



**MAXIMUM
PERFORMANCE
MINIMUM
IMPACT**



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ABOUT THIS REPORT

This report covers NIKE's fiscal years 2016 and 2017 (June 1, 2015 through May 31, 2017). We will refer to these as FY16 and FY17 for the rest of the report.

The content found in this report is focused on progress toward our 2020 targets and key priority issues.¹ Targets and measures represent the full suite of NIKE's public corporate sustainability commitments, and are an aggregated view of functionally set long-term goals and additional corporate commitments to meet stakeholder expectations. Unless otherwise stated, the baseline for the majority of our targets is fiscal year 2015.

NIKE's 2020 targets encompass a broader scope than NIKE's previous targets in many areas of the value chain. For example, while 2015 targets for corporate offices included NIKE's World Headquarters, 2020 targets also include Converse HQ, Hurley HQ, European HQ, and Greater China HQ. Other targets go deeper into our supply chain, like expanding energy and emissions commitments to material dyeing and finishing for the first time, and broadening logistics goals to include outbound transportation. As a result of the expanded scope, certain 2015 performance metrics originally reported in NIKE's FY14/15 Sustainable Business Report are restated in this report to reflect the expansion and enable comparability.

This report reflects an evolution in our approach to reporting, allowing us to focus on performance. To enable this change, we have enhanced our website to share additional stories and provide additional context to our work. For more detail about our efforts and progress over more than 20 years of work in sustainability as well as our more current initiatives, please see our updated website at sustainability.nike.com.

This report has been prepared in accordance with the **GRI STANDARDS: CORE** option.

DATA INTEGRITY

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've been focused on designing more flexibility with tighter controls into our sustainability data processes and systems.

Based upon a thorough review by NIKE's internal audit function, considerable progress has been made to NIKE's sustainability data processes over the past several fiscal years, including but not limited to: a performance management data system overhaul, development of standard operating procedures, and an improved data governance model. The review also identified opportunities to further improve systems and controls around sustainability reporting. NIKE will continue to evolve and address information systems in light of this goal.

In cases where shifts in scope, methodology, and/or data quality have led to changes in previously reported performance results, we've restated historically reported results and provided context on the changes.

The data presented in this report has been collected, reviewed, and internally validated to ensure completeness and accuracy and represents the most complete and accurate information at the time of publication. NIKE will continue to be transparent on revisions to reported data in the future.

REFERENCE

We will cross-reference the following frameworks throughout the report:

PRIORITY ISSUE – An issue deemed to be material to the company through our sustainability issue prioritization process.

GLOBAL REPORTING INITIATIVE (GRI) – The GRI Sustainability Reporting Standards are the first and most widely adopted global standards for sustainability reporting.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) – SASB is an independent, private sector standards-setting organization dedicated to enhancing the efficiency of the capital markets by fostering high-quality disclosure of material sustainability information that meets investor needs.

UN GLOBAL COMPACT (UNGC) – The UNGC is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to undertake partnerships in support of UN goals.

SUSTAINABLE DEVELOPMENT GOALS (SDGs) – The SDGs are a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity.

¹ Priority issues are defined in the [Issue Prioritization](#).



INTRODUCTION



LETTER FROM OUR CEO

Throughout the process of pulling this report together, I've been thinking a great deal about what it means to lead in a time of such dramatic change. It's moments like these that offer the opportunity to hit the pause button and ask the big questions. Is it possible to grow the NIKE brand into new markets while leaving a smaller footprint? As we transform our business model to move faster and be more consumer-centric, how does that affect a sophisticated value chain that employs over a million workers and delivers over a billion units a year? And how can we challenge ourselves to cultivate a company culture that is more inclusive and empowering? What policies and practices will accelerate the pace of change within our own teams?

This report covers many of these complex challenges. It reveals our flaws and shines a light on our victories. Most importantly, it tells us where we need to work harder.

What keeps us going is this simple belief: when NIKE creates meaningful change within our own company and within the communities that we serve, we make a positive difference in the world. We expand our purpose as a company.

Next year will be my 40th with NIKE and I've seen our company's purpose evolve over the decades. When I started as a designer in our Exeter, New Hampshire research lab, that purpose was simple: innovate for the athlete. As we grew, we learned our purpose was greater. We realized we should serve all athletes, even those that don't consider themselves one and just want to move. We celebrated the benefits of sport, of fitness, of the joy of a run, the thrill of a goal, or the emotion of a gold. And we took a stand against discrimination because we believe everyone should have a right to sport and to a level playing field. After NIKE fought for Title IX and lobbied for the first Olympic women's marathon event in 1984, one of my proudest personal sport moments was hearing the roar of the crowd when Joan Benoit Samuelson emerged from the dark tunnel into the LA Colosseum to cross the finish line first.

As NIKE's place in the world became larger and more important, we learned that it wasn't enough to just create great product for the athlete. By the 1990s we were hit with allegations of poor working conditions in our supply chain. We vowed we'd disrupt ourselves, and the industry, and invent new ways to run supply chains, new ways to create products. We also heeded the science of climate change, seeing the threat it could pose to our athletes – without clean air, how do we run or play? With extreme weather, how do we compete? So, we set a moonshot – to double our business while halving our environmental impact. That sense of mission has taken us on a journey of innovation, revolutionizing factory floors, business models, materials, and processes. It's driven us to partner in unusual ways, and to lobby for change across the industry.

So what is NIKE's greater purpose in the world today – in an age of extreme polarization; of vanishing resources; of hyper-speed and digital disruption?

“OUR PURPOSE IS TO USE THE POWER OF SPORT TO MOVE THE WORLD FORWARD.”

Our purpose is to use the power of sport to move the world forward. We believe in a fair, sustainable future – one where everyone thrives on a healthy planet and a level playing field. We're advocating and investing in bringing sport back into kids' lives. We're innovating a new business model for the 21st century, in which supply chains are lean, green, equitable, and fair, and our materials and products are sustainable.

And now, with more determination than ever, we're creating a company culture where everyone has an opportunity to play an important role and be successful. We're measuring ourselves against three areas: diverse representation and an inclusive community that embraces it; comprehensive, equitable pay and benefits; and employee development and wellbeing.

This report is filled with detail on how far NIKE has come on all of these goals, and how far we have yet to go. Our focus will continue to be on the areas where we can use sport and our unique strengths to drive the highest impact. We'll stay open to unexpected partnerships that will move us closer to our goals, faster. And we'll continue to disrupt ourselves to evolve and reaffirm NIKE's greater purpose in the world.



Mark Parker
Chairman, President and CEO



PERFORMANCE AND DISCLOSURE COMMITTEE

SUSTAINABILITY IS A TEAM SPORT.

We aim to be a brand with purpose that moves the world forward. To achieve that, we need all parts of the business 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. A strong governance structure, coupled with a sustainability-focused mindset, provides an essential foundation for driving collective decision-making and accountability across the company.

NIKE is embedding sustainability across all aspects of the organization. From our core Sustainable Business & Innovation (SB&I) team to our partners across the business, and from performance reviews that incorporate sustainability to indices that encourage more sustainable material and supplier choices, we are working to achieve our 2020 sustainability targets.

GOVERNANCE IS VITAL TO ACCOUNTABILITY.

The Performance and Disclosure Committee provides direction for NIKE's sustainability work. We challenge our business to understand our sustainability impacts, set ambitious targets to address them, and overcome obstacles in meeting them. Established in 2012, the Committee provides oversight to our 2020 sustainability targets and guidance on efforts to improve data, transparency, and disclosure.

As a committee, we played a key role in evolving NIKE's approach to transparency and disclosure. We recognize that today's economic, political, environmental, and social context has shifted and corporations are playing larger roles in addressing major global challenges. To be nimbler, NIKE has updated our approach to communicating our sustainability efforts with different audiences, offering targeted communication and engagement approaches to consumers, employees, investors, and

industry stakeholders. The FY16/17 Sustainable Business Report, with its increased focus on progress toward our 2020 sustainability targets and priority issues, is one example of that shift. The revamping of our website, with greater emphasis on storytelling, is another.

LEARN MORE: [Governance](#)

THERE IS NO FINISH LINE.

We support an integrated and unified approach to sustainability across NIKE. We encourage strong attention to measuring sustainability, and champion efforts that allow cross-functional teams to collaborate on new solutions. Our Sustainable Business Report uses the lens of our 2020 targets as one way to view progress toward our vision. We have seen successes and we have identified areas where more work is needed. As NIKE's leadership, we commit to pushing the boundaries to unlock creative solutions for athletes, our business, and the world.

PERFORMANCE AND DISCLOSURE COMMITTEE

NIKE has a Performance and 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**

BUSINESS OVERVIEW

NIKE, INC. DESIGNS, DEVELOPS, MARKETS AND SELLS ATHLETIC FOOTWEAR, APPAREL, EQUIPMENT, ACCESSORIES, AND SERVICES WORLDWIDE.

We are the largest seller of athletic footwear and apparel in the world. We sell our products to retail accounts, through NIKE-owned retail stores, factory stores, community stores, websites, and mobile applications (which we refer to collectively as our “NIKE Direct” operations), and through a mix of independent distributors, licensees, and sales representatives in virtually all countries around the world.

Announced at the beginning of FY18, NIKE’s Consumer Direct Offense aims to serve athletes faster and more personally at scale. Core to our strategy is the “Triple Double”: 2x Innovation, 2x Speed, and 2x Direct.

2x Innovation

We are moving from seeding to scaling faster. We will give consumers better choices to match their preferences. And we will set a new expectation for style, creating a new aesthetic to wear in all moments of consumers’ lives.

2x Speed

We are investing in digital end-to-end to serve an insatiable consumer demand for new and fresh products. We are building new capabilities and analytics to deliver personalized products in real time, and we are engaging with more partners, companywide, to move faster against our goals.

2x Direct

We want as many NIKE touch points as possible to live up to consumer expectations. We are investing in our own channels and leading with digital.

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.



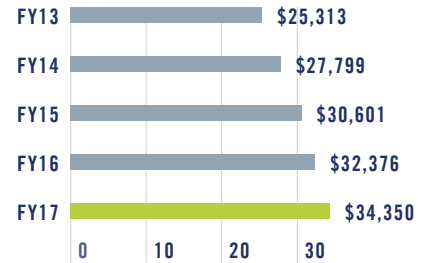
Hurley designs and distributes a line of action sports and youth lifestyle apparel and accessories under the Hurley trademark.



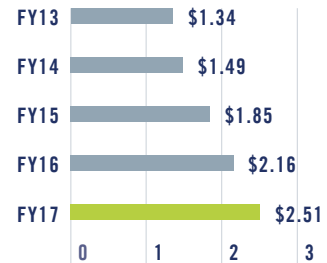
CONVERSE

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

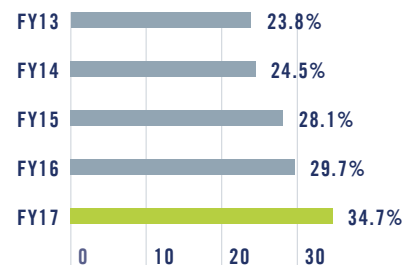
REVENUE (IN MILLIONS)



DILUTED EARNINGS PER SHARE



RETURN ON INVESTED CAPITAL



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

* If you have a body, you are an athlete.



BUSINESS OVERVIEW

NIKE, INC. VALUE CHAIN



LEARN MORE: [NIKE's Value Chain](#)



CORPORATE SERVICES

Activities and infrastructure that support the running and maintenance of our global business, including our people, offices, and brand.

Approximately

67.5K

EMPLOYEES* (as of end of FY17)

*Excludes temporary workers.



MANUFACTURING

From the cultivation and extraction of raw materials, to the production and finishing of materials, to the finished assembly resulting in a product ready for public consumption.

NIKE product is manufactured at

500+

CONTRACT FACTORIES*

that employ

1M+

WORKERS

across

42

COUNTRIES

*Finished goods manufacturers.



LOGISTICS

The transportation and distribution of materials and products throughout our value chain.

75

DISTRIBUTION CENTERS



RETAIL

The marketing and selling of products to consumers around the world through our retail stores, online, and through mobile applications, and through our wholesale partners.



30K+

RETAIL LOCATIONS²

190+

COUNTRIES



CONSUMERS

Consumers' use, care, and maintenance of our products.

International business is now

55%

OF REVENUE



#1

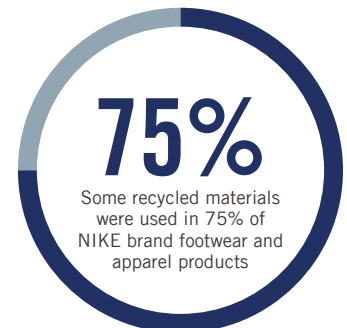


MARKET SHARE in all markets and all major categories for footwear



END OF LIFE

Activities associated with products at the end of their useful lives, which may include discarding, recycling, or reusing products or product parts.



² This number includes non-NIKE stores.





OUR APPROACH



SUSTAINABLE INNOVATION

Sustainability must be the new normal to protect the environment where athletes live and play. So we're doing more than ever to tackle climate change and reduce our impact on the world around us – disrupting the status quo and innovating through the lens of sustainability to deliver for the athlete.

We also believe in a playing field where everyone can unleash their potential – one in which each person is treated with respect and equality, and where diversity is celebrated.

We don't compromise our values to achieve our goals. We use the power of our brand to stand up for what's right.

AT NIKE, WE EXIST TO SERVE ATHLETES*. THIS PUSHES US TO DELIVER PERFORMANCE, PRODUCTS, AND SERVICES FOR ATHLETES WITH ZERO COMPROMISE.



SUSTAINABLE INNOVATION



OUR ENVIRONMENTAL MOONSHOT

THE FUTURE OF SPORT

Sport brings us together, gives us the thrill of competition, and teaches us that we can always improve. But with the world shifting in dramatic ways, so is sport. Science has exposed that environmental degradation is occurring at a rapid pace. Carbon emissions, chemical usage, and water scarcity threaten our global population. Human activity is contributing to an array of challenges – from rising seas to intensifying droughts – that impact billions. At NIKE, we exist to serve athletes, to create

the future of sport. But if you can't run because of air pollution, or if it's too hot to play outside, or if your field is underwater, it becomes impossible for us to live out our mission.

OUR MOONSHOT

That's why we're not sitting on the sidelines – we're taking action. For years, we've held this unshakeable belief that there is no opportunity with more possibility than sustainable innovation. And for the companies of the future, embedding sustainability in all aspects of a

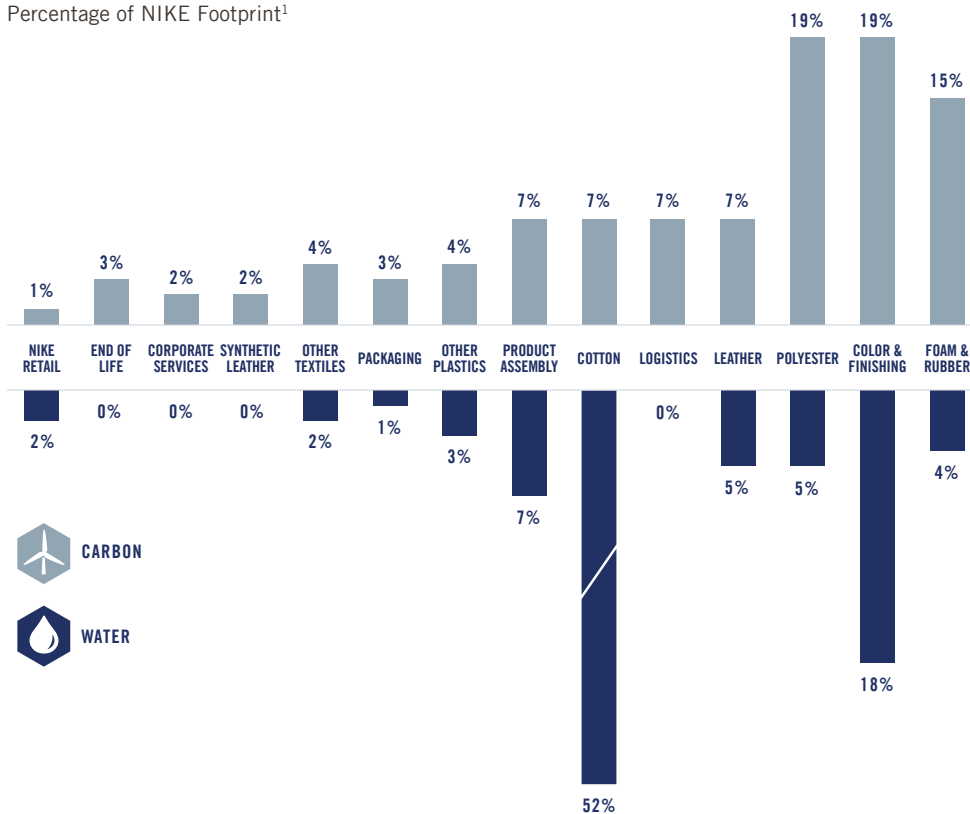
business model isn't just a "nice-to-have" – it's a non-negotiable. In 2016, we announced our intention to put NIKE on a much steeper trajectory than in the past. We set an ambitious goal: double our business while halving our environmental impact – an environmental "moonshot." Drawing parallels to JFK's famous ambition, we set this goal not knowing if or how it could be achieved. What we did know was that the answers lay outside our four walls, in the creative minds yet to be tapped across our industry, supply chain, and adjacent sectors.

