorporating play-based goals for student performance. We support similar efforts to help make schools more active across the globe, including in the U.S., Russia, the U.K. and Brazil.

Going local means investing in your own backyard. Since 2007, NIKE has partnered with school leaders in Oregon U.S., to support teachers and engage students in realizing their potential. Through the NIKE School Innovation Fund, we have invested more than \$10 million in Oregon schools to accelerate college and career readiness students throughout the state.

In addition to funding, NIKE leaders share their time and expertise with a select group of our partner schools to help school leaders seed and implement school-based innovations.

EMPOWER EMPLOYEES TO SERVE THEIR COMMUNITIES

NIKE employees are passionate about sport and physical activity. We give our employees the opportunity to share their love and “play it forward” with the next generation as NIKE Community Ambassadors and volunteers.

The NIKE Community Ambassador program launched with a pilot training in Las Vegas in FY14. Since then, the program has expanded across cities in the U.S. and the world and has been enthusiastically received by employees, with more than 500 retail employees participating in the U.S. alone. For example, NIKE Community Ambassadors in Brazil celebrated National Children's Day in 2015 by partnering with the Instituto Passe de Mágica and bringing Brazilian football players – including Palmeiras forward Rafa Marques and Santos junior team forward Rodrigo Gois – to give more than 400 kids the opportunity to experience a variety of sports.

In FY14/15, NIKE employees volunteered nearly 48,000 hours and made cash contributions that, combined with NIKE matching funds, equaled \$6.2 million in donations to the schools and charitable causes of their choice. We increased our employee giving through a new 2x sport match where NIKE doubles the dollar amounts of employee contributions to non-profits that promote sports and physical activity in their communities. Also, for every hour an employee volunteers, NIKE donates \$10 directly to the cause of their choice, up to \$1,000 per calendar year. We increased our employee giving match to \$10,000 a year per employee in 2015. In September and October 2015, employee donations grew 10% year over year, and volunteer hours grew nearly 400%.

Employees at NIKE's European Logistics Campus (ELC) in Laakdal, Belgium, regularly find ways to have a positive impact in their local community, from participating in sustainable travel programs to raising funds for local charities. Since 1995, the ELC has organized annual sports days for children from local schools, reaching more than 700 children in 2015. In October 2014, ELC employee volunteers supported 58 delegations that traveled from across Europe to participate in the Special Olympics European Games held in Belgium.



LEVERAGE THE POWER OF OUR BRANDS

We believe the power of our brand can amplify and elevate important community causes and events.

For example, we have partnered with National Basketball Association (NBA) superstar Yao Ming's Yao Ming Foundation to promote the development of youth basketball in China. Youth coaches receive training to deliver early positive experiences on the court. The program is projected to reach 4,000 kids over five years.

Leveraging the energy of NBA All-Star 2015 in New York City, we launched the Zoom League, a youth basketball program reaching more than 5,000 kids and 400 coaches. The Zoom League includes a commitment to inspire the next generation of basketball players and elevate the role of coaches.

BUILD THE FUTURE

Building an active future for today's generation of kids is a team effort. We are collaborating with others – governments, NGOs, academics, the sports industry and multilateral organizations – to reverse current trends and to build a future where everyone, everywhere, can enjoy the benefits of physical activity and sport.

INVESTING IN COMMUNITIES, IMPACTING THE WORLD

	FY12	FY13	FY14	FY15
% Pre-tax Income Per Fiscal Year	1.4%	1.6%	1.7%	1.9%
USD in Millions	42.8	52.7	61.9	78.2

In December 2013, we launched Designed to Move in Brazil and announced that NIKE and partners had together made a \$16 million Clinton Global Initiative Commitment to get kids active in Brazil. In 2014, we launched Designed to Move in China, bringing innovative training and capacity building through the lens of football to physical education teachers

nation-wide. The initiative has been enthusiastically received across 16 cities in China and has reached more than 1,000 schools and more than 2,925 physical education teachers.

In the U.K., NIKE worked with partners, including the Barclays Premier League® and the British Heart Foundation, to support an All-Party Commission on Physical Activity, which made recommendations to the U.K. Government about how to end the physical inactivity epidemic in the U.K. We later partnered with other members of the sporting goods industry to support the European Commission to deliver the first European Week of Sport.

NIKE is now partnering with UNESCO to improve the way physical education is delivered in schools around the world.

OUR PLAN FOR THE FUTURE

Looking forward to FY20, we will continue to invest a minimum of 1.5% of our pre-tax income in our Global Community Impact initiatives annually. This target represents our ongoing commitment to supporting communities as they work to ensure that youth everywhere have access to sport and ample opportunities for physical activity. We are also focused on delivering against measures in three key areas we care about:

- Through the power of our brands and partnerships, get kids active early and for life, beginning with early, positive experiences for kids (ages 7 to 12) in schools and youth sports
- Inspire the majority of NIKE employees to engage with their communities and support their giving of expertise, time and money
- Drive sustained community impact in all of our primary markets and sourcing backyards

FY15 COMMUNITY IMPACT PERFORMANCE

AIM

Catalyze human potential by creating community and business impact through a portfolio of innovative partnerships, advocacy and movement-making initiatives.

FY15 TARGET

Invest a minimum of 1.5% of pre-tax income in communities annually.

FY15 PERFORMANCE

1.9%

OF FY15 PRE-TAX INCOME
INVESTED TO DRIVE
POSITIVE IMPACT IN
COMMUNITIES

1.7%

IN FY14

COMMUNITY INITIATIVES

We worked with experts, partners and school leaders to get thousands of kids moving before, during and after school in the U.S., Brazil, Europe, South Africa and China.

Girl Effect launched as a separate organization and we successfully reorganized into a Global Community Impact team overseeing NIKE's commitment to communities.

EMPLOYEE CONTRIBUTION

\$10,000

MATCH FUNDING FOR
EMPLOYEE GIVING ANNUALLY

We increased our employee giving match with a 2x sport match, wherein NIKE doubles the dollar amounts of employee contributions to nonprofits that promote sports and physical activity in their communities and we increased the employee giving match to \$10,000 annually.

400%

INCREASE IN VOLUNTEER HOURS IN
SEPTEMBER AND OCTOBER 2015,
THROUGH THE CREATION OF OUR
VOLUNTEER REWARDS PROGRAM



COMMITMENTS

EXPAND ACCESS TO SPORT AGENDA

Build and expand access to sport agenda

NIKE continues to move the world to get kids active, early and for life, through our new Global Community Impact division. Together with our Designed to Move partners, we are helping to get kids moving around the world. Our Unlock School Gates pilot in China was named a “Best Social Practice” by the Jing’an District of the Shanghai Government, and has delivered after-school PE lessons to thousands of children. We have worked with the European Commission to increase physical activity across Europe. We are helping break the cycle of inactivity among Rio’s kids through a five-year, city-wide initiative in partnership with the city of Rio de Janeiro to reinvigorate 22 community sport and recreation facilities.

ENGAGE, ENCOURAGE AND ENABLE

Engage, encourage and enable employees to support communities

In FY14/15, NIKE employees donated nearly 48,000 hours of volunteer time, and made cash contributions that, combined with NIKE matching funds, equaled \$6.2 million. We also launched a major initiative to give employees three additional ways to connect with their communities. We increased employee giving with the 2x sport match, increased the employee giving match to \$10,000 annually and we introduced new volunteer rewards. In September and October 2015, employee donations grew 10% year over year, and volunteer hours grew nearly 400%.

ENGAGE CONSUMERS

Tap the power of our brands to engage consumers and leverage support for the issues they care about

Using the power of our brands, we continued to partner with organizations and athletes to promote youth sport around the world. We worked with the Yao Ming Foundation to promote the development of youth basketball in China. We also established the Zoom League, a youth basketball league in New York City, in conjunction with NBA All-Star weekend.

GIRL EFFECT

Through the NIKE Foundation, continue to use insight, innovation and inspiration to equip adolescent girls in the developing world and transform their world so their full potential can be realized

Girl Effect was successfully launched as its own independent organization in FY15, with continued support from the NIKE Foundation and multiple partners. This move will enable Girl Effect to better scale its ambition of reaching 250 million girls living in poverty across the world.



GOVERNANCE, INTEGRATION AND STRATEGIC PARTNERSHIPS

To deliver on our strategy we know that governance, integration of sustainability throughout our business and external partnerships are critical. We have established strong internal governance systems, we are laser-focused on continuing to embed sustainability across NIKE, Inc. and we partner broadly outside of NIKE to advance systemic change and to create the conditions necessary to enable sustainable business at scale.

STRONG GOVERNANCE TO ENABLE SUCCESS

A strong governance structure, coupled with a sustainability-focused mindset, provides an essential foundation for driving collective decision-making and accountability across the company. This begins with leadership commitment at the highest level – from our CEO and the Corporate Responsibility/Sustainability Performance and Disclosure Committee of our Board of Directors. They set the tone and pace for sustainability within NIKE's business strategy.

Our Performance and Disclosure Committee – composed of our Chief Administrative Officer, Chief Communications Officer, Chief Financial Officer, Chief Operating Officer and Chief Sustainability Officer – now has more accountability and oversight than ever before. It reviews and confirms all company-wide sustainability targets, reviews performance toward targets, receives updates on key issues and emerging trends, and provides oversight for efforts to improve data, transparency and disclosure.

EMBEDDING SUSTAINABILITY ACROSS NIKE, INC.

Sustainability is a team sport. To achieve our vision, we need everyone to understand and deliver on our goals, from our leaders to product designers, to the employees in our stores, to the workers in the contract factories who make our products.

We have a core Sustainable Business & Innovation (SB&I) team that is part of NIKE's Advanced Innovation function. The SB&I team works to link sustainability and leadership across our value chain from innovation and product creation, through sourcing and manufacturing, to facilities, logistics and retail.

We have also connected teams across NIKE with a common sustainability vision. Specifically, we have sustainability-focused teams within Product Creation, Direct to Consumer, Manufacturing Revolution, Global Sourcing & Manufacturing, Supply Chain and Brand. These teams report to the leaders of those areas, as well as to our Chief Sustainability Officer.

We're driving deeper accountability across the business by including sustainability aspects in the performance evaluations of employees in our product engines. The performance reviews for footwear and apparel employees, for example, now include sustainability deliverables and objectives, such as providing category teams and leadership with progress updates against NIKE's product sustainability indices.



Company-wide, we have long used corporate sustainability targets to drive accountability and measure progress. In 2015, we completed an ambitious range of FY15 targets that we began in 2011. We also launched our FY20 targets (see pages [17–20](#)). We leveraged the FY20 target-setting process to further integrate sustainability into business operations. The embedded sustainability teams drove the target-setting process for their functions with support and guidance from SB&I. We expect that our FY20 targets will drive shared progress across our value chain over the next five years and into the future.

COLLABORATING TO CREATE SYSTEMIC CHANGE

Businesses, industries and economies are acknowledging what science has proven to be true: the future is low carbon and closed loop. At NIKE, we've been active in tackling the world's greatest challenges, including creating sustainable materials, addressing climate change and transforming global supply chains. These issues are too complex for a single organization to solve, yet progress is essential to our collective future.

NIKE collaborates with competitors, governments, academia, NGOs and industries to develop a shared understanding of the challenges and opportunities we face. Together we identify barriers, advance solutions through strategic partnerships and create the conditions that enable solutions to scale.

Beyond identifying challenges and finding a shared understanding, we leverage the power of our brand to catalyze collective efforts by innovators, companies and civil society to solve global innovation opportunities. NIKE also continues to initiate direct joint-development partnerships in order to develop the sustainable materials, methods of manufacturing and infrastructure of the future.

ADVANCING PROGRESS ON CLIMATE CHANGE THROUGH COLLECTIVE ACTION

In December 2015 at the 21st Conference of the Parties (COP21), nearly 195 countries agreed to a landmark deal – the Paris Agreement – which many observers believe is an unprecedented turning point in global action on climate change. NIKE helped to establish and co-chair We Mean Business, a coalition of organizations that brought a unified and powerful voice from the business community for the agreement.

In 2015, we began a collaboration with the Massachusetts Institute of Technology (MIT) Climate CoLab to bring materials innovation to the forefront of the climate conversation. The MIT Climate CoLab Materials Challenge sought new ideas about how to engage industries, designers and consumers to value, demand and adopt low-impact fabrics and textiles.

NIKE also helped to establish Business for Innovative Climate and Energy Policy (BICEP), an advocacy coalition of businesses working with policymakers to pass meaningful energy and climate legislation. In 2013, together with other leading companies, NIKE signed on to BICEP's Climate Declaration, urging policymakers and the U.S. Government to combat climate change.

As part of NIKE's commitment to reach 100% renewable energy⁴⁸ in owned and operated facilities⁴⁹ by FY25, we joined RE100, a global initiative led by The Climate Group in partnership with CDP, designed to engage, support and showcase influential businesses making similar commitments.

48 The target scope includes electricity only.

49 Where we make energy purchase decisions on strategic assets.

NIKE'S COLLABORATION WITH THE SUSTAINABLE APPAREL COALITION

Because we understand that no single company or organization can solve today's toughest sustainability challenges alone, we continue to advocate for a system-wide approach to innovation to tackle sustainability challenges within the apparel and footwear industry.

One such challenge is the patchwork of sustainable performance measurement methodologies, data collection tools and audit methods that are hampering transparency into the environmental and social performance of global supply chains. We believe a standardized approach and assessment tools will pave the way for more accurate measurement and benchmarking to drive collaboration and sector-wide progress.

The SAC, with its broad membership of more than 170 leading apparel, footwear and home textile brands, retailers, suppliers, affiliates and academic institutions, is an ideal collaboration platform to drive harmonization and convergence of performance measurement standards. SAC has come a long way since 2009 when 14 companies, including NIKE, self-organized around the idea of developing an industry-standard framework for measuring social and environmental performance in the apparel and footwear value chain.

The coalition, through its Higg Index suite of online assessment tools, seeks to standardize the measurement of environmental and social impacts of apparel, footwear and home textiles products. The various modules of the Higg Index are built upon a common approach for holistically and consistently measuring and evaluating brand, product and supply chain sustainability performance.

SAC has made significant progress toward developing and scaling the Higg Index. NIKE is committed to the work of making the Higg Index the industry standard by which our brands, supply chain and product sustainability performance are communicated. We also believe the focus on creating a converged industry tool is an important aspect of creating an evolutionary platform for faster and more efficient integration, and we look forward to working with SAC and other industry partners to advance the content and adoption of the Higg Index Facility Modules.

In addition, we will continue our active participation to support further innovation, development and evolution of SAC tools, including the Materials Sustainability Index.

INDUSTRY STANDARDS AND CONVERGENCE

We believe a holistic collaboration platform and trusted industry standards for sustainable performance measurement increase predictability, level the playing field and accelerate impact. Therefore, NIKE is proactively supporting convergence conversations on trusted standards and tools with key organizations, including:

- The ZDHC program
- The FLA's work on convergence of labor standards
- The ILO's Better Work Programme to support collective efforts to identify and remediate systemic challenges in our industry, such as excessive overtime and wages

PUBLIC POLICY

We engage in public policy advocacy on issues affecting our business, our employees and our consumers. We have harnessed the power of our brand to mobilize policymakers and promote initiatives that align with our business strategy, corporate values and objectives across different policy areas.

This section describes our positions on several key public policy issues, as well as our approach to political contributions and trade association memberships.

FREE, FAIR AND SUSTAINABLE TRADE

We advocate for free trade by seeking improvements in existing global, multilateral, regional and bilateral agreements as well as by seeking new, innovative agreements, while challenging protectionism. We believe free, fair and sustainable trade encourages growth, investment and innovation, and serves the interests of workers and consumers globally. Our objectives include seeking seamless access and open markets through the elimination or reduction of import duties, protecting intellectual property rights and establishing mechanisms that promote sustainable trade and growth. We also seek policies and government action that promote the efficient and secure transportation of products. We believe we can help create opportunities for workers and communities by advocating for sensible labor and environmental provisions within trade agreements.

TAX

We support efforts to design a more efficient tax system by identifying and advocating for tax policies that allow us to be competitive in the global marketplace.

INTELLECTUAL PROPERTY

We advocate for intellectual property policies that support innovation, development and consumer trust. We work in partnership with U.S. and international public authorities to support a robust and modern regulatory framework to combat counterfeiting and promote a harmonized, balanced system globally to protect our innovative designs and products.

EMPLOYMENT/ NON-DISCRIMINATION

We have been a strong advocate of workplace non-discrimination legislation for lesbian, gay, bisexual and transgendered employees in the territories where we have a significant employee base. In November 2011, we completed an extensive policy review of civil marriage in the U.S. and signed a business amicus brief that advocated setting aside federal legislation prohibiting same-sex civil marriage.

ACCESS TO SPORT AND PHYSICAL ACTIVITY

Our policy agenda also includes the promotion of access to sport and physical activity in the various geographies in which we operate. We build coalitions and encourage governments to develop policies that promote physical activity and education in schools and places for youth to play. The solution requires a co-ordinated approach that considers the way our cities are designed; that enables schools to become hubs for physical activity before, during and after formal education takes place; that structures our workplaces to prioritize physical activity; and that engages communities and volunteer organizations at the local level. We have also been advocating for governments to rethink policies so as to encourage early, positive experiences of physical activity for youth, and so that people integrate physical activity more effectively into their daily lives.

SUSTAINABILITY

NIKE is actively engaged in regional, national and international sustainability-related policy initiatives around the globe. The key policy areas we focus on pertain to sustainable materials, products and supply chains; climate change and renewable energy; chemistry; and the circular economy.

**THROUGH COLLABORATION
WITH GOVERNMENTS AND
OTHER STAKEHOLDERS,
WE PROMOTE PUBLIC
POLICIES THAT REWARD
INNOVATION, AS WELL
AS SUSTAINABLE
BUSINESS MODELS**

As with many environmental and societal issues, no one organization can solve these challenges alone – solutions require input and collaboration between government, business, consumers and civil society. To that end, we work with other businesses through trade associations and coalitions to help drive and shape sustainability policies.