GETTING TO HALF

A moonshot is nothing but words on paper if you can't bring it to life. Thus, our teams embarked on a robust scientific and analytic journey, studying our sourcing, manufacturing, and distribution channels and tracing products back through our value chain. Through this, we charted an actionable roadmap to radically reduce carbon, water, and controversial chemistry. We set milestones for ourselves, agreeing to check our progress bi-annually. Then, we got to work. We set out to fundamentally reinvent every part of our business with a zero-compromise, all-encompassing approach, maximizing the performance and minimizing the environmental impact of every product we create.

OPPORTUNITY AREAS

Percentage of NIKE Footprint¹



“OUR TEAMS EMBARKED ON A ROBUST SCIENTIFIC AND ANALYTIC JOURNEY, STUDYING OUR SOURCING, MANUFACTURING, AND DISTRIBUTION CHANNELS AND TRACING PRODUCTS BACK THROUGH OUR VALUE CHAIN.”

¹ Chemistry is acknowledged as important but because there was no agreed upon method of assessing impact at the time of publication, its impact across the value chain is not modeled in this report.



OUR ENVIRONMENTAL MOONSHOT

DEFINING OUR MOONSHOT

Achieving our goal required a long-term, predictive understanding of our business inside a rapidly changing world. The science-based target we set for carbon reduction is aligned with the Paris Agreement's goal of stabilizing rising global temperatures to within 2°C during this century. We found that by cutting our carbon emissions in half, on a per unit basis, we would comply with the Agreement's temperature stabilization objectives. However, science-based approaches

to setting targets for water and chemistry are less mature. In conjunction with the broader scientific community, we're working to move those areas forward with a focus on reducing water consumption in water-stressed geographies and designing controversial chemistries out of our production process entirely.

To track progress against our environmental moonshot, we are aiming to cut our environmental impact in half on a per unit basis.

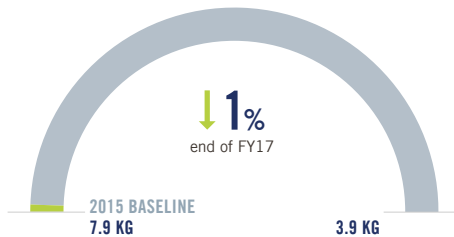
Since the scope of this undertaking is vast, the potential ripple effects are massive. If NIKE were to hit its moonshot goal of half the impact, the greenhouse gas (GHG) emissions saved would be equivalent to taking 1.7 million passenger vehicles off the road for one year and the water saved annually would be equivalent to 103,000 Olympic-sized swimming pools.

PROGRESS¹



CARBON

1/2 THE CARBON = 3.9 KG CO₂E PER UNIT²

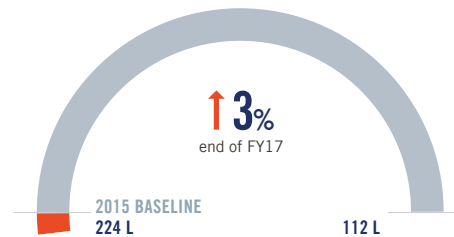


- We saw a positive impact linked to two main drivers: (1) the reduction in the amount of leather used in NIKE Brand footwear, with a move toward textile (with a lower carbon footprint) in our shoe uppers, and (2) energy efficiency initiatives in our supply chain.
- This progress was partially offset by an increase in the average weight of our apparel products, driven mainly by an increased proportion of fleece products.
- The innovation pipeline includes initiatives and innovations we have identified and hope to scale in the near future to reduce our carbon footprint. These can be material, operational, and process innovations in our supply chain, product design innovations, as well as renewable energy proliferation.



WATER

1/2 THE WATER = 112 L PER UNIT

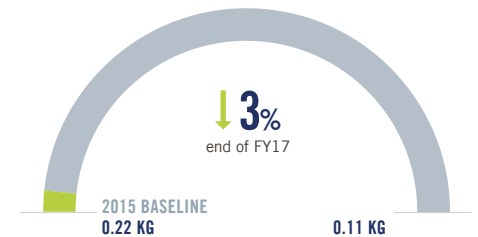


- We saw an overall increase in water impact because the reductions achieved through water efficiency and recycling in our supply chain were more than offset by an increase in the average weight of cotton in our apparel products. This increase is driven by a higher proportion of fleece product in our sales, with cotton being a water-intensive crop.
- As with carbon, the innovation pipeline consists of initiatives and innovations in our supply chain that can reduce our water footprint, such as water efficiency measures, closed-loop water recycling, and scaling use of recycled cotton.



CHEMISTRY

1/2 THE "CONTROVERSIAL CHEMISTRY"
= 0.11 KG PER UNIT³



- The 3 percent progress is linked to increased use of perfluorinated compound (PFC)-free water repellents.
- The innovation pipeline consists of initiatives and innovations to phase out priority chemicals in our supply chain, as well as to shift toward recycled material inputs to drive reduction in our chemistry footprint.

¹ These performance indicators represent the best information and data at the time of publication.

² A unit is a single packaged product. It could be a pair of shoes, a T-shirt, or an athletic bag.

³ The chemistry impact score is calculated by evaluating chemicals used throughout the entire manufacturing process of our materials and finished products. The score does not indicate the presence of controversial chemicals in the finished product.

OUR ENVIRONMENTAL MOONSHOT

THE INNOVATION GAP

Nevertheless, simply hitting these targets or scaling proven technologies and best practices will not be enough to halve our environmental impact. Achieving our moonshot will require new technologies yet to be invented and partnerships yet to be forged.

Our focus on closing this innovation gap means we're doubling down on invention, design, and collaboration unlike ever before. We're challenging ourselves to imagine a different future, using our position at the forefront of manufacturing engineering and science to reimagine technologies and catalyze new processes. We're asking questions such as:

- How can cotton be grown without irrigation?
- How can the next generation of polyester be carbon-negative?
- How can water and oil be repelled without using harmful chemicals?
- How can newly developed textile recycling solutions be scaled?
- How can the carbon footprint of shipping be reduced?
- How can the availability of better chemistry information be accelerated?

Taking an unprecedented step for our company and our industry, we've moved from wondering "if" disruptive change is possible to "how" we'll take tangible action toward a better future. We can no longer just invent – we must invent with sustainability as our design constraint.

WHAT WINNING LOOKS LIKE

Today's dream is bold – we see a path forward to hitting our goal while igniting sustainable, global growth. But tomorrow's dream is even more ambitious: to catalyze our entire industry to join us. Even if we hit our most ambitious targets, we are doing so in isolation – it won't be enough to solve the world's most pressing problems. To accelerate progress, it will take all of us – businesses, workers, civil society, and governments – working in collaboration. No one has all the answers, but all of us have a role to play.

If we dare to design the future, we must do it together. No matter our background, sustainability is the new frame through which to view any innovation. As engineers, we need to build better supply chains that minimize our footprint. As scientists, we need to create a new palette of low-impact materials. As coders, we

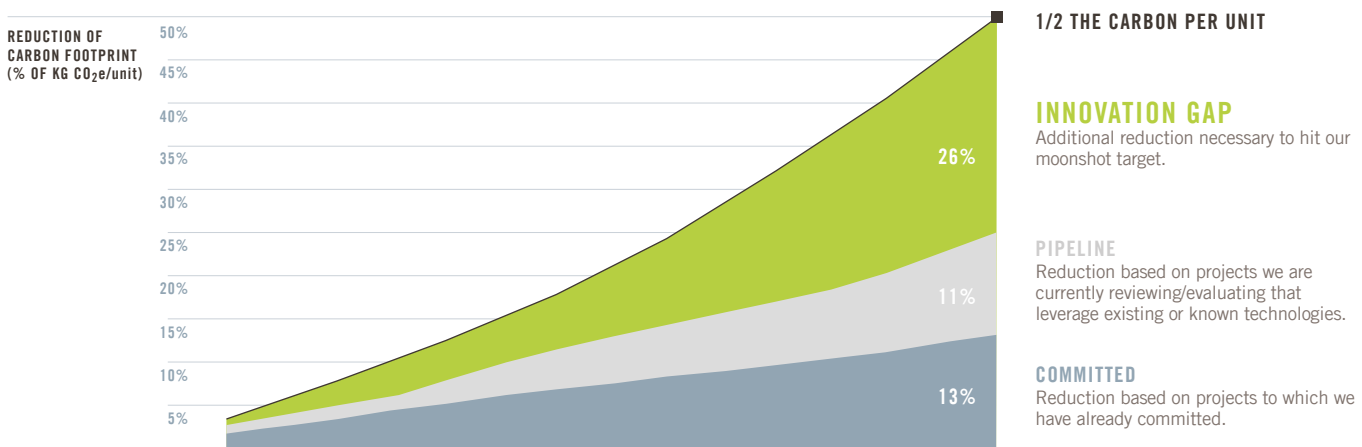
need to develop new open-source initiatives that will disrupt and change the game. And as storytellers, we need to re-brand sustainable innovation as a cause that anyone, anywhere, can take part in. This is our call to action, our rally cry. We need the brightest minds of today to rise up and join us to create a better tomorrow.

Don't sit on the sidelines. It's time to get in the game.

“ACHIEVING OUR MOONSHOT WILL REQUIRE NEW TECHNOLOGIES YET TO BE INVENTED AND PARTNERSHIPS YET TO BE FORGED.”

INNOVATION GAP – WHERE TO ACCELERATE

Using carbon as an example, we explore the actions necessary to achieve our moonshot ambition.



2020 TARGET PERFORMANCE SUMMARY

KEY	▲ Increase	▼ Decrease
Favorable	▲	▼
Unfavorable	▲	▼

MINIMIZE ENVIRONMENTAL FOOTPRINT						
Metric	Unit of Measurement	FY15	FY16	FY17	FY17 Change vs. Baseline	FY20 Target
PRODUCT						
Average Product Carbon Footprint ¹	kg CO ₂ e/unit	7.33	7.19	7.15	▼ 2.5%	▼ 10%
Product Scored on Sustainability Performance	%	27%	68%	71%	▲ 44 p.p. ²	80%
MATERIALS						
Sustainable Materials ³ – Apparel (AP)	%	19.0%	20.2%	29.6%	▲ 10.6 p.p.	▲
Sustainable Materials ³ – Footwear (FW)	%	30.6%	31.3%	32.5%	▲ 1.9 p.p.	▲
Cotton Sourced More Sustainably ⁴	%	24.1%	33.3%	54.1%	▲ 30 p.p.	100%
ENERGY & EMISSIONS						
Renewable Energy – Owned or Operated ^{5,6,7}	%	14%	20%	22%	▲ 8 p.p.	100%
Energy Consumption Per Unit – Key Operations ⁸	kWhe/unit	4.70	4.25	4.70	0%	▼ 25%
Carbon Emissions Per Unit – Key Operations ⁸	kg CO ₂ e/unit	1.74	1.61	1.74	0%	▼ 25%
Energy Consumption Per Kg – Textile Dyeing and Finishing ⁹	kWhe/kg	15.86	15.46	14.95	▼ 5.8%	▼ 35%
Carbon Emissions Per Kg – Textile Dyeing and Finishing ⁹	kg CO ₂ e/kg	4.78	4.68	4.55	▼ 4.8%	▼ 35%
WASTE						
Waste to Landfill ¹⁰ – Footwear Manufacturing	%	N/A (FY16 BL)	6.6%	4.0%	▼ 2.6 p.p.	0%
Waste Index ¹¹ – Footwear Manufacturing, Distribution Centers (DCs), and Headquarters (HQs)	N/A	100 ¹²	98.2	100.8	▲ 0.8%	▼ 10%
Landfill Diversion – DCs and HQs	%	88.4%	87.1%	87.9%	▼ 0.5 p.p.	▲
WATER						
Freshwater Use Per Kg – Textile Dyeing and Finishing ⁹	L/kg	N/A (FY16 BL)	126.5	117.2	▼ 7.4%	▼ 20%
CHEMISTRY						
Tested Material in Compliance with NIKE Restricted Substance List (RSL) ¹³	%	95%	99%	98%	N/A ¹⁴	100%
Suppliers Meeting NIKE's Wastewater Quality Requirements – Textile Dyeing and Finishing ⁹	%	N/A (FY16 BL)	57.8%	72.6%	▲ 14.9 p.p.	100%

2020 TARGET PERFORMANCE SUMMARY

TRANSFORM MANUFACTURING

Metric	Unit of Measurement	FY15	FY16	FY17	FY17 Change vs. Baseline	FY20 Target
MANUFACTURING¹⁵						
Factories Rated Bronze or Better	%	86.0%	86.6%	90.9%	▲ 42.1 p.p. (vs. FY11 BL)	100%
Factories with Excessive Overtime (EOT)	%	3.3% ¹⁶	3.2%	3.9%	▲ 0.6 p.p.	0%

UNLEASH HUMAN POTENTIAL

Metric	Unit of Measurement	FY15	FY16	FY17	FY17 Change vs. Baseline	FY20 Target
COMMUNITY IMPACT						
Annual Investments as % of Pre-Tax Income (PTI)	%	1.9%	1.8%	1.9%	N/A ¹⁷	1.5%

FOOTNOTES

- 1 This target includes NIKE-designed/developed Nike Branded, Brand Jordan, and NIKE Golf Global apparel styles, and Nike Branded, Brand Jordan, and NIKE Golf Global footwear styles. We are using CO₂e emissions as a proxy for other environmental impacts (e.g. energy, other air emissions).
- 2 p.p. = percentage points.
- 3 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.
- 4 Certified organic, Better Cotton (cotton grown according to the Better Cotton Standard System), or recycled.
- 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&2 CO₂e emissions of at least 50 percent by FY25.
- 8 Key Operations = Finished goods manufacturing, inbound and outbound logistics, distribution centers, headquarter locations, and NIKE-owned retail.
- 9 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.
- 10 Target covers waste to both landfill and incineration. Incineration does not include waste to energy recovery unless otherwise noted.
- 11 Our waste index replaces our previously stated waste measure, in order to better reflect our actual performance against our waste reduction goals, and avoid misleading trends due to shifts in the relative volumes of our apparel and equipment businesses. The waste index is a weighted average of our footwear manufacturing waste per unit, distribution centers waste per unit, and headquarters waste per occupant.
- 12 Baseline is FY15 except for Tier 1 FW Manufacturing and Converse HQ, which are FY16 and are included in INC-wide baseline for comparability across years.
- 13 Measurement of supplier adherence to NIKE's wastewater quality standards between FY16 and FY17 is based on a prior standard; progress from FY18 onward will be based on the higher standards of the ZDHC guideline.
- 14 As we add new chemicals and tighten the limits, we may see a small number of failures as the supply chain adapts to the more stringent requirements. Due to these changes, we do not recognize a baseline or change vs. the baseline.
- 15 Scope includes all finished goods manufacturing.
- 16 FY15 value previously reported in 14/15 SBR (96 percent of factories had no excessive overtime [EOT]) is restated due to data quality improvements.
- 17 This is an annual target. Baseline and change vs. baseline are not relevant to this target.



ISSUE PRIORITIZATION

At NIKE, we look at sustainability throughout our value chain. This view is vital because most of our environmental and social impacts – as well as our opportunities – occur within our influence, but outside of our direct control.

For more than 20 years, we’ve been deepening our understanding of sustainability and the most significant issues that impact our people and our planet. We conduct regular assessments to add to this understanding and to keep our perspective fresh in an ever-evolving landscape.

ADDING DEPTH TO OUR UNDERSTANDING

In FY14/15, we conducted an in-depth quantitative analysis to review and prioritize our key sustainability issues. First, we reviewed multiple ESG standards, frameworks, and rating systems. Next, we added current megatrends, stakeholder feedback, and the priorities of our key coalitions and partnerships to develop a complete universe of issues that would be relevant to NIKE’s business model. This netted us upwards of approximately 400 potential topics. Then, we filtered for relevance by looking at location, risk, and other measures to determine 12 priority issues and mapped these against each stage in our value chain.

These results were key to internal strategy conversations and have supported our understanding that the two leading drivers of our environmental and social impacts are:

1. The materials we use in our products, and
2. The outsourced manufacturing of those products.

In FY17, we brought the voices of internal and external stakeholders into this analysis. We reached out to a wide range of stakeholders, including employees, NGOs, academics, investors, suppliers, and corporate peers.



EXPLORE: NIKE's Value Chain Impacts

Our survey was designed to identify the most relevant issues at each value chain stage and the impacts most directly linked to those issues.

By surveying our key stakeholders, we deepened our understanding of the most relevant issues in the value chain and then layered this new information into our quantitative analysis from FY14/15.

By combining the qualitative survey results with the quantitative analysis, we have been able to update our set of priority Corporate Responsibility & Sustainability (CR&S) issues. The quantitative data gave us a deep insight into what matters most, while the survey helped us to develop a more nuanced understanding of these issues.

LEARN MORE: [Stakeholder Engagement](#)

ALIGNING WITH STAKEHOLDER EXPECTATIONS

The FY17 survey results showed us that we have an opportunity to better align the way we talk about CR&S issues with the expectations of stakeholders.

For example, in FY14/15 we embedded “Waste Generated” into the Water, Energy, and Chemical issues. This decision was made based on our analysis which showed that the real “impact” of waste is embodied in these areas. The unintended consequence was that stakeholders may have assumed that waste was a lower priority for NIKE, despite significant efforts made and the waste-related 2020 targets we had in place. As it is actually a top-rated issue for our stakeholders, this year we have reintroduced waste into our list of priority issues in an effort to align with our stakeholder understanding of these issues.