PRODUCT ENVIRONMENTAL FOOTPRINTING

NIKE is a founding member of SAC, an industry-wide group of more than 170 leading apparel and footwear brands, retailers, suppliers, academics and NGOs working to reduce the environmental impacts of apparel and footwear products. We have worked with SAC since 2009 to create an industry approach to the environmental footprinting of these products. We are also working with SAC to pilot test the European Union's Product Environmental Footprint methodology.

CHEMISTRY

We are committed to making products in ways that protect consumers, workers and the environment, and in doing so we are committed to eliminating, reducing or responsibly managing hazardous chemicals in our supply chain. We have programs in place that evaluate and restrict the use of certain chemicals and promote the development and use of green chemistries throughout our supply chain. Also, we recognize that public policy plays a key role in enabling our goals. Through coalitions and associations, we engage on proposed legislation and regulation at the regional, national and international levels to promote a harmonized regulatory framework that is drawn from the best-available science on the hazards of chemicals, and founded on credible, risk-based assessments of chemicals that protect the worker, consumer and the environment.

CLIMATE CHANGE

In the U.S., we helped create BICEP, an advocacy coalition of businesses committed to working with policymakers to adopt meaningful climate and energy policies. Also, in FY14/15 NIKE helped establish the We Mean Business Coalition consisting of business climate groups around the world, urging policymakers to adopt an ambitious climate agreement at COP21 in Paris. We worked closely with We Mean Business to articulate policy asks and messages for the COP21 negotiations.

Furthermore, in the lead-up to COP21, we signed on to the White House American Business Act on Climate Pledge, supporting a strong agreement and pledging to (1) reach 100% renewable energy⁵⁰ in our owned or operated facilities⁵¹ by FY25; (2) participate in the Better Buildings Challenge run by the U.S. Department of Energy; and (3) advance materials innovation.

POLITICAL CONTRIBUTIONS AND TRADE ASSOCIATION MEMBERSHIPS

In 2011, we undertook an extensive review of our policies and practices regarding political contributions and trade association memberships, as well as our policy positions. After this review, the NIKE Board of Directors adopted a company policy on these issues. The policy is available online at investors.nike.com.

In the U.S., we make state- and local-level political contributions primarily to candidates and ballot measure campaigns in Oregon, where our world headquarters is located. Oregon contributions are listed at sos.state.or.us. We also contribute in a limited way to state and local candidates and ballot-measure campaigns in other states.

Contributions from NIKE, Inc. are governed by Board policy and applicable contributions are reported by calendar year (see investors.nike.com).

Under current U.S. election law, employees of corporations can jointly donate to federal candidates through the creation of political action committees (PACs). Contributions from the NIKE, Inc. PAC are bipartisan, relatively modest and are listed at fec.gov.

In our global and territory policy hubs, we share – on applicable government registries and platforms – information about our policy advocacy, relevant trade association memberships, and individuals engaged in lobbying or advocacy on behalf of NIKE, Inc.

⁵⁰ The target scope includes electricity only.

⁵¹ Where we make energy purchase decisions on strategic assets.

REPORTING AT NIKE

Our FY14/15 report provides a progress update against our FY15 targets, introduces our FY20 targets and describes some of the key steps in our journey over the past two years. This print-on-demand report is a snapshot in time, summarizing our strategy, approach and performance. It is complemented by our digital reporting on about.nike.com/sustainable-innovation, including a high-level summary of NIKE's vision, strategy and performance.

We have organized this report by the high-level aims under which we've arranged our new targets by impact area. To provide concise, comprehensive information, we have included dashboard-style summaries of progress against our FY15 targets and commitments, along with more detailed commentary and analysis.

References to NIKE, Inc. generally include all businesses in our portfolio. However, references to the NIKE Brand in this report generally exclude Converse, Hurley and the Jordan Brand. Further discussion of these changes, the boundaries of our reporting and our approach to reporting is included in our Business Overview and About this Report sections (see page 12 and the Scope section that follows).

THE VALUE OF REPORTING

We believe that transparency is a central component of a responsible business strategy, and reporting is a critical part of delivering that transparency. Reporting is the main tool we use to provide important information to our stakeholders about how we understand and manage the social and environmental impacts of our business. In 2014, we conducted a materiality assessment to map socioeconomic and environmental issues across our value chain and assess their materiality to our business and importance to internal and external audiences. The Our Impacts section of this report (see page 14) includes a discussion of the process we undertook to define those issues and the results of our analysis.

Reporting provides our stakeholders with an open, clear picture of our aims and progress toward driving sustainable practices into our operations. And it provides an indicator – to us and others – of our ability to succeed and thrive. We use sustainability as a way to systemically address risk management, efficiency, innovation and future-looking efforts – all of which are critical in positioning NIKE for long-term growth.

REPORTING GUIDANCE

We support the Global Reporting Initiative (GRI). This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines. NIKE is a member of the Ceres Company Network and endorses the principles of the United Nations Global Compact. This report describes actions we have taken to implement these principles, and serves as our Communication on Progress as required for all companies that endorse the United Nations Global Compact.

Please see page 104 for an index that points readers to our reporting on relevant GRI indicators and implementation of the United Nations Global Compact Principles. Please visit about.nike.com/sustainable-innovation to access the full report, historical reports and more information.

SCOPE

The information in this report provides a comprehensive view of our impact and reach across all NIKE, Inc. brands unless otherwise noted. We also discuss approaches for Converse, Hurley and Jordan Brand businesses, where relevant, if they diverge from our overarching strategy.

This report covers FY14 and FY15. Unless otherwise noted, all references to dates are made on a fiscal-year basis. Some important events that took place after the close of FY15 are also covered in the report; their inclusion reflects the impact or influence these events



may have on NIKE's future direction.

METHODOLOGY

Sustainability data is shaped by a landscape of evolving methodologies, advancing standards and expansions in data accessibility over time. Adapting to these changes while maintaining comparability in our data is critical to instilling integrity and confidence in the validity of the insights the data provides. We understand that we must adapt and be nimble to keep pace with broadening data sets and emerging standards. To that end, we're designing more flexibility with tighter controls into our sustainability data processes and systems.

While we revamp and fine-tune our data ecosystem to accommodate our new targets – many of which encompass a broadened scope and enhanced methodology in comparison with our previous targets – we've also taken a close look at the data within our FY11–15 target period. In doing so, we discovered that due to system changes, data accuracy improvements and scope expansions, certain results we previously reported are no longer valid, particularly those based on estimates and extrapolation. There may also be cases where changes in data collection render previously reported data incomparable.

As a result, we have adjusted information accordingly throughout the report and noted where restatements have occurred, explaining how changes affect comparability over time. Revisions in this report reflect methodology advancements, grid emission factor updates and error corrections.

We believe in the value of practice and carefully apply what we learn as we move forward. While sustainability data is still in the early stages of maturity when viewed alongside financial data, we've built a strong enough foundation for our data and a flexible enough scaling process to baseline our new targets with the same year we closed out our previous ones.

In this report, we revised our FY11 through FY13 Tier 1 footwear manufacturing energy and carbon results to align with the grid emissions factors updates that are associated with that period and to accommodate systems data entry and calculation

improvements. These restatements resulted in a 1% reduction in FY11 baseline emissions for footwear manufacturing. We have also corrected a calculation error that had historically resulted in overstating our Scope 1 energy consumption from natural gas across NIKE, Inc. and fuel used for corporate jets.

Additionally, we have improved the methodology we use to calculate environmentally preferred rubber since our FY12/13 report; increased the scope and improved the methodology we use to calculate Scope 3 business travel-related emissions; restated FY12 and FY13 people managers' diversity and ethnicity data to ensure consistent representation of data definition year over year within our diversity and inclusion metrics; and managed a growing scope of data that widens the parameters of what we track.

We strive to stay on pace with developments in standards and guidance that inform how to best measure our impacts and report on them. We are preparing to align with GHG Protocol's 2015 amendments guiding on the market-based method of accounting for Scope 2 emissions and are exploring options to increase data availability of more specific emissions factors. Statements on our carbon emissions are based on GHG Protocol methodologies and emissions factors sourced from GHG Protocol, U.S. EPA eGRID, Network for Transport Measurement, Clean Cargo Working Group, Starcrest, and Damco Container Freight Station data. Global warming potentials are derived from the Intergovernmental Panel on Climate Change (IPCC) "Second Assessment" report, published in 2013.

The data presented in this report has been collected, reviewed and internally validated to ensure consistency and accuracy. We will continue to provide transparency on any revisions to our reported data in the future.

INTENDED AUDIENCES

We know that a wide variety of stakeholders read our report as they seek to have a deeper understanding of the sustainability issues NIKE faces and our strategic response to those issues.

Historically, these readers have included leaders of non-governmental and advocacy organizations, media, other businesses, academics, and analysts and investors representing the socially responsible investment community.

We conducted a survey of report readers to find out how they identify themselves and to ask for feedback, including what information they are most interested in. Of those who chose to respond, a high number identified themselves as students and consumers.

Other important stakeholders who access and read our report include employees, suppliers, contract manufacturers, government officials, customers and individuals with an in-depth knowledge of corporate responsibility. Writing for multiple audiences requires addressing a wide range of understanding and exposure to the social and environmental issues we face.