FY16/17 PRIORITY ISSUES

ACTIVE KIDS (Previously Community Impact)	○	○	○	○	○	○	○	●	○
CHEMISTRY	○	○	●	○	○	○	○	○	○
CHILD LABOR (Previously Labor Compliance)	○	○	○	○	○	○	○	○	○
EMPLOYMENT	○	○	○	○	○	○	○	○	○
ENERGY	○	○	○	○	○	○	○	○	○
EXCESSIVE OVERTIME	○	○	○	○	○	○	○	○	○
FREEDOM OF ASSOCIATION (Previously Labor Compliance)	○	○	○	○	○	○	○	○	○
GHG EMISSIONS	○	○	○	○	○	○	○	○	○
NON-RENEWABLE RESOURCE DEPLETION	○	○	○	○	○	○	○	○	○
MATERIAL WASTE (New Issue)	○	○	○	○	○	○	○	○	○
OCCUPATIONAL HEALTH & SAFETY	○	○	○	○	○	○	○	○	○
TOTAL COMPENSATION	○	○	○	○	○	○	○	○	○
WATER USE	○	○	○	○	○	○	○	○	○
WORKFORCE DEVELOPMENT	○	○	○	○	○	○	○	○	○

KEY

- High
- Low
- Not applicable



FOOTNOTES

- The results are based on a combination of the FY14/15 quantitative assessment with our new FY17 qualitative analysis. We only changed an issue score if the qualitative results were higher than the previous quantitative score.
- Material Waste is listed as a new issue (see discussion above). As such, the scoring is based solely on the qualitative findings from our FY16/17 survey.
- Labor Compliance used to combine two separate issues: Child Labor and Freedom of Association. This year, we divided the two issues and gave them separate scores.
- Community Impact previously combined two issues: Access to Sport and Obesity. Based on qualitative results, we separated these issues and focus only on Access to Sport, which was highly rated by our stakeholders. In comparison, Obesity was a much lower priority for stakeholders. We are also renaming the issue “Active Kids” to better reflect the current and future focus of our efforts.



ISSUE PRIORITIZATION

The chart below defines each priority issue and details where each issue can be found in the report.

MINIMIZE ENVIRONMENTAL FOOTPRINT		
Priority Issue	Definition	Location
CHEMISTRY	Chemicals used in making materials and products and substances released to the environment (air and water) that are toxic to humans and ecosystems	Chemistry 
ENERGY	Energy used for electricity, use of fossil fuels, and other energy sources	Energy and Emissions 
GHG EMISSIONS	Greenhouse gas emissions from energy, transportation, and NIKE's other business activities	Energy and Emissions 
NON-RENEWABLE RESOURCE DEPLETION	Non-renewable resources depleted, through materials and fuels used	Materials 
MATERIAL WASTE	Waste generated throughout NIKE's value chain and activities to reduce, reuse, or recycle	Waste 
WATER USE	Water consumed throughout our value chain, and monitoring our impacts in water-scarce regions	Water 
TRANSFORM MANUFACTURING		
Priority Issue	Definition	Location
CHILD LABOR	Operations and suppliers identified as having significant risk for incidents of child labor	Child Labor 
EXCESSIVE OVERTIME	Workers in the value chain found to be working excessive hours	Sustainable Sourcing 
FREEDOM OF ASSOCIATION	Right to exercise freedom of association and collective bargaining for workers throughout the value chain	Freedom of Association 
UNLEASH HUMAN POTENTIAL		
Priority Issue	Definition	Location
ACTIVE KIDS	Helping kids reach their full potential through play and sport and creating more equal playing fields for all	Community Impact 
EMPLOYMENT	Attracting and retaining talent, and ensuring a positive workplace culture, including healthy lifestyle opportunities and engagement initiatives	Employees 
OCCUPATIONAL HEALTH & SAFETY	Worker health and safety practices throughout the value chain	Occupational Health & Safety 
TOTAL COMPENSATION	Economic value generated for employees through wages and benefits	Employees 
WORKFORCE DEVELOPMENT	Training and development for workers to build capability and career opportunities	Employees 

GOING FORWARD

Our issue prioritization informs our approach to sustainability. We plan to review our priority issues on an annual basis, including conducting quantitative analysis every couple of years and regular stakeholder surveys in the interim years.

MINIMIZE ENVIRONMENTAL FOOTPRINT



THE WORLD AROUND US

Hurricanes battered the Caribbean and North America in 2017. We saw record ice loss at the poles, and heatwaves hit Europe and Australia. The effects of climate change were more apparent than ever, in part caused by record levels of carbon emissions.

To help reduce emissions, organizations – from the business community to local and state governments to NGOs – are aligning with the United Nations Sustainable Development Goals and the Paris Climate Agreement. Hundreds of corporations and cities have set science-based emission reduction targets to help keep the rise in global temperature below 2°C. And they're more committed than ever to using renewable energy.

Another major battleground is the global war on waste. With concerns about plastic in our oceans and microfibers in our drinking water, combatting waste has never seemed so urgent an issue. But a move away from built-in obsolescence, toward circular design for recycling or reuse, is a challenge that the apparel and footwear industry is taking the lead on.

OUR APPROACH

In 2016, we set an ambition to double our business while cutting our environmental impact in half on a per unit basis. We deliver performance products while obsessing about our impact on the environment – focusing on what we make, how we make it, and how we operate our business. We are investing in disruptive innovations and enterprise-wide strategies to cut our carbon emissions, water use, and controversial chemistries in half, while moving toward a circular future.

“IF YOU CAN'T GO OUTSIDE TO RUN BECAUSE OF AIR POLLUTION, IF YOU DON'T HAVE CLEAN WATER TO DRINK, AND IF YOU DON'T HAVE A PLACE TO PLAY... YOU DON'T HAVE SPORT.”

Mark Parker, Chairman, President and CEO of NIKE



MINIMIZE ENVIRONMENTAL IMPACT: FY16/17 HIGHLIGHTS



PRODUCT



- NIKE Free RN Flyknit shoe reduces waste by 60 percent compared to a traditional running shoe.
- Product teams now track the sustainability performance of 97 percent of our Nike-branded footwear and 96 percent of Nike-branded apparel.
- Footwear and apparel has seen a 2.5 percent decrease in average carbon footprint per unit since FY15.



ENERGY AND EMISSIONS



- NIKE signed power purchase agreements that will allow us to source 100 percent renewable energy in North America in 2019, a major step on our path to reach 100 percent renewable energy in our owned or operated facilities globally by 2025.
- A majority of our footwear finished goods factories have eliminated outdated steam boiler systems, creating an average energy savings of between 15 to 20 percent at each location.



WATER



- 40 percent of the suppliers making our primary materials are recycling treated wastewater back into their manufacturing processes.
- All finished goods factories and material suppliers in regions with high risk of water scarcity or flooding are evaluating their risks and preparing to develop mitigation and management plans.



MATERIALS



- NIKE has been recognized as using the most recycled polyester in the industry for the fourth straight year by Textile Exchange's Annual Preferred Materials Market Report.
- We saved over 24 billion liters of water and 85,000 kg of pesticides by sourcing 54 percent cotton more sustainably.
- 75 percent of Nike-branded footwear and apparel products used some recycled materials in FY17.



WASTE



- In FY17, 96 percent of NIKE footwear finished goods manufacturing waste was recycled or converted to energy.
- Our European Logistics Campus, Japan Distribution Center (DC), and Converse Ontario (California) DC hit 100 percent landfill diversion.
- NIKE diverted over 12.5M pounds of factory and postconsumer waste from landfills through Nike Grind in FY17 and revenues from the sale of Nike Grind sports and play surfaces funded sustainable innovations.



CHEMISTRY



- NIKE formally adopted the AFIRM Group Restricted Substance List (RSL), which includes chemical limits based on legislation, best practices in industry, and voluntary reductions in hazardous chemicals.
- Global deployment of the ZDHC Wastewater Guideline has allowed NIKE to measure progress against our Manufacturing RSL (MRSL) compliance target by using a common industry tool.
- Our active collaboration within the ZDHC and the Sustainable Apparel Coalition (SAC) supported the development of the Higg FEM 3.0 Chemical Module, a tool for assessing chemicals management capability across the global supply chain.



KEY
Numbered icons above indicate relevant Sustainable Development Goals



PRODUCT

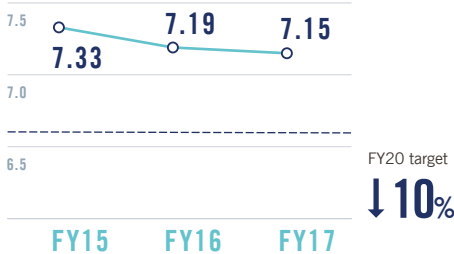


TARGET

DELIVER PRODUCTS FOR MAXIMUM PERFORMANCE WITH MINIMUM IMPACT, WITH A 10 PERCENT REDUCTION IN THE AVERAGE ENVIRONMENTAL FOOTPRINT PER UNIT

PERFORMANCE

Average Product Carbon Footprint for Footwear and Apparel (kg CO₂e/unit)¹



¹ NIKE's FY20 product carbon footprint target differs in scope compared to our moonshot carbon ambition. While both commitments baseline in FY15, the FY20 product target is inclusive of NIKE brand footwear and apparel, from raw materials through finished goods manufacturing. The moonshot carbon ambition is broader in terms of product represented and emissions generated from corporate services to end of life (excluding consumer use).

Sustainability at NIKE is more than a single-product philosophy. It's a principle embedded in our product creation teams that we are scaling across our company to include every brand, every category, and every product.

During FY16 and FY17, we continued our effort to integrate sustainability into the product creation process, from the initial design brief to product reviews, ensuring product teams have the information they need to make informed decisions.

To define the environmental impact of a product, we look at the average carbon footprint of a unit of product and track this through our Material Sustainability Index (MSI), Apparel



NIKE Aeroloft Vest

Sustainability Index (ASI), and our Footwear Sustainability Index (FSI). These indices allow our product creation teams to measure the environmental profile of each product and make better choices in planning, designing, and development. While our Product target tracks the carbon footprint of the product, our efforts to integrate sustainability impact a wide range of environmental factors such as water, chemicals, and waste.

[LEARN MORE: Product & Materials Sustainability Indices](#)

In FY16, we developed a Sustainability Performance Dashboard to give our product teams timely sustainability metrics. Combining the ASI, FSI, and MSI with additional product and material data, the dashboard has helped our product category teams focus on the sustainability of their highest volume styles.

These additions have already produced improvements in apparel and footwear sustainability scores. For example, footwear has improved by using more water-based solvents (resulting in approximately 96 percent less petroleum-derived solvents since 1995) and better pattern efficiency, while apparel has improved by sourcing from better performing material suppliers and increased efficiency. The improvement in materials supplier performance can be attributed to, in part, engagement with our suppliers to improve sustainable practices at their facilities.

We improved our products' sustainability through a series of innovations in FY16. In footwear we drastically reduced waste with styles like the NIKE Free RN Flyknit shoe. This features an upper made with our low-waste Flyknit technology, and a Free midsole made with another low-waste technology where the midsole is made with pellets that are injected into a mold. The result is a shoe that reduces waste by an average of 60 percent compared to a traditional running shoe. In apparel, the fabric in the top-volume Women's Tempo Running Short was replaced with recycled polyester.

By the end of FY17, footwear and apparel teams had improved their internal index scores (FSI and ASI) resulting in a 2.5 percent decrease in average carbon footprint per unit compared to the baseline, or approximately 165M kg CO₂e. We're proud of the progress we've made on this, and we know there's more to be done.

Apparel scores continue to improve every year, but we're still behind on our overall 2020 product target. We've identified two areas for focus: decreasing waste and increasing our use of recycled materials. Footwear is on track to meet its 2020 product goals by focusing on more sustainable materials, improved pattern efficiency, and reduced solvent use. Overall, both apparel and footwear are proactively working toward their sustainability targets while meeting other key business metrics.

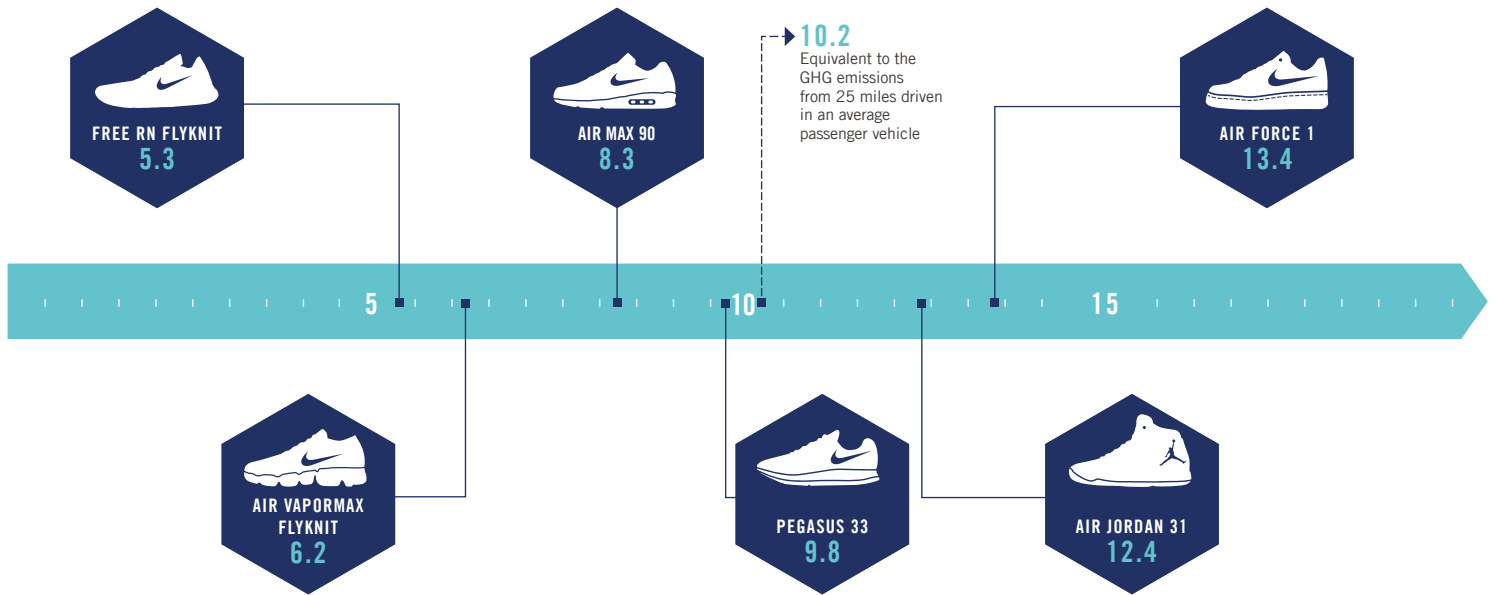


PRODUCT



CARBON FOOTPRINT BY FOOTWEAR STYLE (KG CO₂E/PAIR)

NIKE has measured the carbon footprint of all our shoes.

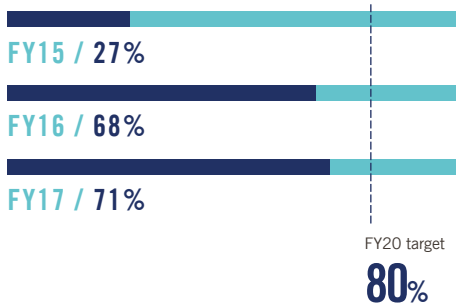


MEASURE

GREATER THAN 80 PERCENT OF ALL NIKE, INC. PRODUCTS WILL BE SCORED ON SUSTAINABILITY PERFORMANCE

PERFORMANCE

% Product Scored on Sustainability Performance



To connect our product creation process decisions to their impact on the environment, we've developed a system of scoring our products on sustainability performance. This allows us to increase awareness and establish a foundation for future improvement.

Creating such a foundation is no easy task. We face challenges with installing scoring systems across our diverse product ranges and IT systems, affiliate companies, and licensees. We also struggle to score products that are late additions, meaning they fall out of the normal production process.

Despite this, we made progress on this measure in FY16 and FY17. Product teams are now scoring 97 percent of our Nike-branded footwear and 96 percent of Nike-branded apparel.³ For previously unscored product (i.e. equipment, socks, and Converse), product creation teams have created scoring processes and tools.

By the end of FY17, we were scoring most of our season-to-season basics, equipment, socks, headwear, and Converse products. In addition, we automated scoring for several outstanding high-volume product areas (including most T-shirts and versions with region-specific sizing) to improve accuracy and reduce workload. These efforts have helped us track toward our overall target of 80 percent product scored by the end of 2020.

FURTHER READING

[Approach to Sustainable Products](#)



SASB

CN0501-03: Discussion of environmental and social risks associated with sourcing priority raw materials

³ These numbers pertain to Nike-branded footwear and apparel. The measure is more inclusive: all NIKE, Inc. products are in scope (footwear, apparel, equipment, promo/team, licensee, Converse, and Hurley).



MATERIALS



TARGET

INCREASE USE OF MORE SUSTAINABLE MATERIALS IN FOOTWEAR AND APPAREL

PERFORMANCE

% More Sustainable Materials

APPAREL

FY15 / 19%

FY16 / 20.2%

FY17 / 29.6%

FY20 target
INCREASE

FOOTWEAR

FY15 / 31%

FY16 / 31.7%

FY17 / 32.5%

FY20 target
INCREASE

The materials we use – from the crops grown to the finished fabrics and trims – have the greatest environmental impact in the entire product lifecycle. Reducing this impact is the strongest way we can improve our overall environmental performance.

The NIKE Materials Sustainability Index (MSI) encourages our teams to choose better materials from better vendors by comparing 57,000 different materials from more than 700 vendors.



Nike Air VaporMax Flyknit

BETTER CHOICES

MATERIALS IN SCOPE: ● Footwear ● Apparel

						
POLYESTER	COTTON	LEATHER	SYNTHETIC LEATHER	EVA	RUBBER	THERMOPLASTIC POLYURETHANE (TPU)
Recycled	Organic Recycled BCI Better Cotton	Leather working group certified Environmentally preferred leather	Recycled	Recycled	Environmentally preferred rubber formulations Grind	Recycled

Our materials teams incorporated the MSI into their standard tools. This allows them to make better decisions around which materials to use and which suppliers to work with to drive our use of sustainable materials.

In FY16 and FY17, apparel and footwear used more sustainable materials in the following ways:

- 1. Sustainable cotton.** Apparel moved from conventional cotton to more sustainable cotton.⁴ See our [Measure](#) for more information.
- 2. Recycled rubber.** We are closing the loop on our rubber by using our own scraps as inputs into new shoes. 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 2004, just 3 percent of Nike brand footwear designs used environmentally

preferred rubber. By FY17, 98 percent of our products used environmentally preferred rubber. The increase is due to NIKE's continued proliferation of environmentally preferred compounds while slowly phasing out/retiring the less preferred compounds.

- 3. Recycled polyester.** All core Flyknit yarns are 100% recycled polyester. We use recycled polyester in some of our most advanced apparel, such as global football team kits and elite track & field uniforms, classic items like our Tempo running shorts, as well as other key components used in the construction of a shoe. As of FY17, NIKE has transformed more than 4.6 billion plastic bottles into recycled polyester footwear and apparel. As a result, NIKE has been recognized as using the most recycled polyester in the industry for the fourth straight year by Textile Exchange's "[2017 Preferred Fiber & Materials Market Report.](#)"

⁴ Sustainable cotton is defined as cotton that is either certified organic, BCI Better Cotton, or is recycled.

MATERIALS



Nike Air Force One

TOP FIVE MATERIALS BY VOLUME^{1, 2, 3}

		FY15	FY16	FY17
COTTON				
Organic	kg	4,123,000	4,613,000	5,304,000
	%	7%	7%	8%
Recycled	kg	68,000	75,000	90,000
	%	<1%	<1%	<1%
BCI	kg	9,879,000	17,629,000	32,487,000
	%	17%	26%	46%
Total	kg	58,348,000 ⁴	67,102,000	70,065,000
POLYESTER				
Recycled	kg	31,220,000	32,374,000	33,265,000
	%	14%	14%	14%
Total	kg	218,149,000	228,056,000	237,830,000
CORRUGATE/PAPER				
Recycled	kg	95,424,000	103,977,000	107,052,000
	%	84%	84%	84%
Total	kg	113,568,000	123,622,000	127,236,000
RUBBER				
Environmentally Preferred	kg	63,414,000 ⁵	59,460,000	65,808,000
	%	89%	91%	98%
Total	kg	71,380,000	65,382,000	67,382,000
ETHYLENE-VINYL ACETATE (EVA) FOAM				
Recycled	kg	185,000	151,000	66,000
	%	<1%	<1%	<1%
Total	kg	81,221,000	97,214,000	103,182,000

- The materials and scopes reported comprise about 60 percent of NIKE's total material usage.
- Cotton and polyester volumes represent NIKE brand footwear, apparel, and equipment, and Converse footwear and apparel. Cotton also includes Hurley apparel.
- Reported volumes have been rounded.
- Total reported usage has increased due to business growth and data collection and quality improvements.
- FY15 value has been restated due to data quality and calculation methodology improvements; previously reported as 76 percent in NIKE's FY14/15 SBR.

In FY17, some recycled materials were used in 75 percent of Nike brand footwear and apparel products. These materials include recycled PET bottles in our apparel textiles and Flyknit shoe uppers, apparel trims made from recycled Nike Airbag waste, and rubber outsole scraps recycled back into our footwear outsides. Examples include the Nike Flyknit Free, Nike Air VaporMax Flyknit, Nike Air Zoom Wildhorse.

MEASURE

SOURCE 100 PERCENT OF OUR COTTON MORE SUSTAINABLY (CERTIFIED ORGANIC, BCI BETTER COTTON, OR RECYCLED COTTON) ACROSS NIKE, INC. BY THE END OF FY20⁵

PERFORMANCE

% Cotton Sourced More Sustainably (Organic, BCI, or Recycled)

FY15 / 24.1%

FY16 / 33.3%

FY17 / 54.1%

FY20 target
100%

NIKE is a leader in advancing better approaches to cotton. Since 1998, we've been blending organic into our cotton products and in 2002 we co-founded Organic Exchange (now Textile Exchange).

As one of our top-volume materials, cotton represents more than one-half of our water footprint, mostly during the agricultural phase. We believe we can create the most positive impact on our overall environmental footprint by developing more sustainable cotton options that promote not only better water stewardship, but pesticide reduction and fairer labor practices.

We are working with our supply chain to move toward 100 percent sustainable cotton – certified organic, Better Cotton (BCI), or recycled cotton.

In FY16, we sourced one-third of our cotton more sustainably, which reduced our environmental footprint by more than 17 billion liters of water and more than 51,000 kilograms of pesticides. In FY17, we increased this to 54 percent, which reduced our impact by more than 24 billion liters of water and 85,000 kilograms of pesticides. In FY17, Nike-branded apparel continued to lead the company by sustainably sourcing 73 percent of its cotton.

We blend a minimum of 10 percent organic cotton into nearly every Nike-branded apparel cotton fabric, a strategy that has made us one of the top four buyers of certified organic cotton globally according to Textile Exchange's (TE) 2017 Preferred Fibers and Materials Report. We also ranked fourth in volume of recycled cotton (TE), and fourth in Better Cotton sourced (per [BCI's report](#) on 2016 calendar year).

Looking ahead, we believe that converting the final 20 percent of our cotton supply chain will be the most difficult. We also need to further address water risk by collaborating beyond the standards and our 2020 target. We strive to continuously innovate so we can scale our cotton recycling and close the loop.

We aim to be a leader by using our influence and reach to drive the cotton industry toward sustainability and helping others on their journeys.

FURTHER READING

[Approach to Sustainable Materials](#)

[Sustainable Materials Principles](#)



PRIORITY ISSUE

Non-Renewable Resource Depletion

GRI

GRI 301: Materials

Disclosure 301-1: Materials used by weight

SASB

CN0501-03: Discussion of environmental and social risks associated with sourcing priority raw materials

CN0501-04: Percentage of raw materials third-party certified to an environmental or social sustainability standard, by standard

⁵ We updated this measure from calendar year to fiscal year to be consistent with the rest of the 2020 targets.



ENERGY AND EMISSIONS

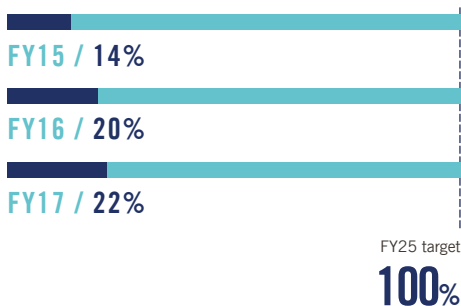


TARGET

REACH 100 PERCENT RENEWABLE ENERGY IN OWNED OR OPERATED FACILITIES BY THE END OF FY25 AND ENCOURAGE BROADER ADOPTION, AS PART OF OUR EFFORT TO CONTROL ABSOLUTE EMISSIONS

PERFORMANCE

% Renewable Energy



NIKE exists to serve athletes. And climate issues, like pollution and extreme weather conditions, have a huge impact on how athletes perform.

As a global business, we're building resilience to climate uncertainty into our operations by reducing costs, innovating new operating models, and strengthening our supply chain.

While this target focuses specifically on renewable energy, we're reducing our carbon footprint in a variety of ways:

1. Innovating low-impact materials
2. Driving energy efficiency within our supply chain
3. Increasing renewable energy throughout our operations and supply chain, and



European Logistics Center, Laakdal, Belgium

4. Collaborating with other organizations (i.e. corporate peers, government, NGOs) to scale impact and create better market conditions for clean energy.

Renewable Energy in NIKE Owned and Operated Facilities

In September 2015, we joined RE100, a coalition of businesses that have pledged to source 100 percent renewable energy in their operations. As a Fortune 100 company, we have an opportunity to drive increased production and accessibility of renewable energy globally.

Our strategy for achieving our RE100 commitment is to prioritize mature renewable energy markets with large NIKE-owned or operated consumption and strategically engage in projects that catalyze momentum toward broader adoption of renewable energy in our supply chain.

In the U.S., we have executed two projects which will produce roughly 460,000 mWh/year of wind energy. In Oregon, our off-site power purchase agreement (PPA) went live in January 2017. Today, it supplies our World Headquarters and other NIKE-owned or operated facilities in Oregon with 100 percent renewable energy. We also have a broader U.S. PPA which will support the development of a wind farm that will start operating commercially in mid-2019. Together, these contracts will cover our owned and operated consumption in the U.S. and Canada, and deliver on more than one-half of our global commitment for RE100.

Additionally, NIKE has reached 100 percent renewable energy at our European Logistics Campus in Laakdal, Belgium through five sources of energy (onsite wind, solar, geothermal, and locally produced biomass and hydro). We have also reached more than

35 percent renewable energy at our China Logistics Center in Taicang, China through a rooftop solar array.

PROCUREMENT

Procuring renewable energy for a diverse global operation is complex. So, like any team looking to win, we began by creating a game plan. First, we outlined our preferred sources of renewable energy, and then we developed principles to guide our procurement strategy.

We prefer to source electricity from wind, solar, geothermal, run-of-river hydro sources, and biomass, as we believe they pose the least harm for the environment.

Guided by the needs of our business, we developed these principles to assess opportunities. We look to optimize across these guiding principles when evaluating projects.

- **FINANCIAL IMPACT.** We seek cost-effective solutions, because we believe that in the long term, renewable energy is more cost effective than fossil fuel generation.
- **RISK DIVERSIFICATION.** Energy procurement and markets are dynamic and complex. Therefore, we look for solutions that won't result in unacceptable risk to our company.
- **ADDITIONALITY.** We strive for solutions that increase the amount and availability of renewable energy and benefit both the environment and the local communities where projects are located.
- **PROXIMITY.** Where feasible, we aim to procure renewable electricity close to our facilities so that the communities we are a part of share in the environmental, health, and economic benefits of renewable energy.

We look at different sourcing options in each geographic area we operate in and choose a solution that best optimizes these considerations.

ENERGY AND EMISSIONS



CHALLENGES

We've already made significant progress, but the complexity of our operations and the nature of global renewable energy markets continue to present challenges for us.

Outside the U.S., we do not have sufficient owned or operated demand at any facility or in any individual country to enable utility-scale procurement. Utility-scale procurement options optimize our guiding principles, and without them we are limited to the less-preferred option of purchasing unbundled renewable energy credits from a market exchange.

To overcome this limitation, we will aggregate demand that aligns against our four geographies, with embedded sub-regions, and focus on projects in countries with attractive opportunities.

We've built a team of experts in renewable and global energy procurement. As we work toward the commitments we've made, our efforts can help accelerate a cleaner future for all.

Factory Adoption of Renewables in the Supply Chain

In addition to our efforts in NIKE-owned and operated facilities, we are convening supplier working groups to accelerate our manufacturing factories' adoption of renewable energy in multiple countries.

Our approach to accelerating renewable energy has three components:

1. Supporting factories in installing solar photovoltaic (solar PV) systems on factory rooftops to provide up to 45 percent of the electricity use of factory operations.
2. Engaging with governments and policymakers to advocate for policy that lets our manufacturing factories directly source renewable electricity from local power utilities.
3. Expanding our responsibly sourced biomass renewable energy program with a focus on our materials manufacturers.

At scale, this approach will eventually allow our manufacturing factories to use renewable energy to power their operations.

TOTAL RENEWABLE ENERGY (MWH)

	FY15	FY16	FY17
FW MANUFACTURING AND TEXTILE DYEING & FINISHING¹			
Total	550,000	571,000	602,000
% of total	14%	13%	13%
OWNED OR OPERATED			
Total	66,798	108,761	125,527
% of total	14%	20%	22%
EMISSIONS AVOIDED FROM RENEWABLE ENERGY IN OWNED AND OPERATED (Metric tonnes CO₂e)			
	22,634	40,215	49,347

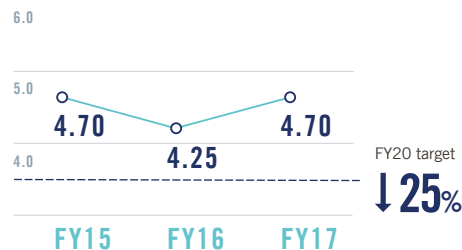
¹ FW Manufacturing scope represents the majority of finished goods production for NIKE and Converse footwear. Textile dyeing and finishing scope includes focus suppliers only. Focus suppliers represent key suppliers involved in the dyeing and/or finishing of materials, which directly support footwear and apparel finished product assembly.

MEASURE

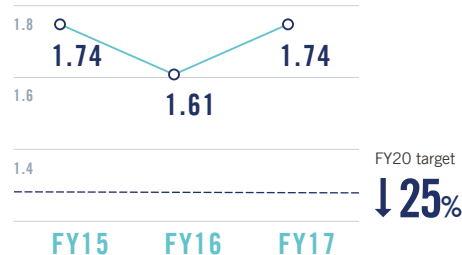
DECREASE ENERGY AND CO₂E EMISSIONS 25 PERCENT PER UNIT IN KEY OPERATIONS (INBOUND AND OUTBOUND LOGISTICS, DISTRIBUTION CENTERS, HEADQUARTER LOCATIONS, FINISHED GOODS MANUFACTURING, AND NIKE-OWNED RETAIL)

PERFORMANCE

Energy Consumption per unit – key operations (kWh/unit)



Carbon Emissions per unit – key operations (kg CO₂e/unit)



In FY17, our energy and carbon intensity in key operations was flat compared to baseline, as the reductions achieved in footwear manufacturing were offset by increased inbound air freight. Additional details on the root causes of these trends are provided below.

Inbound Logistics

The most significant driver of carbon emissions from logistics is shipping product from origin to destination by air. On the inbound leg (i.e. origin to destination geography), air freight is 25 times more carbon intensive than ocean freight. Air freight, however, allows us to deliver products more quickly to our consumers. The supply chain is complex and there are many reasons air freight is used, including manufacturing delays and responding to consumer demand.

To address air freight, going forward, we are working with key stakeholders to develop a cross-functional, internal strategy to optimize our use of air freight and ensure that we only use it when necessary.

In FY17, we introduced our Supply Chain Sustainability Index (SCSI) with our inbound ocean freight and air freight providers. The SCSI establishes clear minimum sustainability requirements for all logistics service providers and drives innovation discussions.

We are leveraging the SCSI to manage our providers to improve their sustainability performance through recognition, collaboration opportunities, and volume allocation. In FY18, we have begun implementing the SCSI for all other logistics services.

Outbound Logistics

Outbound logistics (i.e. transportation from a NIKE distribution center to point of sale or consumer) was challenged in FY16 and FY17 and will continue to be challenged as e-commerce sales continue to grow. E-commerce shipments are more carbon intensive than full truckload shipments to a wholesale partner, so we are working on minimizing their footprint by identifying less carbon-intensive delivery options (e.g. delivery by bike courier) and exploring regional fulfillment nodes.



ENERGY AND EMISSIONS



Distribution Centers

Energy use in our distribution centers is trending higher than our target. One key reason is more extreme temperatures across seasons have required an increased use of air conditioning and heating. We have continued to implement energy efficiency measures like LED lighting and upgraded heating, ventilation, and air conditioning systems. We have also implemented requirements that all new and existing distribution centers must meet. For our facilities that do not currently meet minimum requirements, we are working on implementation plans and roadmaps.

At the end of FY16, our European Logistics Campus opened its newest building, WINGS (approximately 1.74M sq ft), which applied for LEED Gold certification for new construction. WINGS uses a racking structure (which reduces waste and materials used in construction), an abundance of natural light, and automated LED lighting. The facility is also designed to support biodiversity, with measures like sheep that naturally maintain the landscape and on-site beehives to pollinate flowers in the local area.

Headquarters

Energy use at World Headquarters (WHQ) in Beaverton, Oregon, was up 10 percent over the FY15 baseline, due in part to severe winter weather during FY17 and in part due to growth in site occupancy outpacing retrofits and efficiency improvements.

Our WHQ has developed a Roadmap to Smart Buildings, which includes a guide to equipment upgrades (where most of the reduction in energy comes from) and standardizes specifications for energy-efficient building systems. For example, daylight harvesting and flexible air conditioning add to the modular capabilities of NIKE's Freestyle work environment. Upgrading existing equipment makes up most of the energy reduction.

Contract Manufacturer⁶: Footwear

In FY08, we launched our Energy and Carbon program, which reduces the energy use, cost, and carbon footprint of footwear manufacturing. In nearly 10 years, we've made good progress, reducing energy use per pair by 60 percent with our Nike brand footwear finished goods manufacturing factories.

We work with our manufacturing partner locations to develop better energy efficiency.

We do this by building a management foundation geared at achieving energy savings through the NIKE Energy Minimum Program. This program brings organizational capabilities, data analytics, and energy activities to our contract manufacturers by concentrating on:

- Data-driven decision-making and performance management with energy and carbon baselines and ongoing data analysis
- Organization structure assessments to enable energy working teams to drive energy efficiency initiatives
- Sharing best practices for machine maintenance to reduce energy used in steam and compressed air systems

Additionally, we work with factories to scale key energy efficiency opportunities that have the greatest impact on their energy and carbon footprint; these opportunities include eliminating steam boiler systems and implementing electric motor management initiatives to improve efficiency in motor use.