Although we have tailored our reporting for the primary audiences mentioned, we know that many others who are interested in our sustainability journey might access this report. With that in mind, we have worked to provide the information required by key stakeholder groups, while making the content accessible, relevant and easy to understand.

STAKEHOLDER ENGAGEMENT

Throughout our journey from corporate responsibility to sustainable innovation, we have benefitted from constructive counsel and challenge from a variety of external stakeholders – civil society organizations, industry, government, consumers and others. Engaging stakeholders helps us understand and manage emerging issues and risks, and also helps us identify opportunities for innovation.

NIKE engages stakeholders informally, for example in our work with coalitions and industry associations such as SAC and We Mean Business. We also engage in more structured ways as part of our approach to issues or challenges, for example our work with the WRI on our approach to assessing our GHG footprint.

FEEDBACK ON FY14/15 REPORT

Since our first Corporate Responsibility Report in 2001, NIKE has formally involved external stakeholders as part of the reporting process. This engagement has been a critical tool in helping us improve the quality of our reporting and approach to corporate responsibility overall.

For the FY14/15 report, we invited a select group of external experts to:

- Test and improve the quality and clarity of NIKE's corporate responsibility reporting
- Understand whether stakeholders believe that the report effectively addresses NIKE's material corporate responsibility issues, and whether it is effective in presenting the issues in a credible tone with appropriate context
- Hear expert perspectives on NIKE's overall sustainability strategy and performance, and on the issues stakeholders believe are most likely to create new opportunities and risks for NIKE in the future

NIKE engaged SustainAbility to help us design and facilitate the engagement process for the FY14/15 report. Together, we selected a group of stakeholders representing diverse constituencies and who were able to speak with authority on a range of topics relevant to reporting and to NIKE's strategy, performance and future risks and opportunities as they relate to sustainability. The participants were:

Colleen Chapman*

Vice President of Global Responsibility and Public Policy, Starbucks

Liz Cook

Vice President for Institutional Strategy and Development, World Resources Institute

Aron Cramer

President and CEO, BSR

Jason Kibbey

CEO, Sustainable Apparel Coalition

Himani Phadke

Interim Head of Standards Setting, Sustainability Accounting Standards Board

Nigel Topping

CEO, We Mean Business

Auret van Heerden*

CEO, Academy for Sustainable Business

John Wilson

Head of Corporate Governance, Engagement and Research, Cornerstone Capital Group

Andrew Winston*

Founder, Winston Eco-Strategies, and author on corporate sustainability

*Participated in pre-meeting interviews only.



Over a two-day meeting in early March 2016, the stakeholders shared their perspectives on a draft of the report with the SB&I leadership team and NIKE's Corporate Responsibility/Sustainability Performance & Disclosure Committee. NIKE subject matter experts also shared additional information about work in key areas, including climate change, waste, labor, products and materials.

THEMES FROM STAKEHOLDER MEETING

From the two-day meeting, as well as the pre-meeting interviews, we heard a number of themes:

- **The importance of setting bold, business-oriented ambitions (e.g. doubling our business with half the impact):** Stakeholders encouraged us to consider disclosing this ambition to send a signal to external stakeholders that NIKE has big aspirations and that we need partners – and our employees – to realize them.
- **Refining and better framing our corporate responsibility narrative:** The stakeholders appreciated the clarity and power of the NIKE subject matter presentations, and encouraged NIKE to consider ways to simplify the report and better tell our stories (e.g. through an executive summary, additional infographics). They also suggested we consider focusing on three key audiences: long-term investors, employees and consumers.
- **Better demonstrate the linkages between business and sustainability strategy:** Based on the draft received, the stakeholders questioned the clarity of the connection between NIKE's business and sustainability strategies. The subject matter presentations helped answer these questions, and the stakeholders suggested we look for ways to better articulate the business rationale for addressing issues such as labor, chemistry and climate change.
- **Consider the next, bold move on labor transparency:** In our FY05/06 Corporate Responsibility Report, we changed the game on transparency by disclosing the names and locations of all of the factories that make NIKE products. Acknowledging this, the stakeholders encouraged us to consider what similar game-changing action we could take in 2016.
- **Better articulate our influence and ambition in the industry:** The stakeholders recognized NIKE's role in founding, driving and supporting key industry groups, such as SAC and FLA. However, they also suggested that the report includes additional perspective on the importance of such industry organizations to driving systemic change and how NIKE intends to engage them in the future given our industry leadership position.
- **Reconsider the reporting model in the future:** A number of stakeholders remarked that corporate responsibility reporting, while invaluable for shedding light on companies' practices over the last several decades, is in need of a rethink. Reports are the mechanisms through which companies can present their corporate responsibility stories (vision, targets, performance, etc.) to key stakeholders. However, reports have generally been too long, audience agnostic and disconnected from financial reporting.

INCORPORATING STAKEHOLDER FEEDBACK

Engaging stakeholders in the reporting process was invaluable – it provided NIKE's leadership with direct insights and perspectives about our report and work overall. It also allowed NIKE leadership to understand the topics that are top of mind for stakeholders. Based on the feedback, we made a number of changes to the report that are represented here.

We sincerely appreciate the time, expertise and extensive input of the stakeholders for this report and our work more broadly. We believe that the net result of this stakeholder consultation is a stronger and more credible report.



VALIDITY OF DATA

NIKE continues to seek quality and transparency in our performance management and reporting. As we do this, we have explored additional ways to provide confidence in our processes and our reported data.

Various data points are validated internally through employees and systems that have been established to collect and review that data. For instance, we gather information about energy use across the U.S. from verified, metered data that comes directly from utility billing systems. Other data and information are confirmed externally through third parties such as the FLA. We've recently overhauled our data collection process and technology to support our efforts to enhance data quality and enable stronger confidence in reported results, while facilitating management of complex data that is ever-expanding.

Following our FY05/06 and FY07/09 reports, NIKE's Internal Audit team was asked to review our sustainability reporting processes. Their report noted a number of opportunities for improvement and investment, including better documentation of information, internal checks at multiple levels, review of forward-looking public commitments, documentation of systems and controls, and improved interactions with key internal audiences. The SB&I team felt, after focusing our reporting on key impacts and business targets, that NIKE had significant work to do internally on assurance. Toward this end, we worked closely with our Internal Audit department in 2011 to design and train subject matter experts and data consolidators on the expectations for verifiable work, and reviewed some of our key data collection, consolidation and retention processes. We have continued this partnership and enhanced annual trainings and reviews for process participants, as well as cadence and depth of regular ongoing engagement. In addition, our internal auditors reviewed our FY12/13 and FY14/15 reports prior to publication.

Going forward, we will continue to address information systems development and consistency. Where direct-source information is only partially available or is extrapolated, we note it in our report and have implemented standardized approaches to our data collection and calculation across the organization. We understand there are opportunities to improve our data collection processes, especially where information comes from third parties, such as contract factories or material vendors that supply to such factories. Some areas are subject to rotating audits, during which we more closely evaluate information and the systems that generate data to help us calculate and report on our impacts. It is not possible to verify 100% of data contained in our reporting, but we do track the sources and the methods for measuring and consolidating what we report and aim for robust documentation and continuous improvement.

We understand the role of external assurance and have explored third-party assurance and audit systems with leading providers. We continue to review the issue with company management, our Internal Audit team and other external stakeholders. We still believe we have internal steps to complete before undertaking a robust external review. Toward this end we have worked closely with internal auditors on analyzing the metrics and processes we use to examine content and identify and prioritize areas for additional improvement. We have started to consider the timing, pace and value of external assurance, while continuing to address issues raised through our internal audit processes.

APPENDIX

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ADDITIONAL DATA

WASTE

WASTE MANAGEMENT IN FOOTWEAR MANUFACTURING (GRAMS/PAIR)⁵²

	FY11	FY12	FY13	FY14	FY15
Landfill/Incinerate ⁵³	21 / 14%	19 / 13%	21 / 15%	16 / 11%	12 / 8%
Energy Recovery	36 / 24%	37 / 25%	38 / 26%	41 / 28%	41 / 28%
Recycling (Nike Grind, ⁵⁴ down-cycling)	60 / 41%	62 / 42%	60 / 41%	66 / 45%	70 / 47%
Closed-Loop Reuse (Nike Grind, in-house takeback)	32 / 21%	30 / 20%	26 / 18%	24 / 17%	23 / 16%
TOTAL	149	149	145	147	147
Diversion Rate	86%	86%	85%	89%	92%

WASTE FIGURES (IN TONS) AT NIKE, INC. WORLD HEADQUARTERS

	FY11	FY12	FY13	FY14	FY15
Landfill	424	658	567	1,328 ⁵⁵	856
Compost	304	327	356	0 ⁵⁶	427
Recycling	498	559	917	2,089 ⁵⁷	1,566
TOTAL	1,226	1,544	1,840	3,417	2,849
Diversion Rate	65%	57%	69%	61%	70%

⁵² Waste data is self-reported by contract factories and verified by NIKE field teams.

⁵³ Incineration without energy recovery.