In FY17, our biggest achievement was eliminating outdated steam boiler systems at a majority of footwear finished good factories, which has given us energy savings between 15 to 20 percent at each location. Since the carbon emissions from manufacturing are a result of energy use, the effect on carbon emissions mirrors that of energy, decreasing carbon emissions per pair of footwear by 1.1 percent from the FY15 baseline.

As the energy program continues to mature, and energy efficiency opportunities are implemented, our focus is shifting to drive further adoption of renewable energy by our contract manufacturers.

NIKE Direct Stores (NDS)

In FY16 and FY17, we established a global electric energy baseline for over 1,000 retail locations. We also worked out a method to estimate energy use in areas where data is difficult to access.

Overall, we reduced energy used in retail locations per square foot due to our investments in LEED stores and energy efficiency projects, including HVAC and lighting upgrades. In our North America stores, we installed Energy Management Systems to provide centralized control and automation of HVAC and electrical systems, helping us spot opportunities for energy savings. We are now planning to bring these systems to new markets around the world.



European Logistics Center, Laakdal, Belgium

ENERGY USE BY BUSINESS DIVISION (MWh/e)

	FY15 ¹	FY16	FY17
FUEL CONSUMPTION			
Retail ²	7,559	6,055	7,135
Distribution Centers	39,853	45,396	58,230
HQs	22,171	28,257	33,738
Other Office Facilities & WHQ Building Construction	3,136	4,480	14,983 ³
Air Manufacturing Innovation (Air MI) ⁴	63	7 ⁵	18
Corporate Jets ⁶	12,411	16,972	13,105
TOTAL FUEL CONSUMPTION	85,193	101,167	127,209
ELECTRICITY CONSUMPTION			
Retail	185,281	199,352	209,300
Distribution Centers	130,047	155,138	168,533
HQs	77,519	86,007	89,127
Other Office Facilities & WHQ Building Construction	52,113	54,557	56,703
Air MI	39,121	40,647	50,210
TOTAL ELECTRICITY CONSUMPTION	484,081	535,701	573,873
ENERGY CONSUMPTION OUTSIDE OF THE ORGANIZATION			
Inbound Logistics	2,355,055	1,878,244	2,521,478
Outbound Logistics	250,606	273,722	275,661
FW Manufacturing ⁷	2,154,045	2,209,104	2,226,619
AP Manufacturing ⁸ (Estimated)	283,000	292,000	311,000
EQ Manufacturing ⁸ (Estimated)	205,000	206,000	176,000
Textile Dyeing & Finishing ⁹	1,800,730	2,100,084	2,313,869
TOTAL ENERGY CONSUMPTION OUTSIDE OF THE ORGANIZATION	7,048,436	6,959,154	7,824,627

- 1 FY15 values have been restated in alignment with expanded scope of FY20 targets.
- 2 Due to global variance in patterns of energy consumption from direct fuel use, Retail fuel consumption represents North America actual data only, absent of global extrapolations.
- 3 The big increase in FY17 is due to construction at World Headquarters. Sites under construction will be incorporated into HQs data set once operational.
- 4 Air Manufacturing Innovation manufactures Air-Sole cushioning components at NIKE-owned facilities and one leased facility. Air Manufacturing Innovation also manufactures and sells small amounts of various other plastic products to other manufacturers.
- 5 The drop in energy is due to a small leak in a natural gas meter that was addressed.
- 6 Corporate jets aren't in scope of NIKE's targets but are part of NIKE's footprint.
- 7 Scope represents the majority of finished goods production for NIKE and Converse footwear.
- 8 FY15 values have been restated due to improvements to data quality and estimation methodology.
- 9 Measure includes focus suppliers only. Focus suppliers represent key suppliers involved in the dyeing and/or finishing of materials, which directly support footwear and apparel finished product assembly.

6 Finished goods manufacturer.



ENERGY AND EMISSIONS



GHG EMISSIONS BY BUSINESS DIVISION (METRIC TONNES CO₂E)

	FY15 ¹	FY16	FY17
SCOPE 1			
Retail ²	1,531	1,226	1,445
Distribution Centers	7,801	9,116	11,699
HQs	4,419	5,649	6,765
Other Office Facilities & WHQ Building Construction	635	908	3,035 ³
Air MI	13	2 ⁴	4
Corporate Jets ⁵	3,576	4,392	3,391
TOTAL SCOPE 1	17,975	21,293	26,339
SCOPE 2⁶			
Retail	98,154	99,959	103,393
Distribution Centers	58,152	67,752	61,084
HQs	27,038	15,935	14,799
Other Office Facilities & WHQ Building Construction	27,238	27,254	27,035
Air MI	18,099	14,873	18,135
TOTAL SCOPE 2	228,681	225,773	224,446
SCOPE 3			
Inbound Logistics	599,788	478,475	642,287
Outbound Logistics	66,379	72,465	73,080
FW Manufacturing ⁷	962,300	986,749	1,041,646
AP Manufacturing (Estimated) ⁸	176,000	181,000	193,000
Equipment (EQ) Manufacturing (Estimated) ⁸	114,000	114,000	98,000
Textile Dyeing & Finishing ⁹	542,089	635,676	703,731
TOTAL SCOPE 3	2,460,556	2,468,365	2,751,744

- FY15 values have been restated in alignment with expanded scope of FY20 targets.
- Due to global variance in patterns of energy consumption from direct fuel use, Retail Scope 1 emissions represent North America actual data only, absent of global extrapolations.
- The big increase in FY17 is due to construction at World Headquarters. Sites under construction will be incorporated into HQs data set once operational.
- The drop in emissions is due to a small leak in a natural gas meter that was addressed.
- Emissions from corporate jets aren't in scope of NIKE's targets but are included in NIKE's Scope 1 emissions footprint.
- Market-based Scope 2 emissions are reported in this table. Total NIKE, Inc. location-based Scope 2 emissions are reported in table below.
- Scope represents the majority of finished goods production for NIKE and Converse footwear.
- FY15 values have been restated due to improvements to data quality and estimation methodology.
- Measure includes focus suppliers only. Focus suppliers represent key supplier involved in the dyeing and/or finishing of materials, which directly support footwear and apparel finished product assembly.

BIOMASS EMISSIONS (METRIC TONNES CO₂E)¹

	FY15	FY16	FY17
Emissions from Biomass RECs	4,785	4,335	3,109

- Biomass emissions reported separately from scopes as per GHG Protocol.

SCOPE 2 EMISSIONS (METRIC TONNES CO₂E)

	FY15	FY16	FY17
Location-Based	250,493	262,354	289,556
Market-Based ¹	228,681	225,773	224,446

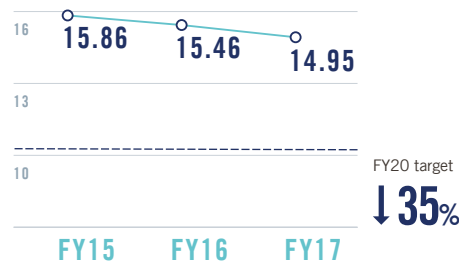
- As per the new GHG Protocol Scope 2 Emissions guidance, market-based emissions are reported alongside location-based emissions. Market-based emissions show the impact of NIKE's energy purchase decisions on emissions.

MEASURE

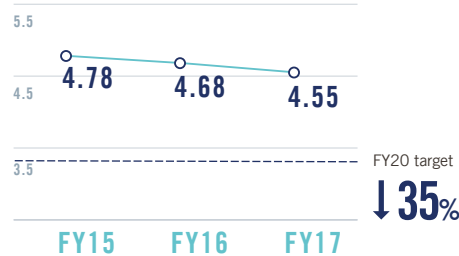
DECREASE ENERGY AND CO₂E EMISSIONS 35 PERCENT PER KG IN TEXTILE DYEING AND FINISHING PROCESSES⁷

PERFORMANCE

Energy Consumption per kg – Textile Dyeing and Finishing (kWh/kg)



Carbon Emissions per kg – Textile Dyeing and Finishing (kg CO₂e/kg)



The dyeing and finishing of textiles is one of the most energy-intensive processes in our supply chain. To reduce this impact, we extended our Energy and Carbon Program to dyeing and finishing suppliers. Similar to our program in finished goods manufacturing, it's designed to drive energy efficiency by enabling organization capabilities, improving steam boiler systems, and implementing best practices for steam system maintenance.

We're currently on track to achieve our target, and a number of suppliers are ahead of schedule, including:

- Apparel suppliers in Taiwan, who have reduced energy by 12 percent from baseline
- Footwear suppliers in China, who have reduced energy by 24 percent from baseline

The primary focus of our work with dyeing and finishing suppliers is boiler system optimization projects. As an essential part of the dyeing and finishing process, boilers operate almost continuously and use 80 percent of the energy in a dyeing and finishing factory. Focusing efforts on these systems allows material suppliers to realize cost-effective, significant, short- and long-term gains in energy efficiency.

Washington State University is a key partner for NIKE's manufacturing global energy and carbon team. Through this collaboration, we're building capabilities, energy toolsets, and best practice guidelines to help our supply chain become more energy efficient in finished goods as well as dyeing and finishing.

FURTHER READING

[Approach to Energy & Emissions](#)



PRIORITY ISSUE

Energy

GRI

GRI 302: Energy

Disclosure 302-1: Energy consumption within organization

PRIORITY ISSUE

GHG Emissions

GRI

GRI 305: Emissions

Disclosure 305-1: Direct (Scope 1) GHG Emissions

⁷ Measure includes focus suppliers only. Focus suppliers represent key suppliers involved in the dyeing and/or finishing of materials, which directly support footwear and apparel finished product assembly.

WASTE

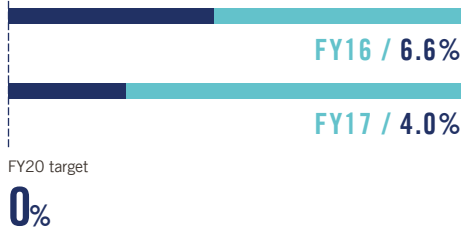


TARGET

ELIMINATE FOOTWEAR MANUFACTURING WASTE TO LANDFILL OR INCINERATION, WHILE CONTINUING TO REDUCE OVERALL WASTE

PERFORMANCE

% Waste to Landfill¹ – FW Manufacturing²



¹ FY16 is the baseline for this target.

² Scope represents the majority of finished goods production for NIKE and Converse footwear.



Nike Grind material from recycled footwear

Our priority is zero waste. We aim to eliminate waste wherever we can, beginning by designing waste out of our products and optimizing manufacturing processes. Eliminating waste reduces material consumption and cost, and the upstream environmental impacts associated with making materials.

We're focused particularly on footwear, which accounts for nearly two-thirds of NIKE manufacturing waste. For us, manufacturing scraps and manufacturing byproducts are valuable resources. Every gram of materials sourced to make NIKE products should be put to good use, maximizing economic value and minimizing environmental impact.

We're strengthening our recycling capabilities and making it easier to responsibly convert unrecyclable waste into energy. In FY17, more than one-half of NIKE footwear finished goods manufacturing waste was recycled. We do this by segregating waste for recycling and using waste management centers that consolidate,

process, and market this material. The program increases the recycling demand for some materials through carefully targeted initiatives.

Nike Grind

Nike Grind is a suite of premium, recycled, and regenerated materials we use to reduce waste and deliver performance products ranging from new NIKE footwear and apparel to sports and play surfaces made by our industry-leading partners. There are over 10,000 surfaces around the world made from our surplus manufacturing materials such as rubber, foam, fiber, leather, and textile blends.

NIKE has been supplying Nike Grind to premium surface manufacturers since 1992. In FY16 and FY17, revenues from the sale of Nike Grind sports and play surfaces funded additional sustainable innovations at NIKE.

FOOTWEAR WASTE VOLUMES (LBS)¹ BY NIKE GRIND PROGRAM

	FY16	FY17
Factory Waste	9,336,826	11,257,883
Post-consumer ²	587,810	1,356,021

¹ Measured in pounds of Nike Grind for use in sports and other flooring surfaces.

² Post-consumer includes waste from distribution centers, Reuse-A-Shoe program, defective samples, and returns.

LEARN MORE: [Nike Grind](#); [Nike Grind Surfaces](#)



WASTE



Thermoplastic polyurethane (TPU) material from NIKE Air Bag manufacturing

Footwear factories are implementing NIKE's Waste Minimum Program, which sets expectations for:

1. Management commitment
2. A hierarchy of waste where disposal is a last resort
3. Separation and handling waste for recycling, and
4. Data collection and reporting for accountability.

We're also making good progress on our plan to eliminate waste to landfill or incineration.⁸ At the beginning of FY16, 6.6 percent of footwear manufacturing waste was sent to landfill or incineration. By the end of FY17, this was down to 4.0 percent, with only six contract manufacturers still sending waste to landfill or incineration. Factories in China, Indonesia, and India no longer landfill manufacturing waste.

In Vietnam, we've identified and completed due diligence on additional waste-to-energy and logistics providers. This enables our contract manufacturers who are still sending waste to landfill or incineration to send it for responsible energy recovery instead.

The final push to zero waste in footwear manufacturing will be developing recycling and energy recovery channels for two remaining factories in Europe that landfill a small quantity of waste. A possible challenge in doing this is the current restrictions on shipping of waste materials between countries.

FW MANUFACTURING WASTE, METRIC TONNES¹

	FY16	FY17
Reused & Recycled Waste	49,020	47,579
Energy Recovery Waste	30,091	38,200
Landfilled & Incinerated Waste	5,567	3,550
TOTAL WASTE	84,678	89,329

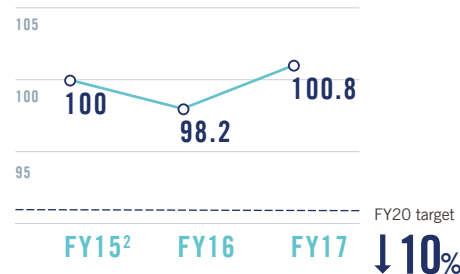
¹ Scope represents the majority of finished goods production for NIKE and Converse footwear.

MEASURE

REDUCE WASTE INDEX BY 10 PERCENT, COVERING FOOTWEAR MANUFACTURING, DISTRIBUTION CENTERS, AND HEADQUARTER LOCATIONS

PERFORMANCE

Waste Index¹ – Footwear Manufacturing, DCs, HQs



¹ Our waste index replaces our previously stated waste measure, in order to better reflect our actual performance against our waste reduction goals, and avoid misleading trends due to shifts in the relative volumes of our apparel and equipment businesses. The waste index is a weighted average of our footwear manufacturing waste per unit, distribution centers waste per unit, and headquarters waste per occupant.

² Baseline is FY15 except for Tier 1 FW Manufacturing and Converse HQ, which are FY16 and are included in INC-wide baseline for comparability across years.

In FY17, our waste index was up 0.8 percent over baseline. Early indicators based on FY18 first half data show a continued rise of our waste index, to ~2.5 percent over baseline. This rise in our waste index is due to:

1. Increasing waste per unit in footwear manufacturing, which represents 69 percent of the index (reflecting its contribution to our total waste)
2. Increasing waste per unit in our distribution centers, which represents 27 percent of our index
3. Finally, headquarters locations' waste per occupant is decreasing, but represents only 4 percent of our index.

We are evaluating options for how to reverse this trend but recognize our waste may continue to rise until we implement new functional strategies to curb this index back toward our target. Additional details on these trends are provided on the next page.

⁸ Incineration without energy recovery.



WASTE



Contract Manufacturers⁹: Footwear

In FY16, we made progress to meet our footwear finished goods manufacturing reduction target by focusing on data, analytics, and cross-functional coordination.

Reducing manufacturing waste depends on how products are designed and how they are made. So, to achieve our target, we created a cross-functional material efficiency team. The team identifies key initiatives, from design through manufacturing, that address underlying drivers of waste generation. This includes reducing and standardizing the materials pallet, designing more efficient cutting patterns, replacing disposable materials packaging with more durable packaging that can be reused, improving cutting technologies to enable smaller gaps between cut parts, and designing more efficient tooling for making molded parts.

We are also improving waste data quality and the capacity of NIKE and our manufacturing factories to identify root causes of waste generation. In China, the factories decreased waste generation in four of the last eight quarters, ending 5.5 percent lower than the FY16 baseline. Globally, in FY17 waste generation in footwear factories was up 2.3 percent over the FY16 baseline, and up 3.7 percent as of the second quarter of FY18. While we aren't satisfied with these results to date, we are confident that our efforts are laying the foundation for better understanding and management of what drives waste generation.

Corporate Headquarters

By the end of FY17, our World Headquarters (WHQ) reduced one-time-use containers like bottles and cups by about 16,000 pounds per quarter through a reusable dishware program. Overall, average waste per occupant at our five headquarter locations was down 11.9 percent from baseline.

⁹ Finished goods manufacturer.

Distribution Centers

Corrugated cardboard cartons are the biggest source of waste at our distribution centers, and there was an increase in cardboard waste generation over FY16/17 because of changing customer order profiles. Today, our customers want more variety of product and/or smaller orders at any given time. This, in turn, means that our distribution centers must debox cartons delivered from our factories and repackage product into more customized orders, a process that inherently creates more waste. As a result, we have turned our focus to a long-standing initiative: our Re-Use-A-Box program, which reuses the corrugated cardboard carton waste on outbound shipments. We are analyzing the potential of increasing the reuse rate to get the most out of the program, and we are also piloting and evaluating alternative packaging such as reusable shipping totes.