⁵⁴ FY11 through FY15, historical Nike Grind data included footwear factory scrap recycled into licensed applications. In 2016, NIKE expanded the definition of Nike Grind to include multiple recycled and regenerated materials across the company, including recycled polyester.

⁵⁵ Based on a dumpster audit, in FY14, we increased the scope of estimated data used in our campus footprint.

⁵⁶ Regional regulatory change caused the compost waste from NIKE WHQ to be considered contamination and sent to landfill. No compost was diverted in FY14 as a result.

⁵⁷ In FY14, NIKE Furniture Warehouse removed a bulk of old cubicle walls and furniture from one of WHQ's campuses, leading to increased wood and general recycling volumes at WHQ in FY14, and a subsequent drop in FY15. Metal recycling rebates also increased during that time span, in correlation to the furnishing purge.

EMPLOYEES

NIKE, INC. GLOBAL EMPLOYEE DISTRIBUTION

<u>GEOGRAPHY</u>	<u>FY15</u>	<u>% OF TOTAL</u>
Central/Eastern Europe	1,451	3%
Emerging Markets	5,468	10%
Greater China	6,495	11%
Japan	479	1%
North America	33,281	59%
Western Europe	9,426	17%
GRAND TOTAL	56,597	100%

NOTE: FY15 data represented here excludes employees classified as temporary (i.e. primarily seasonal retail employees).
 NOTE: Percentages may not add to 100 due to rounding.

NIKE, INC. GLOBAL EMPLOYEE TOTALS BY GENDER

	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
Female	49%	50%	48%	49%	48%
Male	51%	50%	52%	51%	51%
N/A (employees who did not report gender)	0%	0%	0%	<1%	<1%
TOTAL	100%	100%	100%	100%	100%

NOTE: Percentages may not add to 100 due to rounding.

NIKE, INC. GLOBAL PEOPLE MANAGERS* TOTALS BY GENDER

	FY11	FY12	FY13	FY14	FY15
Female	2,083 / 41%	2,335 / 41%	2,583 / 41%	2,941 / 41%	3,169 / 41%
Male	3,026 / 59%	3,341 / 59%	3,718 / 59%	4,222 / 59%	4,599 / 59%
TOTAL	5,109 / 100%	5,676 / 100%	6,301 / 100%	7,163 / 100%	7,768 / 100%

*People managers represent the population responsible for NIKE's talent decisions. This population makes the decisions that change the diversity of our workforce.
 NOTE: FY11-13 people managers' diversity and ethnicity data has been restated to ensure consistent representation of data definition year over year.
 NOTE: Percentages may not add to 100 due to rounding.

NIKE, INC. GLOBAL LEADERSHIP/MANAGEMENT* TOTALS BY GENDER

	FY11	FY12	FY13	FY14	FY15
Female	1,087 / 33%	1,184 / 33%	1,317 / 35%	1,518 / 35%	1,736 / 36%
Male	2,185 / 67%	2,369 / 67%	2,479 / 65%	2,775 / 65%	3,075 / 64%
TOTAL	3,272 / 100%	3,553 / 100%	3,796 / 100%	4,293 / 100%	4,811 / 100%

*Leadership/management represents the positions that make resource decisions for NIKE's business and workforce. This population is inclusive of both people managers and individual contributors. This group includes our executives and their direct reports.

NIKE, INC. BOARD OF DIRECTORS BY GENDER

	FY11	FY12	FY13	FY14	FY15
Female	3 / 21%	2 / 17%	2 / 17%	3 / 21%	3 / 20%
Male	11 / 79%	10 / 83%	10 / 83%	11 / 79%	11 / 79%
TOTAL	14 / 100%	12 / 100%	12 / 100%	14 / 100%	14 / 100%

NOTE: As reported in NIKE, Inc. annual proxy filing.

NIKE, INC. U.S. EMPLOYEE TOTALS BY ETHNICITY

	FY11	FY12	FY13	FY14	FY15
American Indian or Alaskan Native (not Hispanic/Latino)	189 / 1%	200 / 1%	121 / <1%	130 / <1%	134 / <1%
Asian (not Hispanic/Latino)	1,830 / 8%	1,999 / 8%	1,782 / 7%	2,108 / 7%	2,379 / 7%
Black or African American (not Hispanic/Latino)	4,896 / 21%	5,275 / 22%	5,326 / 20%	6,127 / 21%	6,733 / 21%
Hispanic/Latino	3,696 / 16%	3,927 / 16%	4,436 / 17%	5,222 / 18%	5,732 / 18%
Native Hawaiian or Other Pacific Islander (not Hispanic/Latino)	221 / 1%	230 / 1%	194 / <1%	225 / 1%	251 / 1%
Two or More Races (not Hispanic/Latino)	0 / 0%	0 / 0%	792 / 3%	1,044 / 4%	1,307 / 4%
Unknown	0 / 0%	0 / 0%	138 / <1%	107 / <1%	115 / <1%
White (not Hispanic/Latino)	12,911 / 54%	12,684 / 52%	13,212 / 51%	14,512 / 49%	15,326 / 48%
TOTAL	23,743 / 100%	24,315 / 100%	26,001 / 100%	29,475 / 100%	31,977 / 100%

NOTE: Percentages may not add to 100 due to rounding.

NIKE, INC. U.S. PEOPLE MANAGERS* TOTALS BY ETHNICITY

	FY11	FY12	FY13	FY14	FY15
American Indian or Alaskan Native (not Hispanic/Latino)	19 / 1%	23 / 1%	16 / <1%	15 / <1%	15 / <1%
Asian (not Hispanic/Latino)	161 / 6%	184 / 7%	182 / 6%	215 / 6%	257 / 7%
Black or African American (not Hispanic/Latino)	206 / 8%	221 / 8%	233 / 8%	259 / 7%	324 / 8%
Hispanic/Latino	156 / 6%	171 / 6%	160 / 5%	265 / 8%	296 / 8%
Native Hawaiian or Other Pacific Islander (not Hispanic/Latino)	7 / <1%	6 / <1%	2 / <1%	1 / <1%	5 / <1%
Two or More Races (not Hispanic/Latino)	0 / 0%	1 / <1%	76 / 3%	91 / 3%	93 / 2%
Unknown	0 / 0%	0 / 0%	2 / <1%	38 / 1%	47 / 1%
White (not Hispanic/Latino)	2,061 / 79%	2,240 / 79%	2,329 / 78%	2,616 / 75%	2,829 / 73%
TOTAL	2,610 / 100%	2,846 / 100%	3,000 / 100%	3,500 / 100%	3,866 / 100%

*People managers represent the population responsible for NIKE's talent decisions. This population makes talent decisions that change the diversity of our workforce.
 NOTE: FY11-13 People managers' diversity and ethnicity data has been restated to ensure consistent representation of data definition year over year.
 NOTE: Percentages may not add to 100 due to rounding.

NIKE, INC. U.S. LEADERSHIP/MANAGEMENT* TOTALS BY ETHNICITY

	FY11	FY12	FY13	FY14	FY15
American Indian or Alaskan Native (not Hispanic/Latino)	19 / 1%	20 / 1%	10 / <1%	10 / <1%	9 / <1%
Asian (not Hispanic/Latino)	194 / 9%	201 / 8%	195 / 7%	231 / 8%	273 / 8%
Black or African American (not Hispanic/Latino)	128 / 6%	133 / 5%	139 / 5%	156 / 5%	167 / 5%
Hispanic/Latino	90 / 4%	103 / 4%	112 / 4%	128 / 4%	149 / 4%
Native Hawaiian or Other Pacific Islander (not Hispanic/Latino)	2 / <1%	2 / <1%	0 / 0%	0 / 0%	0 / 0%
Two or More Races (not Hispanic/Latino)	0 / 0%	0 / 0%	51 / 2%	57 / 2%	72 / 2%
Unknown	1 / <1%	2 / <1%	29 / 1%	24 / 1%	14 / <1%
White (not Hispanic/Latino)	1,830 / 81%	1,974 / 81%	2,113 / 80%	2,357 / 80%	2,664 / 80%
TOTAL	2,264 / 100%	2,435 / 100%	2,649 / 100%	2,963 / 100%	3,348 / 100%

*Leadership/management represents the positions that make resource decisions for NIKE's business and workforce. This population is inclusive of both people managers and individual contributors. This group includes our executives and their direct reports.

NOTE: Percentages may not add to 100 due to rounding.

NIKE, INC. BOARD OF DIRECTORS BY ETHNICITY

	FY11	FY12	FY13	FY14	FY15
Asian (not Hispanic/ Latino)	1 / 7%	1 / 8%	1 / 8%	1 / 7%	1 / 7%
Black or African American (not Hispanic/ Latino)	2 / 14%	2 / 17%	2 / 17%	2 / 14%	2 / 14%
Hispanic/Latino	0 / 0%	0 / 0%	0 / 0%	0 / 0%	0 / 0%
White (not Hispanic/ Latino)	11 / 79%	9 / 75%	9 / 75%	11 / 79%	11 / 79%
TOTAL	14 / 100%	12 / 100%	12 / 100%	14 / 100%	14 / 100%

NOTE: As reported in NIKE, Inc. annual proxy filing.
 NOTE: Percentages may not add to 100 due to rounding.

RECORDABLE INJURY AND LOST-TIME RATES

In FY14 and FY15, our recordable injury and lost-time rates remained well below industry averages by business division, a continuation of good performance from FY11 through FY13.

	FY11		FY12		FY13		FY14		FY15	
	NIKE	Industry Average (OSHA)	NIKE	Industry Average (OSHA)	NIKE	Industry Average (OSHA)	NIKE	Industry Average (OSHA)	NIKE	Industry Average (OSHA)
DISTRIBUTION										
Recordable Rate	4.4	6.8	3.6	6.0	3.6	5.9	2.5	5.5	2.5	5.6
Lost-Time Rate	2.2	1.8	1.9	1.6	1.4	1.7	1.1	1.8	0.8	1.2

	FY11		FY12		FY13		FY14		FY15	
	NIKE	Industry Average (OSHA)	NIKE	Industry Average (OSHA)	NIKE	Industry Average (OSHA)	NIKE	Industry Average (OSHA)	NIKE	Industry Average (OSHA)
IN-HOUSE MANUFACTURING										
Recordable Rate	3.1	5.5	2.7	4.6	1.5	5.1	2.8	4.7	2.4	5.0
Lost-Time Rate	0.8	1.3	0.7	1.1	0.1	1.3	1.0	1.3	0.5	1.2

	FY11		FY12		FY13		FY14		FY15	
	NIKE	Industry Average (OSHA)	NIKE	Industry Average (OSHA)	NIKE	Industry Average (OSHA)	NIKE	Industry Average (OSHA)	NIKE	Industry Average (OSHA)
OFFICES										
Recordable Rate	0.6	1.3	0.5	1.2	0.6	1.1	0.3	1.2	0.1	1.3
Lost-Time Rate	0.1	0.4	0.4	0.4	0.2	0.4	0.1	0.4	0.1	0.3



PRODUCT SUSTAINABILITY INDEX SCORING

	FY11	FY12	FY13	FY14	FY15
APPAREL					
Gold	3%	1%	1%	14%	12%
Silver	10%	7%	8%	23%	37%
Bronze	14%	14%	38%	40%	32%
Below Baseline	22%	15%	22%	20%	20%
Not Submitted for Scoring	52%	63%	31%	3%	0%

NOTE: Percentages may not add to 100 due to rounding.

FOOTWEAR

Gold	3%	4%	15%	10%	46%
Silver	81%	74%	30%	66%	51%
Bronze	14%	14%	28%	11%	1%
Below Baseline	2%	1%	13%	7%	0%
Not Submitted for Scoring	1%	7%	14%	7%	1%

NOTE: The data for each year represent the percent of new, global NIKE Brand products meeting the medal level for the fall season only.
 NOTE: Percentages may not add to 100 due to rounding.

FACTORY RATINGS AND TRENDS

TOTAL PER RANK	FY11	FY12	FY13	FY14	FY15
Gold	0	0	0	0	0
Silver	0	0	<1% / 1	1% / 4	1% / 4
Bronze	49% / 454	70% / 639	68% / 536	74% / 533	85% / 589
Yellow	37% / 344	21% / 193	20% / 156	16% / 115	8% / 54
Red	6% / 53	6% / 51	10% / 77	8% / 61	6% / 41
No Rating	8% / 79	3% / 27	2% / 16	1% / 6	1% / 4
TOTAL	100% / 930	100% / 910	100% / 785	100% / 719	100% / 692

NOTE: Percentages may not add to 100 due to rounding.

RATING	GLOBAL					FOOTWEAR				
	FY11	FY12	FY13	FY14	FY15	FY11	FY12	FY13	FY14	FY15
Gold	0	0	0	0	0	0	0	0	0	0
Silver	0	0	1	4	4	0	0	1	4	4
Bronze	441	639	536	533	589	88	131	126	124	125
Yellow	336	193	156	115	54	60	24	20	17	10
Red	46	51	77	61	41	16	13	12	2	5
No Rating	59	27	16	6	4	6	10	7	1	2
TOTAL	882	910	785	719	692	170	178	166	148	146

NOTE: Scoring methodology – bronze indicates full compliance with NIKE Code of Conduct and adherence to the 227 requirements in the Code Leadership Standards (CLS) as measured by our health, safety & environment and labor tools (available online). Silver and gold reflect an additional commitment to lean manufacturing and progressive achievement in performance management, management systems and scoring on assessment tools covering lean manufacturing, human resources management, energy and carbon, health and safety and environmental sustainability. Gold demonstrates global leading manufacturing performance across all industries. Factories rated yellow or red indicate performance out of compliance with our Code and CLSs, where red indicates critical issues of non-compliance. No rating indicates a lack of data.

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RATING	APPAREL					EQUIPMENT				
	FY11	FY12	FY13	FY14	FY15	FY11	FY12	FY13	FY14	FY15
Gold	0	0	0	0	0	0	0	0	0	0
Silver	0	0	0	0	0	0	0	0	0	0
Bronze	262	368	309	311	347	91	140	100	98	117
Yellow	184	114	93	72	31	92	55	43	26	13
Red	21	25	43	42	26	9	13	22	17	10
No Rating	30	10	7	3	2	23	7	2	2	0
TOTAL	497	517	452	428	406	215	215	167	143	140

NOTE: Scoring methodology – bronze indicates full compliance with NIKE Code of Conduct and adherence to the 227 requirements in the Code Leadership Standards (CLS) as measured by our health, safety & environment and labor tools (available online). Silver and gold reflect an additional commitment to lean manufacturing and progressive achievement in performance management, management systems and scoring on assessment tools covering lean manufacturing, human resources management, energy and carbon, health and safety and environmental sustainability. Gold demonstrates global leading manufacturing performance across all industries. Factories rated yellow or red indicate performance out of compliance with our Code and CLSs, where red indicates critical issues of non-compliance. No rating indicates a lack of data.

ADDITIONAL FY15 TARGETS PERFORMANCE

INNOVATION

AIM

Integrate sustainability principles into our innovation processes, governance and portfolios to generate innovation that delivers products and services that combine performance, innovation and sustainability

COMMITMENTS

BUILD CAPABILITY: Build sustainable innovation capabilities across the business to drive a disruptive innovation agenda as we continue our endless pursuit of delivering performance products and services to athletes

PROGRESS

During FY14 and FY15, we connected teams across NIKE with a common sustainability vision. Specifically, we have sustainability-focused teams within product creation, direct to consumer, manufacturing revolution, global sourcing and manufacturing, supply chain and brand. These teams report to the leaders of those areas as well as to our Chief Sustainability Officer.

One of our internal goals is to deliver innovation faster and smarter. To accomplish this, our SB&I team drives a portfolio governance process that addresses three key questions: Are we doing the right work? Are we doing it well? Are we getting the benefits?

To address whether we are doing the right work, we have a series of SB&I leadership team forums, including corporate strategy reviews, which are held annually, and business reviews, which are held quarterly.

To address if we are doing the work well, we evaluate the progress of individual projects through our stage and gate process and progress is shared with the SB&I leadership team quarterly.

To determine if we are getting the results we want, the SB&I portfolio reporting function assesses the value and impact timing of all the projects in the portfolio on a quarterly basis.

DEVELOP INDEX: Develop and prototype an index to drive and measure how sustainability is integrated into our innovation portfolios, decision-making and processes. Share a version of this index and lessons learned with others in an effort to contribute to larger-scale adoption of approaches that link sustainability and innovation to drive business growth and performance

We have changed our strategic direction on creating an innovation index, but remain focused on delivering innovation faster and smarter. To accomplish this, the SB&I team drives a portfolio governance process that addresses three key questions: Are we doing the right work? Are we doing it well? Are we getting the benefits?

- To address whether we are doing the right work, we have a series of SB&I leadership team forums, including corporate strategy reviews, which are held annually, and business reviews, which are held quarterly
- To address if we are doing the work well, we evaluate the progress of individual projects through our stage and gate process and progress is shared with the SB&I leadership team monthly
- To determine if we are getting the results we want, the SB&I portfolio reporting function assesses the value and impact timing of all the projects in the portfolio on a quarterly basis

MEASURE IMPACT: Develop tools, processes and systems to establish metrics to measure impact that can be shared as part of the index, without compromising the competitive nature of innovation

Over the past three years, the Smart Data digital platform has been leveraged to enable sustainability intelligence at NIKE, by fueling analytics that answer critical questions and provide strategic direction, including assessing our corporate footprint, analyzing material options and evolving our ability to effectively manage chemistry in our supply chain. The Smart Data platform acts as our ever-growing base of knowledge across sustainability topics so we can learn from our past.

HOW WE WORK

AIM

Build sustainability into the DNA of our business model, into our operations and into our culture where innovation is unleashed, shared and scaled

COMMITMENTS

HARDWARE: Hardwire sustainability in the way we do business

MEASURE: Measure the business value of sustainability

CATALYZE INNOVATION: Be a catalyst of sustainable innovation

STAKEHOLDER ENGAGEMENT: Participate in multi-sector efforts to drive system change and market transformation

PROGRESS

See the Governance, Integration and Strategic Partnerships section on page [78](#)

Understanding the interconnection between issues is equally critical. BEST, our Business and Environmental Scenario Tool, provides a 10-year quantified view of environmental (energy, CO₂, waste and water) and financial effects from modifications to scenarios, such as changing the materials used in products or altering sourcing practices. This analysis enables us to understand a full range of implications from proposed decisions. These insights transform sustainability from a conversation about values to one about business value.