DISTRIBUTION CENTERS AND HQs (metric tonnes)

	FY15	FY16	FY17
DISTRIBUTION CENTERS			
Landfilled Waste	2,719	3,117	3,270
Recycled Waste	29,391	29,593	32,687
Composted Waste	247	274	197
Waste to Energy Incineration	560	715	1,022
TOTAL WASTE	32,917	33,699	37,178
HQs			
Landfilled Waste	1,626	1,816	1,807
Recycled Waste	2,063	1,708	1,927
Composted Waste	707	1,042	1,157
TOTAL WASTE	4,396	4,566	4,891

MEASURE

INCREASE LANDFILL DIVERSION IN DISTRIBUTION CENTERS AND HEADQUARTER LOCATIONS

PERFORMANCE

% Landfill Diversion

FY15 / 88.4%

FY16 / 87.1%

FY17 / 87.9%

FY20 target

INCREASE

Distribution Centers

Over the past few years, we have seen a steady 92 percent of our distribution centers' waste diverted from landfill. Our European Logistics Campus performed best in the NIKE network with 100 percent landfill diversion. Our Japan and Converse Ontario (California) distribution centers also hit 100 percent landfill diversion by the end of FY17. Meanwhile, landfill diversion decreased slightly at two key North America distribution centers due to challenges experienced while expanding capacity.

We are focusing on retraining our employees and working with local recycling providers to increase landfill diversion at each of our distribution centers.

Corporate Headquarters

Waste diversion at WHQ took a dip in FY17 when a food-only compost regulation was introduced by the municipality. As a result, items previously composted were sent to landfill.

In our European Headquarters, we've been evaluating waste streams to understand current volumes and behavioral trends with an eye to educating employees on their environmental impact.

At Converse's headquarters in Boston, we've been demonstrating the benefits of single-stream recycling, and we also began a compost program for catering leftovers and coffee grinds.

FURTHER READING

[Approach to Waste](#)



PRIORITY ISSUE

Materials Waste

GRI

GRI 306: Effluents and Waste

Disclosure 306-2: Waste by type and disposal method

WATER

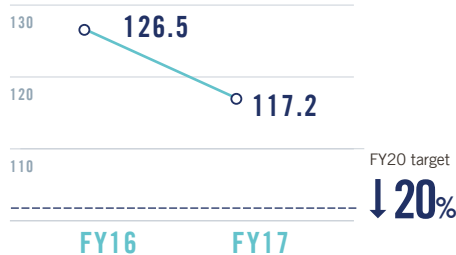


TARGET

INNOVATE AND ADOPT NEW APPROACHES TO REDUCE WATER USE IN OUR SUPPLY CHAIN, WITH 20 PERCENT REDUCTION IN FRESHWATER USE IN TEXTILE DYEING AND FINISHING PER UNIT OF PRODUCTION

PERFORMANCE

Freshwater Use Per Unit of Production¹ (L/kg) – Textile Dyeing and Finishing^{2, 3}



¹ FY16 is the baseline year for this target.

² Target includes focus suppliers only. Focus suppliers represent key suppliers involved in the dyeing and/or finishing of materials, which directly support footwear and apparel finished product assembly.

³ NIKE's FY20 water target differs in scope compared to our moonshot water ambition. The moonshot water ambition is broader, inclusive of water consumed across the value chain, from corporate services to end of life (excluding consumer use).



Factory water program check. Jakarta, Indonesia

At NIKE, we recognize the increasing risk of water availability to our business, and we've been working to reduce our water footprint for years. We are focused on reducing our water use through innovation, and improving wastewater quality to enable cost-effective water recycling.

We surpassed our water conservation target in FY15,¹⁰ so we set a new target for 2020: reduce by 20 percent the amount of fresh water used by dyeing and finishing suppliers per unit of production in our supply chain. Taken together, the freshwater withdrawn by these vendors totaled 16 billion liters of water in FY16, which was about 126 liters of freshwater for every kilogram of fabric produced. Our focus is on dyeing and finishing facilities because they not only use the most industrial water, but they generate the most industrial wastewater in our manufacturing supply chain.

To achieve our target, we're teaching our suppliers to be aware, to be committed, and

to make meaningful improvements in water use, wastewater treatment, and recycling. In FY16, our team of water consultants set up the NIKE Water Minimum Program. Designed to spot opportunities for better efficiency, the program sets expectations for water stewardship, wastewater treatment data collection, and managers' understanding the risks of water scarcity and flooding. It also helps factories develop structured approaches to maintaining their water and wastewater treatment equipment. The intent of the Water Minimum Program is to prepare our suppliers for closed-loop water recycling.

This resulted in a 7.4 percent drop in freshwater use from the previous year, a reduction to 117 liters of freshwater for every kilogram of fabric. By the end of FY17, 40 percent of the suppliers making our primary materials were recycling some treated wastewater back into their manufacturing processes.

¹⁰ FY15 Water Target: Improve water efficiency by 15 percent per unit in apparel materials dyeing and finishing, and in footwear manufacturing, from FY11 through FY15.

WATER



We are making progress but there are challenges to reaching our 2020 target. Because our supply chain is diverse, the level of awareness, commitment, and capability varies between suppliers. We must build consistency across our supply chain to achieve our ambition of closed-loop water use to enable NIKE to achieve our moonshot of doubling our business while halving our environmental impact.

We also believe that to be successful, presence is influence. We are taking a proactive, lean-forward approach to assisting our material vendors in resolving their water and wastewater challenges. In addition, we have taken a leadership role in the development of the Sustainable Apparel Coalition's Higg 3.0 Facility Environment Module and the development and proliferation of the ZDHC Foundation's Wastewater Guidelines. These efforts aim to drive systemic change to water efficiency and wastewater treatment across our industry.

MEASURE

BUILD RESILIENCE THROUGH SUPPLIER WATER RISK MITIGATION PLANS WITH MATERIALS PROCESSORS

Water scarcity is real. To understand the risk of water scarcity – and in some regions, flooding – to our manufacturing factories and material suppliers we leveraged the Aqueduct Water Risk Atlas developed by the World Resources Institute (WRI) to assign a baseline water risk score at the facility level.

Through this exercise, we identified that 22 percent of footwear fabric and about 21 percent of apparel fabric from focus suppliers¹¹ is made in facilities classified by WRI as being at high risk of water scarcity. In China, India, Indonesia, and Taiwan, 12 finished goods factory locations are in regions with high risk of water scarcity or flooding.

To assist our suppliers with understanding, validating, and mitigating their water risk, we developed a Water Risk Mitigation Guideline, which provides a structured approach for our suppliers to better understand and manage risks from flooding and drought. We provided this guideline to finished goods factories and material suppliers in regions with high risk of water scarcity or flooding. At the end of FY17, all of these suppliers were evaluating their risks and preparing to develop mitigation and management plans. We are now planning to share the Water Risk Mitigation Guideline with our contract manufacturers and material suppliers in our supply chain.

WATER (MILLION LITERS)

	FY16	FY17
DISTRIBUTION CENTERS		
TOTAL FRESHWATER USE ¹	159.0	266.7
HQs		
TOTAL FRESHWATER USE	597.8	604.2
AIR MI		
TOTAL FRESHWATER USE	31.9	41.9
OTHER OFFICES		
TOTAL FRESHWATER USE ²	28.0	30.3
TEXTILE DYEING AND FINISHING³		
Municipal / City Water to Facility	8,480.2	9,269.7
Ground Water	4,810.0	5,272.3
Surface Water	2,175.0	2,159.1
Rain Water Collection	44.2	13.0
Condensate Use	367.1	389.5
TOTAL FRESHWATER USE	15,876.4	17,103.6

¹ Scope reflects 45 percent of shipped units reported.

² Scope includes U.S. only.

³ Includes focus suppliers only. Focus suppliers represent key suppliers involved in the dyeing and/or finishing of materials, which directly support footwear and apparel finished product assembly.



Cotton crop irrigation

FURTHER READING

[Approach to Water](#)



PRIORITY ISSUE

Water Use

GRI

GRI 303: Water

Disclosure 303-1: Water withdrawal by source

¹¹ Focus suppliers represent key suppliers involved in the dyeing and/or finishing of materials, which directly support finished product assembly.

CHEMISTRY



Nike Shield Jacket

TARGET

ENABLE ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC)

Chemistry plays an essential role in product innovation and manufacturing at NIKE. It can deeply influence and elevate product performance and design; yet the choice of chemistry can also affect sustainability of our overall product creation process.

With every chemistry choice our innovation teams make, we can unlock potential for the athlete. NIKE's Chemistry Center of Excellence works with teams across the business and supply chain to ensure we are simultaneously increasing the performance of our products while reducing our chemical footprint.

Achieving our goal of zero discharge of hazardous chemicals requires more than the implementation of our internal programs. It demands our continued commitment to collaborate with industry peers, aligning on how we manage chemicals across a shared supply chain.

Beyond our chemical compliance programs, further work is being advanced across three core areas to move us closer to our goal:

- 1. Elevating Chemicals Management Capability:** We baselined performance at 121 strategic suppliers to help prioritize improvements and guide development of shared assessment tools.
- 2. Assessing New Chemicals:** Going beyond compliance by strengthening our review of new chemicals through a robust toxicological screening process.
- 3. Prioritizing Chemicals:** Ahead of compliance, identifying priority chemicals for phase-out based on an intensive review of the chemicals used throughout our supply chain's manufacturing processes.

Demonstrating our leadership and commitment to driving industry change through collective action, NIKE co-created and formally adopted the ZDHC Wastewater Guideline in FY17. The new guideline allows global suppliers and brands to align wastewater testing and reporting expectations to a testing schedule, laboratory methods, and reporting limits for hazardous chemicals. NIKE is deploying this robust tool across our supply chain to track progress toward our ZDHC target by measuring the performance of suppliers' ZDHC MRSL compliance and adherence to wastewater quality standards.¹²

By strengthening foundational programs, promoting responsible use of better chemistry, and advancing global alignment of chemical requirements, NIKE continues to make strong progress toward achieving the aspirational goal of the ZDHC.

MEASURE

100 PERCENT COMPLIANCE WITH NIKE RESTRICTED SUBSTANCE LIST (RSL)

PERFORMANCE

% of Tested Material in Compliance with NIKE RSL¹

FY15 / 95%

FY16 / 99%

FY17 / 98%

FY20 target

100%

¹ All failures are resolved prior to product creation.

In 2001, we shared our first RSL, a set of chemical requirements for materials that met or exceeded legal restrictions from around the world, including substances that we voluntarily restricted from products.

Our RSL has evolved since then, and other brands have created their own lists. This has led to confusion in the supply chain, where contract factories are stuck trying to deal with different requirements from different companies. So, to advance our RSL program and elevate supply chain performance, NIKE recognized the need for a common approach to RSL management. We invested significant effort co-creating a unified list of chemical restrictions with other key global brands through the Apparel & Footwear International RSL Management (AFIRM) Group.

In January 2017, NIKE formally adopted the AFIRM Group RSL, directly replacing the NIKE RSL list of chemical limits for all materials used in production of goods for NIKE. Just as the previous NIKE RSL was based on both legislated and voluntary commitments to creating safe products, the AFIRM RSL applies chemical limits based on legislation, best practices in industry, and voluntary reductions in hazardous chemicals.

¹² Measurement of supplier adherence to NIKE's wastewater quality standards between FY16 and FY17 is based on a prior standard; progress from FY18 onward will be based on the higher standards of the ZDHC guideline.



CHEMISTRY



We built on this industry success by focusing on implementation. Investing to strengthen our internal management of the program and improving capability across the supply chain is essential for reaching 100 percent compliance. For example, our RSL training program, launched in FY16, is a requirement for all suppliers. We have already trained 82 percent of our finished goods manufacturers and 72 percent of our raw material suppliers in our supply chain.

Right now, 98 percent of the materials we tested are compliant with the RSL. Though non-compliances are resolved before the creation of final product, it is important to recognize that the RSL is not static.

MEASURE

100 PERCENT COMPLIANCE WITH THE ZDHC MANUFACTURING RESTRICTED SUBSTANCES LIST (MRSL)

PERFORMANCE

Official performance monitoring began in FY18.

We believe that certain chemicals shouldn't be used in manufacturing, and we're always working to improve how suppliers in our supply chain select and use chemicals that meet our expectations. Our input management program supports this approach in two key areas:

1. Collaborating with the ZDHC Foundation to strengthen industry-wide MRSL compliance requirements for input chemistry, and
2. Advancing tools to enable our suppliers to scale procurement and use of chemicals that meet those requirements.

Having launched the first industry-aligned MRSL in 2014, we knew that this industry milestone was not the end of the journey; further work was needed to increase its applicability to our broader supply chain. In response, we worked extensively with other global brands and industry

stakeholders in FY16 to expand the scope of the MRSL. Successful collaboration led to the publication of an updated ZDHC MRSL in December 2015, which now includes additional guidance for controlling priority chemicals from possible use in natural leather production.

Though a robust MRSL is essential for defining the quality of input chemistry, this must be coupled with effective tools and training to help suppliers implement the MRSL and procure compliant chemicals. Recognizing this need, we actively supported the creation of the ZDHC Gateway "Chemical Module" – a database that supports procurement of MRSL compliant chemical formulations – and deployed a global training program to elevate understanding of MRSL implementation to our supply base.

To further scale the use of MRSL compliant chemicals, we also continue to incentivize use of bluesign® approved chemistry within our textile supply chain by supporting access to the bluefinder database. The bluesign® system supports sustainable textile production by providing raw material suppliers with the tools and capability needed to successfully restrict and manage harmful substances.

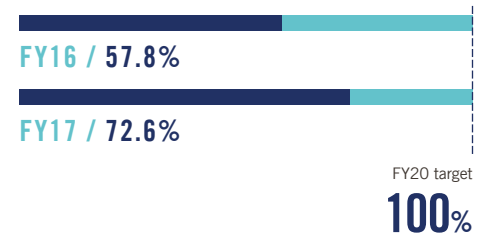
Measuring progress against this target began in late FY17, when we rolled out the ZDHC Wastewater Guideline to dyeing and finishing suppliers. This enabled them to measure their compliance by testing wastewater for presence of MRSL chemistries. During the rollout, we trained facilities on the new guidelines and gave guidance on how to test wastewater for MRSL chemistries. Official performance monitoring to these new guidelines begins in FY18. In addition, we captured electronic chemical inventory data from 10 material vendors to quantify the use of compliant formulations; having contracted with a provider to expand this effort across the supply base, we plan to report on this progress when industry tools become sufficiently robust.

MEASURE

100 PERCENT OF FOCUS SUPPLIERS MEETING NIKE'S WASTEWATER QUALITY REQUIREMENTS FOR TEXTILE DYEING AND FINISHING PROCESSES¹³

PERFORMANCE

% of Focus Suppliers Meeting NIKE's Wastewater Quality Requirements¹ – Textile Dyeing and Finishing²



- 1 FY16 is the baseline for this measure. Measurement of supplier adherence to NIKE's wastewater quality standards between FY16 and FY17 is based on a prior standard; progress from FY18 onward will be based on the higher standards of the ZDHC guideline.
- 2 Includes focus suppliers only. Focus suppliers represent key suppliers involved in the dyeing and/or finishing of materials, which directly support footwear and apparel finished product assembly.

As we use less and less freshwater in our manufacturing supply chain, we need to ensure that the water we do use can be cleaned and returned into the environment. Testing wastewater from our textile dyeing and finishing processes is a key measure to ensure we are on target for our zero discharge commitments. For wastewater, legal compliance is the bare minimum required of our suppliers. But legal compliance differs from country to country, and what's acceptable in some places does not necessarily match up to our expectations. That's why we, through collective action, developed and adopted tighter wastewater quality standards – the ZDHC Wastewater Guideline.

We also set up a global wastewater disclosure database to help suppliers optimize testing and disclosure of wastewater quality. Through the power of collective action, one wastewater test per the ZDHC Wastewater Guideline is valid for all member brands of the ZDHC.

By treating wastewater to ever-higher standards, suppliers can use less freshwater and reduce their risk of water scarcity by pursuing cost-effective water recycling and closed-loop

¹³ The target has not changed from our FY14/15 Sustainable Business Report, but the wording has changed to provide brevity and clarity to the original goal.

CHEMISTRY



water. Our vision is a supply chain with zero industrial wastewater discharge. We want to be so successful with closed-loop water that we make the need for wastewater quality guidelines obsolete. We're currently transitioning to the ZDHC Wastewater Guidelines, a more comprehensive set of guidelines designed specifically for our industry. Our progress between FY16 and FY17 is based on a prior standard, while our progress from FY18 onward will be based on the more comprehensive standards of the ZDHC guidelines.

By the end of FY17, 72.6 percent of suppliers met NIKE's wastewater quality requirements. We have been working with the remaining 27.4 percent to understand the opportunities that exist to allow them to discharge wastewater at a quality better than legal compliance. In many cases, the suppliers were challenged with conventional wastewater parameters such as chemical oxygen demand, biological oxygen demand, color, coliform, antimony, and total nitrogen. To help our suppliers master these fundamentals of wastewater treatment, we're encouraging them to incorporate the NIKE Minimum Water Program into their operations and examine the wastewater treatment equipment they're using and how they are operating, and requiring them to comply with the ZDHC Wastewater Guidelines.