To educate internal teams and to measure sustainability integration across NIKE, SB&I developed a framework and assessment tool with input from Ceres and its "Roadmap for Sustainability" report. The framework describes what sustainability integration looks like in the areas of strategy, people and culture, structure, performance and rewards, and process. It also identifies levers that enable integration, such as strategic planning, leadership accountability and resources. Business teams use the self-assessment tool to monitor how embedded sustainability is in their functional strategies and to identify opportunities for improvement.

See the Collaborating to Create Systemic Change section on page [79](#)



GRI INDEX

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines. The United Nations Global Compact (UNGC) Principles are also referenced below.

“TO HELP ACCELERATE SYSTEMIC CHANGE AT SCALE IN THE AREAS OF HUMAN RIGHTS, LABOR AND THE ENVIRONMENT, IT WILL TAKE STRATEGIC PARTNERSHIPS LIKE THE ONE WE HAVE WITH THE UNITED NATIONS GLOBAL COMPACT.”

Mark Parker

GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Description	Location and notes	UNGC Principle
STRATEGY AND ANALYSIS			
G4-1	CEO statement	Letter from Our CEO: pages 2-3	
G4-2	Description of key impacts, risks, and opportunities	Our Strategy: pages 5-11 FY15 10-K: Item 1A. Risk factors: pages 70-76	
ORGANIZATIONAL PROFILE			
G4-3	Name of the organization	NIKE, Inc.	
G4-4	Primary brands, products, and/or services	Business Overview: page 12	
G4-5	Location of organization's headquarters	Business Overview: page 13	
G4-6	Number of countries where the organization operates, and countries with major operations or relevant to sustainability issues	Business Overview: page 13 FY15 10-K: Item 1. Business: page 67 and Item 2. Properties: page 77 NIKE Manufacturing Map	
G4-7	Nature of ownership and legal form	FY15 Proxy Statement Company Bylaws FY15 10-K: Item 1. Business: page 65	
G4-8	Markets served	FY15 10-K: Item 1. Business: pages 65-67	
G4-9	Scale of the reporting organization	Our Approach: Business Overview: pages 12-13 FY15 10-K: Item 1. Business: page 69	
G4-10	Employees by employment contract and gender	Our Workforce: pages 68-69 We do not currently report gender breakdown by employment contract, employment type, region, or for supervised workers.	
G4-11	Percentage of employees covered by collective bargaining agreements	FY15 10-K: Item 1. Business: page 69	



General Standard Disclosures	Description	Location and notes	UNGC Principle
G4-12	Description of supply chain	Business Overview: page 13 Transform Manufacturing: pages 50-52	
G4-13	Significant changes to size, structure, or ownership	FY15 10-K	
G4-14	Whether and how the precautionary approach or principle is addressed	Our Strategy: pages 6-11 Our Impacts: pages 14-16 Our Aims: pages 17-18 Our Approach to Minimizing Our Environmental Footprint: pages 22-23	Principle 7
G4-15	Externally developed economic, environmental, and social charters, principles, or initiatives the organization subscribes or endorses	Letter from Our CEO: pages 2-3 Our Strategy: page 11 Our Aims: page 18 Product Design and Materials: pages 26, 28-29, 31 Carbon and Energy: pages 33, 35, 37 Water: pages 42-43 Chemistry: pages 46-49 Setting Industry Leading Standards: page 52 Transparency for Change: page 58 FY15 Transform Manufacturing Performance: page 64 Community Impact: page 73-76 Governance, Integration and Strategic Partnerships: pages 79-80 Public Policy: pages 81-83 Reporting at NIKE: pages 84-85 Stakeholder Engagement: pages 87-88	
G4-16	Memberships of associations and national or international advocacy organizations	Carbon and Energy: page 35 Water: page 42 Chemistry: pages 46-49 Transparency for Change: page 58 Community Impact: pages 73-75 Governance, Integration and Strategic Partnerships: pages 79-80 Public Policy: page 82 Reporting at NIKE: page 84	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities included in consolidated financial statements and if any are not in report	Business Overview: page 12 Reporting at NIKE: page 84 FY15 10-K: Item 1. Business: page 65	
G4-18	Process to define report content and aspect boundaries. How implemented Defining Report Content principles	Our Impacts: pages 14-16 Reporting at NIKE: pages 84-86	
G4-19, 20 and 21	Material aspects and boundaries	Our Impacts: pages 14-16 Reporting at NIKE: pages 84-86	
G4-22	Effect of restatements	Methodology: page 85	
G4-23	Significant changes from previous reporting period	Reporting at NIKE: pages 84-86 Governance, Integration and Strategic Partnerships: pages 78-79	

General Standard Disclosures	Description	Location and notes	UNGC Principle
STAKEHOLDER ENGAGEMENT			
64-24	Stakeholder groups engaged by the organization	Stakeholder Engagement: pages 87–88 Our Strategy: page 9 Community Impact: pages 73–75	
64-25	How stakeholders are identified and selected	Stakeholder Engagement: pages 87–88	
64-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder Engagement: pages 87–88	
64-27	Key concerns raised through stakeholder engagement, and how the organization responded	Our Impacts: pages 14–16 Our Aims: page 17–20 Stakeholder Engagement: pages 87–88	
REPORT PROFILE			
64-28	Reporting period	Reporting at NIKE: page 84	
64-29	Most recent report	Reporting at NIKE: page 85 Validity of Data: page 89	
64-30	Reporting cycle	Reporting at NIKE: pages 84–86	
64-31	Contact for sustainability report	nikeresponsibility@nike.com	
64-32	Table with Standard Disclosure locations	GRI Index: pages 104–113	
64-33	External assurance statement	Validity of Data: page 89	
GOVERNANCE			
64-34	Governance structure	Governance, Integration and Strategic Partnerships: pages 78–80 FY15 Proxy Statement Company Bylaws	
64-35	Delegating authority for economic, environmental and social topics	Governance, Integration and Strategic Partnerships: pages 78–80 Performance & Disclosure Statement: page 4	
64-36	Appointment of an executive-level position with responsibility for economic, environmental and social topics	Governance, Integration and Strategic Partnerships: pages 78–80 Performance and Disclosure Statement: page 4 Corporate Governance Guidelines Hannah Jones is NIKE Chief Sustainability Officer & VP Innovation Accelerator. The following are members of the Corporate Responsibility & Sustainability Committee: Phyllis M. Wise (Chair), Travis A. Knight, Michelle A. Peluso, Johnathan A. Rodgers and John R. Thompson, Jr.	
64-37	Consultation between stakeholders and the highest governance body on economic, environmental and social topics	Reporting at NIKE: pages 84–86 Stakeholder Engagement: pages 87–88	
64-38	Composition of the highest governance body and its committees	FY15 Proxy Statement Company Bylaws	
64-39	Whether the Chair of the highest governance body is also an executive officer	FY15 Proxy Statement: pages 12–13	

General Standard Disclosures	Description	Location and notes	UNGC Principle
G4-40	Nomination and selection processes for the highest governance body and its committees	FY15 Proxy Statement: pages 15–16 Company Bylaws Corporate Governance Guidelines	
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	FY15 Proxy Statement: pages 22–23	
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Governance, Integration and Strategic Partnerships: pages 78–80 FY15 Proxy Statement: page 13	
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	FY15 Proxy Statement: page 13	
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	FY15 Proxy Statement: page 15	
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	Governance, Integration and Strategic Partnerships: pages 78–80 FY15 Proxy Statement: page 15	
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	FY15 Proxy Statement Corporate Governance Guidelines	
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	FY15 Proxy Statement: pages 12–13	
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	Stakeholder Engagement: pages 87–88 Governance, Integration and Strategic Partnerships: pages 78–80 Performance and Disclosure Statement: page 4	
G4-49	Process for communicating critical concerns to the highest governance body	Governance, Integration and Strategic Partnerships: pages 78–80 FY15 Proxy Statement: page 15	
G4-51	Remuneration policies for the highest governance body and senior executives	FY15 Proxy Statement: pages 24–40	
G4-52	Process for determining remuneration	FY15 Proxy Statement: pages 24–40	
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	FY15 Proxy Statement: pages 24–40	

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General Standard Disclosures	Description	Location and notes	UNGC Principle
ETHICS AND INTEGRITY			
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Our Strategy: pages 5-11 Our Aims: pages 17-20 NIKE Code of Conduct NIKE Code Leadership Standards NIKE Code of Ethics	
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior	CR Reporting and Governance Stakeholder Engagement: pages 87-88 Governance, Integration and Strategic Partnerships: pages 78-80 Performance and Disclosure Statement: page 4	
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior	NIKE Code of Ethics	

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Description	Location and notes	Identified gaps and omissions	UNGC Principle
CATEGORY: ENVIRONMENTAL				
MATERIAL ASPECT: MATERIALS				
G4-DMA	Disclosure on Management Approach	Product Design and Materials: pages 24–31 Chemistry: pages 46–49 Our Impacts: pages 14–16 Governance, Integration and Strategic Partnerships: pages 78–80		
G4-EN2	Percentage of materials used that are recycled input materials	Product Design and Materials: page 28 Waste: pages 39, 41 Additional Data: Waste: page 91	We do not currently report a total percentage of materials used that are recycled input materials.	Principles 8 and 9
MATERIAL ASPECT: ENERGY				
G4-DMA	Disclosure on Management Approach	Carbon and Energy: pages 32–37 Product Design and Materials: page 26 Our Impacts: pages 14–16 Governance, Integration and Strategic Partnerships: pages 78–80		
G4-EN3	Energy consumption within the organization	Carbon and Energy: page 34 Methodology: page 85	We do not currently report the breakdown of energy consumption by renewable and non-renewable fuel consumed; electricity, heating, cooling, and steam consumed and sold.	Principle 8
G4-EN4	Energy consumption outside of the organization	Carbon and Energy: page 34 Methodology: page 85		Principle 8
G4-EN6	Reduction of energy consumption	Carbon and Energy: pages 34, 36 Methodology: page 85	We do not currently report the breakdown of reduction of energy consumption by fuel, electricity, heating, cooling, and steam.	Principles 8 and 9
MATERIAL ASPECT: WATER				
G4-DMA	Disclosure on Management Approach	Water: pages 42–45 Our Impacts: pages 14–16 Product Design and Materials: pages 26, 28–29 Governance, Integration and Strategic Partnerships, pages 78–80		
G4-EN8	Total water withdrawal by source	Water: pages 42–45 Minimize Environmental Footprint: page 23	We do not currently report total water withdrawal by source.	Principle 8
G4-EN9	Water sources significantly affected by withdrawal of water	Water: pages 43–44 We have mapped our global supply chain to identify regions where water stress and flooding have the potential to impact our contract factories and material vendors. We use the best-available global tools to assess water stress, including the World Resources Institute's Aqueduct tool.	We do not currently report information on the water sources significantly affected by withdrawal of water. We are now conducting local assessments to add context, inform strategy, and protect manufacturing from disruption. Next, we will work with each of the identified contract factories and material suppliers to ensure they have plans in place for handling a flood or a drought.	Principle 8



DMA and Indicators	Description	Location and notes	Identified gaps and omissions	UNGC Principle
MATERIAL ASPECT: EMISSIONS				
G4-DMA	Disclosure on Management Approach	Carbon and Energy: pages 32-37 Our Impacts: pages 14-16 Governance, Integration and Strategic Partnerships: pages 78-80		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Carbon and Energy: page 34 Methodology: page 85		Principle 8
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Carbon and Energy: page 34 Methodology: page 85		Principle 8
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Carbon and Energy: page 34 Methodology: page 85		Principle 8
G4-EN18	Greenhouse gas (GHG) emissions intensity	Carbon and Energy: page 32 Methodology: page 85		Principle 8
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Carbon and Energy: pages 32 , 34 , 36-37 Methodology: page 85		Principle 8
MATERIAL ASPECT: EFFLUENTS AND WASTE				
G4-DMA	Disclosure on Management Approach	Waste: pages 38-41 Water: pages 42-45 Chemistry: pages 46-49 Our Impacts: pages 14-16 Governance, Integration and Strategic Partnerships: pages 78-80		Principle 8
G4-EN23	Total weight of waste by type and disposal method	Waste: pages 38-41 Additional Data: Waste: page 91	We do not currently report the total weight of waste broken down as hazardous and non-hazardous.	Principles 8 and 9
CATEGORY: SOCIAL				
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK				
MATERIAL ASPECT: EMPLOYMENT				
G4-DMA	Disclosure on Management Approach	Our Workforce: pages 68-72 Transform Manufacturing: pages 51-54 Transparency and Compliance: pages 58-65 Our Impacts: pages 14-16 Governance, Integration and Strategic Partnerships: pages 78-80 NIKE Code of Conduct NIKE Code Leadership Standards		
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Our Workforce: pages 71-72	We do not currently report benefits provided to full-time employees that are not provided to temporary or part-time employees.	Principles 1 and 3



DMA and Indicators	Description	Location and notes	Identified gaps and omissions	UNGC Principle
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY				
G4-DMA	Disclosure on Management Approach	Our Workforce: pages 71-72 Our Approach to Transform Manufacturing: pages 51-53 Our Impacts: pages 14-16 Governance, Integration and Strategic Partnerships: pages 78-80		
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Our Workforce: pages 71-72 Additional Data: Employees: page 98	We do not currently report the breakdown of injury rate or lost day rate by gender, region or for independent contractors. We do not currently report the type of injuries, occupational diseases rate, absentee rate or work-related fatalities by region or gender for the total workforce and independent contractors.	
MATERIAL ASPECT: TRAINING AND EDUCATION				
G4-DMA	Disclosure on Management Approach	Our Workforce: pages 71-72 Innovating the Role of the Worker: pages 54-56 Transparency and Compliance: pages 58-60 FY15 Transform Manufacturing Performance: pages 63-65 Our Impacts: pages 14-16 Governance, Integration and Strategic Partnerships, pages 78-80		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Our Workforce: page 71	We do not currently report the average hours of training per employee per year. Data not broken down by gender and employee category. The information is currently unavailable. Reporting this data is currently dependent upon a multi-year project to introduce a new Learning Management System within a planned technology platform deployment.	
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY				
G4-DMA	Disclosure on Management Approach	Our Workforce: pages 69-70 Our Impacts: pages 14-16 Governance, Integration and Strategic Partnerships, pages 78-80		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Our Workforce: pages 68-69 Additional Data: Employees: pages 92-97	Employee breakdown by age is not currently reported due to the existence of specific legal prohibitions. Internal privacy and risk management practices prevent the reporting of this data.	Principles 1 and 6

DMA and Indicators	Description	Location and notes	Identified gaps and omissions	UNGC Principle
SUB-CATEGORY: HUMAN RIGHTS				
MATERIAL ASPECT: NON-DISCRIMINATION				
G4-DMA	Generic Disclosures on Management Approach	Our Workforce: pages 69–70 Transparency and Compliance: pages 58–65 Public Policy: pages 81–83 NIKE Code of Ethics Our Impacts: pages 14–16 Governance, Integration and Strategic Partnerships: pages 78–80 Governance, Integration and Strategic Partnerships: pages 78–80		Principles 1 and 6
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Transparency and Compliance: pages 58–65	Information on the total number of incidents of discrimination and corrective actions taken is currently unavailable. Internal and risk management practices prevent the reporting of this data.	
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
G4-DMA	Disclosure on Management Approach	FY15 10-K: Item 1. Business: page 69 Our Approach to Transform Manufacturing: pages 51–53 Transparency and Compliance: pages 58–65 Our Impacts: pages 14–16 Governance, Integration and Strategic Partnerships: pages 78–80		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Transparency and Compliance: pages 58–65	We do not currently report the operations and suppliers in which employee rights to exercise freedom of association or collective bargaining may be violated or at significant risk.	Principles 1 and 3
MATERIAL ASPECT: CHILD LABOR				
G4-DMA	Disclosure on Management Approach	Our Approach to Transform Manufacturing: pages 51–53 Transparency and Compliance: pages 58–65 Our Impacts: pages 14–16 Governance, Integration and Strategic Partnerships: pages 78–80 NIKE Code of Conduct NIKE Code Leadership Standards NIKE Code of Ethics		
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Transparency and Compliance: pages 58–65	We do not currently report the operations and suppliers considered to have significant risk for incidents of child labor and young workers exposed to hazardous work.	Principles 1 and 5



DMA and Indicators	Description	Location and notes	Identified gaps and omissions	UNGC Principle
MATERIAL ASPECT: FORCED OR COMPULSORY LABOR				
G4-DMA	Disclosure on Management Approach	Our Approach to Transform Manufacturing: pages 51-53 Transparency and Compliance: pages 58-65 Our Impacts: pages 14-16 Governance, Integration and Strategic Partnerships: pages 78-80 NIKE Code of Conduct NIKE Code Leadership Standards		
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Transparency and Compliance: pages 58-65	We do not currently report the operations and suppliers considered to have significant risk for incidents of forced or compulsory labor.	Principles 1 and 4
SUB-CATEGORY: SOCIETY				
MATERIAL ASPECT: COMMUNITY IMPACT				
Custom: DMA	Disclosure on Management Approach	Community Impact: page 73-77		
SUB-CATEGORY: ADDITIONAL ASPECTS (UNGC REPORTING)				
MATERIAL ASPECT: Anti-corruption				
G4-DMA	Disclosure on Management Approach	The NIKE Code of Ethics		
MATERIAL ASPECT: Supplier Human Rights Assessment				
G4-DMA	Disclosure on Management Approach	Labor Innovation: page 56-59		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Audit results: page 63-64		
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Audit results: page 63		





**WE BELIEVE
SUSTAINABLE
INNOVATION IS
THE FUTURE OF
INNOVATION**

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