MEASURE

ACHIEVE BETTER CHEMICAL INPUT MANAGEMENT THROUGH SCALING MORE SUSTAINABLE CHEMISTRIES

NIKE has created tools – for both in-house and supplier innovations – to make it easier to evaluate chemistry choices early in the development process. Utilizing these tools, which include a toxicological screening, we review new chemicals and formulations for human health and environmental hazards. This approach allows us to work directly with chemical suppliers to better understand which substances should be replaced to meet our sustainability goals. Our focus goes well beyond any regulated chemistries, seeking to identify those that are considered controversial by NIKE standards and reducing their use in the manufacturing of our products.



Lunar Epic Flyknit Shield

This toxicology review process is also utilized in our Validation of a Greening Effort program, where we work with material vendors to review the chemical formulations of specific materials. This review helps vendors choose better chemical inputs to create more sustainable materials, and those materials qualify for a higher score within the NIKE Materials Sustainability Index program.

The NIKE chemistry program routinely advises on which chemicals to eliminate from the supply chain well ahead of any enacted regulation and utilizes this information in our collaborative efforts across the industry.

MEASURE

LEAD INDUSTRY CHANGE THROUGH COLLECTIVE ACTION

We share an extensive and complex global supply base, so we need to be aligned with other brands when using tools and guidelines to significantly influence chemical compliance. These shared guidelines, built on sound science and an understanding of their technical validity, help us shape a better industry for everybody. Our commitment to collaborate across the industry continues to shape our chemicals management program and influences how we engage with our supply chain. Recent alignment on approaches to good chemical management highlight the critical importance of collaboration within our industry.

- **AFIRM Group:** Extensive collaboration resulted in the release of an industry-aligned RSL, which was adopted by NIKE in January 2017.
- **ZDHC Foundation:** In addition to NIKE's seat on the Board of Directors, our active leadership across a number of areas continues to strengthen the creation and implementation of MRSL & Wastewater guidance, improving use of chemicals throughout the global supply chain.
- **Sustainable Apparel Coalition (SAC):** Recognizing the value of measuring and elevating chemical management capability within a manufacturing facility, we actively engaged in the development of a converged chemical management assessment tool (integrated into the Higg Facility Environment Module 3.0).

FURTHER READING

[Approach to Chemistry](#)
[Chemistry Playbook & RSL](#)



PRIORITY ISSUE

Chemistry

SASB

CN0501-01: Description of processes to maintain compliance with restricted substances regulation

CN0501-02: Description of processes to assess and manage risks associated with chemicals in products

CN0501-08: Percentage of (1) tier 1 supplier facilities and (2) supplier facilities beyond tier 1 with wastewater discharge meeting or exceeding legal requirements

MINIMIZE ENVIRONMENTAL IMPACT: BY THE NUMBERS

>96%

of Nike brand global apparel and footwear is
SCORED ON SUSTAINABILITY PERFORMANCE



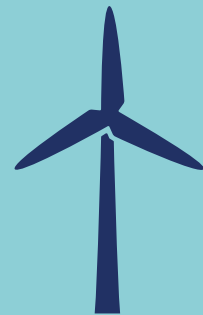
24B+

LITERS OF WATER SAVED
by sourcing cotton more sustainably in FY17



100%

RENEWABLE ENERGY
in North America by 2019



60%

LESS WASTE GENERATED
in the Nike Free Run Flyknit compared to a traditional running shoe



98%

of materials tested are
IN COMPLIANCE
with NIKE's restricted substance list



100%

LANDFILL DIVERSION
at NIKE's European Logistics Campus, Japan Distribution Center (DC), and Converse Ontario (California) DC



75%

of Nike brand global footwear and apparel
PRODUCTS USED SOME RECYCLED MATERIAL
in FY17



TRANSFORM MANUFACTURING



THE WORLD AROUND US

Consumers increasingly demand ethical production and sustainable sourcing from business. The UN Guiding Principles on Human Rights makes human rights an integral part of how business is done and reported. Companies are expected to act responsibly, understand their human rights risks, report on them more consistently, and create positive change in the supply chain.

In the apparel sector, consumers are looking for brands to be more transparent. They want to see more eco-friendly fabrics used as fast fashion falls out of favor. Brands are focusing on the wellbeing of the contract factory worker and responding to public requests for more accountability. Retailers and manufacturers can only expect more pressure to be transparent about their production processes and their supply chains.

OUR APPROACH

We are transforming manufacturing with world-class standards that ensure our products are made responsibly and sustainably. Everything we do puts workers at the center. We are respecting the environment and using cutting-edge technologies to create better, more personalized products for our customers.

“IF WE ARE GOING TO CREATE THE FUTURE AND GROW NIKE, IT IS GOING TO BE IN A WORLD OF REDUCED RESOURCES. THAT MEANS WE HAVE TO THINK LONG AND HARD ABOUT WHAT OUR PRODUCTS ARE MADE OF AND HOW THEY ARE MADE.”

Tom Clarke, President, NIKE Advanced Innovation



TRANSFORM MANUFACTURING: FY16/17 HIGHLIGHTS



SUSTAINABLE SOURCING



- The number of factories achieving compliance with our Code of Conduct (Bronze status) increased from 50 percent in FY11 to 91 percent in FY17.
- We developed and rolled out a more detailed and robust audit protocol as part of our new Factory Compliance Ownership (FCO) program.
- We integrated a “Culture of Safety” program into our NIKE Lean management framework to ensure that health and safety strategies are embedded into business priorities.



ENGAGED WORKFORCE



- In FY16, we launched a refined Engagement and Wellbeing (EWB) approach, including a survey that is statistically validated and correlated with key business metrics.
- In FY17, we completed a multi-year compensation and benefits pilot.
- We invested in human resource capability at supplier factories.



PARTNERSHIPS TO ACCELERATE INDUSTRY CHANGE



- We continued to scale up the use of mobile platforms to support worker wellbeing.
- We strengthened external partnerships to find collaborative solutions.



KEY
Numbered icons above
indicate relevant Sustainable
Development Goals



SUSTAINABLE SOURCING



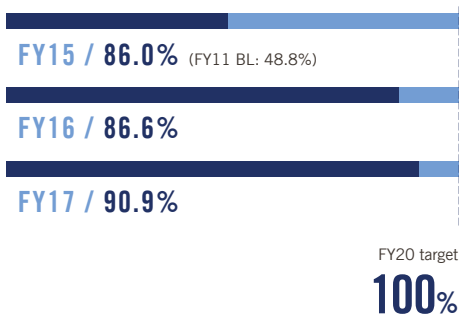
Footwear on production line – Ho Chi Minh City, Vietnam

TARGET

SOURCE 100% FROM FACTORIES THAT MEET OUR DEFINITION OF SUSTAINABLE^{14, 15}

PERFORMANCE

% Factories Rated Bronze or Better



A fundamental element of our relationship with factories is that they provide fair and safe working conditions for employees, and share our commitment to protecting the environment. As a baseline for working with us, factories must comply with our Code of Conduct and Code Leadership Standards which are aligned with International Labour Organization (ILO) standards. Those standards are designed to protect the rights of workers, create a safe working environment, and safeguard the communities and areas where they operate.

In 2011, we established a 2020 target to source only from factories that meet our definition of sustainable, or rate Bronze on our Sustainable Manufacturing & Sourcing Index (SMSI). To assess progress, we regularly audit contract factories against our Code of Conduct and Code Leadership Standards, often with the support of independent third-party organizations such as Better Work (a joint program of the United Nations ILO and the International Finance Corporation, a member of the World Bank

Group) and the Fair Labor Association (FLA). Results of audits done by these third-party organizations are shared transparently through their sites.

Compliance management

When sourcing products, we incentivize suppliers that go beyond simple compliance and aim to make a real difference in terms of corporate responsibility and sustainability. Our Sustainable Manufacturing & Sourcing Index (SMSI) has become an important tool in factory engagement, encouraging improvements and eliminating underperformance by driving business to those that perform best. The SMSI is a critical piece of our overarching Manufacturing Index (MI), which also evaluates our suppliers' quality, cost, and delivery performance for sourcing decisions.

LEARN MORE: Sourcing and Manufacturing Standards

¹⁴ NIKE removed the measure "Achieve 100% bronze or better on the Sustainable Manufacturing and Sourcing Index" because it was redundant with the sourcing target.

¹⁵ We define sustainable factories as those that rate bronze or better on the SMSI, demonstrating a beyond-compliance approach that includes having 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.

SUSTAINABLE SOURCING



SUSTAINABLE MANUFACTURING & SOURCING INDEX (SMSI)



While 91 percent of our factories now achieving bronze status or higher represents real progress, 10 percent of our contract manufacturers did not meet our required standards for compliance at the end of FY17. When factories fall below compliance, they are given time to correct the issues. Those failing to remediate issues prior to their next audit are placed on probation and re-audited six months later. Failure to meet NIKE's bronze standard at that point will prompt consideration of a potential responsible exit. If critical issues are found, immediate remediation is required. We continue to review the most frequent areas of non-compliance, such as hours, wages, and benefits to identify ways we can work with our contract factories to strengthen compliance.

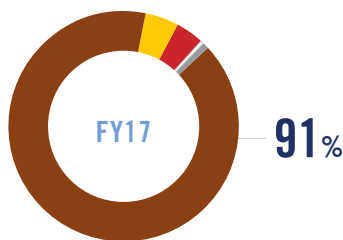
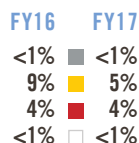
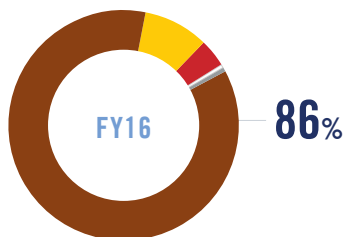
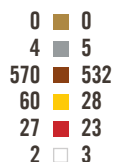
FACTORY RATINGS

Year / Number of Factories



NIKE INC.

FY16 / 663 FY17 / 591



In addition to tracking non-compliance events, we continue to evolve our compliance expectations and monitoring program. This included transitioning in FY16 to a new system for managing factory compliance known as the Factory Compliance Ownership program, which has a more detailed and robust audit protocol. In early FY18, we updated our Code of Conduct and Code Leadership Standards to elevate key expectations around the environment, building and machine safety, women's rights, and chemical management, amongst others. The updated Code is a better representation of the breadth of our work with factories in sustainability and our requirements for continued partnership.

LEARN MORE: [Building Supplier Capabilities](#)



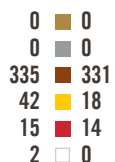
FOOTWEAR

FY16 / 142 FY17 / 127



APPAREL

FY16 / 394 FY17 / 363



EQUIPMENT

FY16 / 127 FY17 / 101



AUDITS, NON-COMPLIANCE¹

	FY16	FY17
Working Hours	39%	43%
Wages & Benefits	35%	36%
Harassment & Abuse	4%	4%
Voluntary Labor	0%	6%
Regular Employment	11%	2%
Discrimination	2%	2%
Age Standards	0%	1%
Freedom of Association & Collective Bargaining	0%	0%
Other	8%	5%

¹ The top issues of non-compliance identified during audits in FY16 and FY17 remained similar with working hours and wages and benefits as the most common types of findings. For all findings, the factories were required to remediate the identified issues and the corrective actions were verified through another on-site audit.

LEARN MORE: [Sourcing and Manufacturing Standards](#)



SUSTAINABLE SOURCING



AUDIT COUNTS¹

	FY16	FY17
NIKE	538	390
Fair Labor Association (FLA)	7	1
Better Work (BW)	31	15
TOTAL	576	406

¹ Audit counts were lower in FY17 primarily due to NIKE's introduction of the Factory Compliance Ownership (FCO) program. As the next step in evolving sustainability and compliance management, NIKE introduced the FCO program in early 2016. The program provides incentive opportunities for factories that maintain NIKE's compliance standards and move beyond minimum compliance. Included in the incentives is reduced audit frequency with self-assessments when a factory has met thresholds for maintaining compliance over a number of years.

WORKER COUNT RESULTS¹

	FY16	FY17
Americas	71,904	77,833
EMEA	18,674	18,396
N Asia	233,561	198,877
S Asia	304,932	296,984
SE Asia	436,970	444,907
TOTAL	1,066,041	1,036,997

¹ Count of workers in NIKE source base at fiscal year-end for period shown.

TIER 1 SUPPLIERS AUDITED¹

	FY16	FY17
% of Tier 1 Suppliers Audited to Code of Conduct	100%	100%

¹ All audits and self-assessments conducted are done so based on the NIKE Code of Conduct. For detail please see footnote for the "Audit Counts" table.

Collaboration to drive industry changes

We also understand that certain systemic issues require an informed and collaborative approach. In our last report, we issued a call to action to increase the robustness of the compliance ecosystem in our industry by aligning codes of conduct, compliance protocols, and transparency around remediation. Implementing an industry-wide assessment will mean factories which supply to multiple brands can complete a single audit and have more time to invest in building strategic human resource management (HRM) and safety programs.

LEARN MORE: [Collaboration with stakeholders](#)

MEASURE

ELEVATE A CULTURE OF HEALTH AND SAFETY

At NIKE, we believe that protection of life and health in the workplace is a fundamental right. For us, safety is a core value, and we are dedicated to providing a safe, hygienic, and healthy workplace in all settings. Health and safety must be a strategic capability for our contract manufacturers. In FY17, we launched our "Culture of Safety" initiative which focuses on developing safety leadership behaviors and enabling workers to engage in their safety programs. To help achieve this objective, we integrated Culture of Safety into our NIKE Lean management framework, to ensure that health and safety strategies are embedded into business priorities.

LEARN MORE: [NIKE Lean Management Framework](#)

As part of our holistic approach to a Culture of Safety, we took the following actions in FY16/17:

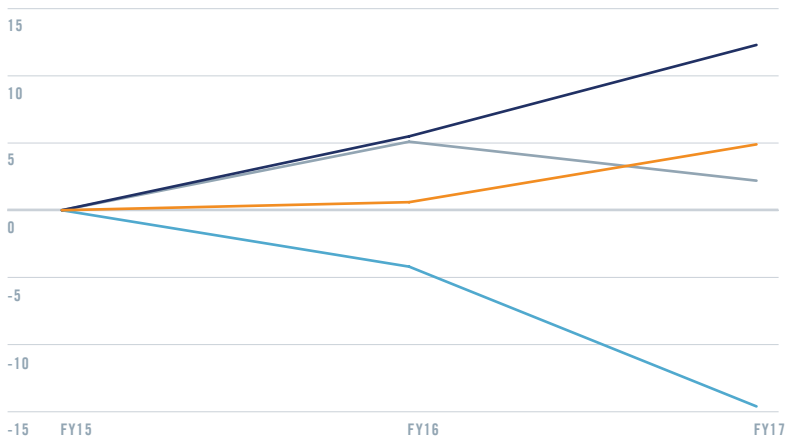
- Introduced a Culture of Safety Maturity Assessment (CoSMA), which defines the foundational elements of a culture of safety and identifies steps for growth
- Held Culture of Safety trainings in English and local languages (Mandarin, Bahasa, and Vietnamese). There were six separate training sessions with an average of 12 factories participating
- Evolved machine safety standards to address risks associated with new modernized manufacturing equipment
- Improved quality of factory self-reported safety data.

We have faced challenges with the overall scalability of our program due to the depth of training and assessment necessary to effectively elevate a culture of safety. Subsequently, we are looking into additional scaling models, e-learning opportunities, and reliable third-party support to assist in accelerating strategic capability across our supply chain.

LEARN MORE: [Occupational Health & Safety](#)

LONG-TERM RELATIONSHIPS WITH FEWER FACTORIES

PERCENTAGE CHANGE



OVERALL CHANGE

NIKE REVENUE
↑ 12.3%

CONTRACT FACTORY PERFORMANCE RATINGS
↑ 4.9%

CONTRACT FACTORY WORKERS
↑ 2.2%

CONTRACT FACTORIES
↓ 14.6%

- CONTRACT FACTORIES
- NIKE REVENUE (USD)
- CONTRACT FACTORY WORKERS
- CONTRACT FACTORY PERFORMANCE RATINGS (percentage of contract factories achieving bronze rating or above on the SMSI)

LEARN MORE: [NIKE Manufacturing Map](#)



SUSTAINABLE SOURCING



Global football jersey in production

MEASURE ELIMINATE EXCESSIVE OVERTIME

PERFORMANCE

% of Excessive Overtime Incidents in NIKE Factories

FY15 / 3.3%

FY16 / 3.2%

FY17 / 3.9%

FY20 target

0%

Excessive Overtime (EOT) is a cross-sector issue which can have an impact on the health and quality of life of workers. It also can result in errors and rework, often making the additional hours unproductive. One of the requirements of the NIKE Code Leadership Standards is to eliminate excessive working hours and ensure that workers at our supplier factories do not work more than 60 hours a week, and have at least one full day off in every seven.

As we work toward our target of 100 percent of factories being bronze-rated, increased monitoring has shown that the facilities where EOT is most likely to occur tend to be factories that are multi-brand, where NIKE represents a small percent of their overall production.

EOT is a persistent challenge across industries in many of the countries where our suppliers operate. The biggest problems are underdeveloped management systems and a failure to enforce local laws on working hours.

While the number of factories with incidents of EOT remains steady, this doesn't mean that the same factories are always responsible. In fact, a low rate of repeat findings is what makes it so challenging to predict and anticipate where EOT will occur. For example, of all factories with an EOT finding at the end of FY17, only three were repeat offenders. In fact, 11 of the 23 factories with EOT incidents during FY17 resolved the issues and went on to return a bronze rating by the end of the year.

We will continue to make this issue a priority in our compliance programs, as well as work to improve enforcement of shared standards throughout the industry.

FURTHER READING

[Making Product Responsibly Learning from Our Past](#)



PRIORITY ISSUE

Excessive Overtime

SASB

CN0501-05: Percentage of (1) tier 1 suppliers and (2) suppliers beyond tier 1 that have been audited to a labor code of conduct, percentage conducted by a third-party auditor

CN0501-06: Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits

CN0501-07: Discussion of greatest (1) labor and (2) environmental, health, and safety risks in the supply chain

CN0501-09: Percentage of (1) tier 1 suppliers and (2) suppliers beyond tier 1 who have completed the Sustainable Apparel Coalition's Higg Index Facility Module assessment or equivalent environmental data collection



ENGAGED WORKFORCE



TARGET

ENSURE FACTORY WORKERS SHARE IN PRODUCTIVITY GAINS

As manufacturing processes become more sophisticated, the role of the contract factory worker is changing. We want to work with contract manufacturers that invest in the skills and capabilities of their employees and who promote collaboration among workers and between workers and managers. We know this is good for the businesses and the right thing for the people.

A firm's workforce is a key business asset that can perform to the best of its ability when supported, valued, and enabled correctly. We know that factories in our source base that use the tools of strategic compensation, safety, worker engagement, and overall human resource management will perform well from a business perspective, reduce risk, and ensure people are valued and treated properly.

Fair compensation, meaningful benefits

Every contract factory worker in our supply chain has the right to a standard of living that's adequate to support them and their families. We, like many other brands, have committed to work with our suppliers to progressively meet employees' basic needs, including some discretionary income. We believe that the wages can increase as overall factory operational efficiency improves.

A better run factory should be more profitable and should then be able to pay higher wages, in exchange for benefits such as lower turnover, higher productivity, and better quality product. Workers are key to delivering on the promise of high quality and high productivity, and need to be compensated accordingly.

Since FY15, we have partnered with a leading academic, factory management, workers, and third-party experts to see if we could increase the value created in a factory and see it shared between management and workers.



Factory workers packaging NIKE product for shipment – Ho Chi Minh City, Vietnam

Our pilot tested three different approaches, each focusing on productivity improvements, shared value creation, and employee engagement.

After collecting baseline data, we spent a full year building the foundation of a better running factory, which included all key areas within our Lean 2.0 approach. These covered line operations, supervisory skills, leader standard work, relief teams, engagement and communication processes, social dialogue, stress resilience activities, and management skills. During the second year, we tested different ways to align compensation with Lean principles, make pay more transparent to workers, and empower workers to participate in decision-making and problem-solving.

LEARN MORE: [NIKE Lean Management Framework](#)

The results show that worker agency – their ability to voice their views and opinions – was important to good business performance. Collaborative problem solving between workers and supervisors increased, while self-reported levels of stress fell. Key business metrics, like turnover, productivity, and profitability, all improved. And, importantly, take-home pay went up.

Building tools to measure and increase worker engagement

We have set out to demonstrate to contract factories the importance of a valued and engaged workforce. Our future growth will increasingly rely on well-trained people learning new skills and using new technologies.

ENGAGED WORKFORCE



WORKER ENGAGEMENT

Engaged workers are at the heart of our business model. However, most factories do not have a way of measuring that engagement. In 2014, we started developing an Engagement and Wellbeing Survey as a tool for managers to understand key impacts on workers' experience in the factory and to identify ways to make improvements. It enables workers to provide factory management with confidential, anonymous feedback on their experiences.

To refine the tool and methodology we conducted pilots from 2014 to 2017. The pilots involved more than 28,000 workers at 17 factories in Indonesia, Vietnam, Thailand, and China, and helped us design a standard protocol for measuring engagement, and reporting on and analyzing the data. The survey was deployed via technology-based solutions (mobile, tablets, and interactive voice recognition) focusing on key business metrics such as turnover, absenteeism, cost, and quality. Factory managers found the tool helpful in identifying tangible ways they could improve worker engagement, and factory workers reported positive feedback in having a mechanism to provide anonymous, confidential feedback to which factory management could respond.

In FY18, we are rolling out the revised survey to strategic manufacturing factories in nine countries, with the key aim of supplying managers with a reporting tool that they can use to take actions and invest in systems that deliver meaningful improvement in the workplace. We will continue to expand this deployment in FY19 and beyond.

WHAT WE LEARNED

We realized that there was a real need to understand how to engage workers on issues such as stress, compensation, safety, and management communication, and that there was great value both for us and factory line managers in the data that we are developing.

Other developments include:

- Introducing people-based Lean activities to further engage with workers
- Ensuring supervisors have the skills they need to manage lines
- Having a skilled relief team who can step in when people are absent
- Ensuring workers have the right skills relative to the products they are making
- Introducing ways in which workers can suggest ideas for changing or improving things

The pioneering work we have carried out in this area has also given us the opportunity to partner with other brands around developing an industry approach that drives worker engagement as a factory management-led model.

Using data to improve worker experience and business outcomes

Unplanned absenteeism and turnover don't just disrupt a business – they can often be signs of other problems within a factory. By collecting data from targeted suppliers around these issues, we have started to build human resources capabilities at factories to help bring about improvements in management, worker experience, and business outcomes.

In FY16, the team partnered closely with factory managers to clarify NIKE's expectations, improve data quality, and refine the reporting process. Every month, participating suppliers submit self-reported data on turnover and unplanned absenteeism. We set baselines specific to turnover and unplanned absenteeism against which we can now measure future performance and work with suppliers to uncover root causes.

Our internal team reviewed the data in FY17 to establish baselines and spot outliers – factories that have higher rates of unplanned absenteeism or turnover than their local peers.

WHAT WE LEARNED

We found that factories participating in the program perform better than their peers at a regional level. Going forward, our approach is to work with outliers to identify opportunities for improvement rather than create uniform improvement targets for all facilities. In FY18 and FY19, we'll continue work with those selected outlier suppliers to strengthen HR management systems aimed at improving rates for these key metrics at their facilities.

Developing human resources

As we continue to learn and evolve our approach, we have recognized having strong HRM is essential for contract factories to maintain compliance with our standards and to build an engaged workforce. We have teams in each of our regions with individuals dedicated to working with our partner factories to measure and develop their HRM capabilities. In FY16 and FY17, these engagements were part of an integrated approach to NIKE's Lean management framework and through that program the NIKE teams worked intensively with 16 factories. Those activities included:

- Developing systems and processes to capture accurate data and conduct data analysis on HRM-related metrics, both qualitative and quantitative
- Assessing supplier management strengths and weaknesses and identifying opportunities for development
- Providing coaching and consultation to strengthen supplier HRM systems with a particular focus on how to attract, develop, and engage their workers

As part of that work, we developed a tool to assess a factory's HRM capability and maturity. The tool evaluates aspects such as workforce planning, performance management, recruiting and hiring, employee development, and communication, as well as broader HR organizational structure and business integration issues. In FY16 and FY17, 30 factories were evaluated using the tool, which helped to identify areas of weakness as opportunities for potential investment.

FURTHER READING

[We Make Product Responsibly](#)

[Supply Chain Case Studies](#)



PARTNERSHIPS TO ACCELERATE INDUSTRY CHANGE



TARGET

ESTABLISH PARTNERSHIPS THAT SUPPORT THE NEEDS OF WORKERS BOTH INSIDE AND OUTSIDE THE FACTORIES

MEASURE

SCALE SERVICES TO SUPPORT MANAGEMENT AND WORKERS FOR IMPROVED ENGAGEMENT AND WELLBEING

Many of the challenges we are seeking to address are complex and beyond the scope of one brand or company. We therefore need to work collaboratively with a wide range of stakeholders, to think creatively, and pool our skills in order to address risks and improve outcomes for our manufacturing factories, workers, and their communities. That includes identifying service providers who can work

directly with our contract manufacturers on improving the workplace experience as well as service providers who are seeking to improve the broader ecosystem for sustainable supply chains.

Harnessing technology to support wellbeing

Workers face many challenges to delivering their best at work. Some are non-work-related, like transportation, health, and financial management, while others are work-related, such as information gaps on regulation and processes, pay slip accuracy, or understanding the business direction of the factory.

To address many of these challenges, NIKE is working to identify companies and organizations that can provide technology-based tools and services to meet the needs of our contract manufacturers and their workers.

In 2015, we completed factory pilots with technology providers, including MicroBenefits and Workplace Options, that provided engagement and wellbeing services to workers and managers using mobile technology. These included a pilot in China, where we worked with MicroBenefits to offer workers a smartphone-based platform for services ranging from factory communication tools to skills development. It also provided a new and direct channel

of communication between workers and management. In Indonesia, Workplace Options provided a mobile platform with a large suite of wellness coaching programs and provided workers with direct access to the factory HR department, allowing them to confidentially ask questions, or report problems or concerns.

WHAT WE LEARNED

Analysis showed that the pilots have led to reduced turnover, less absenteeism, and better worker wellbeing and engagement, as well as cost savings for factory management. However, they also showed that in order for these types of solutions to create impact in the long term, they need to be driven by factory management. For that reason, in 2016 we developed a scaling strategy whereby we broker introductions between these technology providers and factory management, enabling factory management to determine the value.

By the end of FY17, six NIKE supplier facilities were using one of the two platforms (i.e. MicroBenefits or Workplace Options) for services to workers and a further two were using it to deploy the revised version of NIKE's Engagement and Wellbeing survey. In FY18, additional suppliers are working with MicroBenefits and Workplace Options to scale that survey.

The next step is to introduce the technology to more factories and we are also looking at ways of working with others in the industry to make it easier for suppliers to adopt these technologies.

The importance of collaboration

NIKE believes that we must raise the bar as an industry on standards, monitoring of working conditions, and sustained remediation, which cannot be achieved without increased collaboration with a wide range of stakeholders. That is why, in our last report, we issued a call to action to increase the robustness of the compliance ecosystem in our industry by aligning codes of conduct, compliance protocols, and transparency around remediation.

LEARN MORE: [Collaboration with stakeholders](#)



Daycare for children of factory workers. Ho Chi Minh City, Vietnam

PARTNERSHIPS TO ACCELERATE INDUSTRY CHANGE



Beyond compliance and our work with other brands and retailers, we are seeking opportunities for collaboration to develop management capabilities, measure social performance, and invest in working conditions across the industry. This includes work on joint standards, tools, programs, and advocacy.

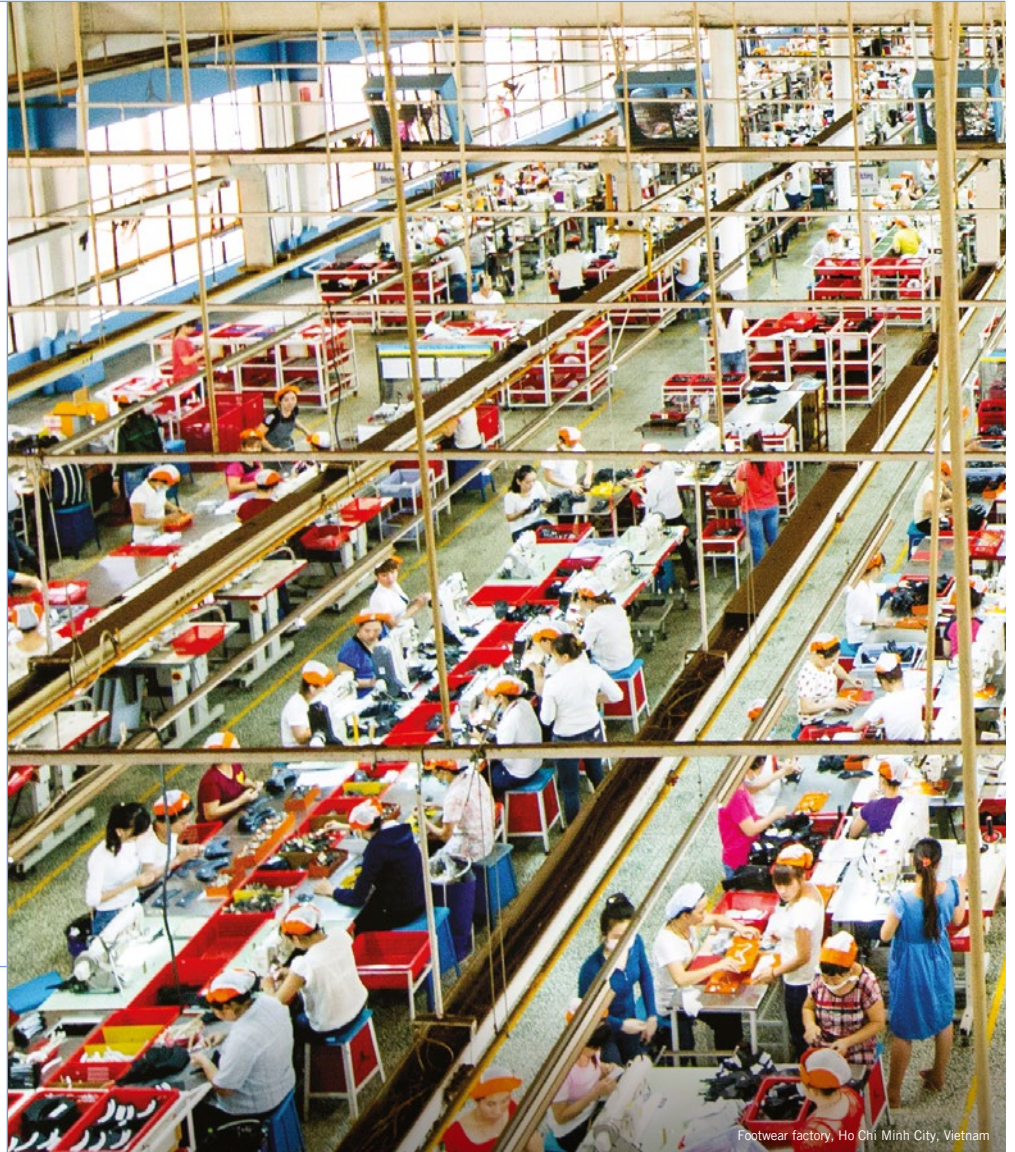
For instance, our collaboration with the International Finance Corporation (IFC) offers financing on better terms to reflect lower risks of factories that comply with our Code of Conduct. Twenty-three factories are currently taking advantage of this due to their continued sustainable performance.

We also work with organizations such as the FLA and the ILO, through their Better Work Program, to find collaborative solutions to creating sustainable improvements in labor conditions.

In FY17, we joined 20 other apparel and footwear brands and organizations in a letter to the Turkish Government to adjust the work permit program to improve conditions for Syrians who are seeking work in Turkey. No one organization can solve all the societal and environmental challenges we face, and solutions require input and collaboration between government, business, consumers, and civil society. To this end, NIKE will continue to work with other businesses through trade associations and coalitions to help drive and shape sustainability policies.

FURTHER READING

[Partnerships and Collaborations](#)



Footwear factory, Ho Chi Minh City, Vietnam

ADDITIONAL PRIORITY ISSUES



Our issue prioritization process identified a set of priority sustainability issues for NIKE and formed the baseline of required topics for this FY16/17 Sustainable Business Report. Most of these issues overlapped with our existing 2020 sustainability targets. For issues not specifically covered by a 2020 target, we have provided space in this report for a description of the issue and details of our progress against it. Both **Child Labor and Freedom of Association** fall into this category.

LEARN MORE: [Issue Prioritization](#)

ADVANCING RESPECT FOR HUMAN RIGHTS

At NIKE, we have a responsibility to respect human rights in our operations and extended value chain, and to conduct business ethically and sustainably. We evaluate the impact of our business and set public targets to drive holistic, continuous improvements. We are continuously working to do better.

Our commitment to serving athletes everywhere has taught us that equality on the field is a powerful catalyst to driving equality off the field. NIKE supports human rights as defined by the [Universal Declaration of Human Rights](#), which recognizes that “all human beings are born free and equal in dignity and rights.” We work to elevate human potential through our products, partnerships, and operations, something that cannot be accomplished without a fundamental respect for human rights throughout NIKE’s operations and our supplier’s operations.

LEARN MORE: [Human Rights](#)

LEARN MORE: [NIKE Manufacturing Map](#)

Respect for Human Rights in NIKE’s Supply Chain

NIKE does not own or operate the facilities that produce our products. However, we are prioritizing and growing relationships with suppliers who share our commitment to respect human rights and are investing in their workforces. NIKE’s expectations for suppliers start with our Code of Conduct and Code Leadership Standards. NIKE’s Code of Conduct is aligned with international standards and contains the foundational requirements all suppliers must meet in producing Nike-branded products. The Code Leadership Standards contain more detailed requirements on how the NIKE Code of Conduct must be



Factory worker – Jakarta, Indonesia

implemented. They also include specification on the development of robust management systems which are essential to consistently maintaining compliance with local law and our standards.

LEARN MORE: [Code of Conduct](#)

LEARN MORE: [Code Leadership Standards](#)

CHILD LABOR

NIKE specifically and directly forbids the use of child labor in facilities contracted to make NIKE products. The NIKE Code of Conduct requires that workers must be at least 16 years of age, or past the national legal age of compulsory schooling and minimum working age, whichever is higher. The requirements also specify that workers between the ages of 16 and 18 cannot be employed in positions which may be hazardous, such as working with chemicals or heavy machinery,¹⁶ nor can they work at night. Our Code of Conduct age requirements exceed those of the ILO (15 years of age, and 14 years of age in some developing countries).

NIKE’s Code Leadership Standards include specific requirements on how suppliers must verify workers’ age prior to starting employment. They also contain specific requirements for actions the facility must take to remediate a

situation where the supplier violates NIKE’s standards, with the focus on protecting the rights and wellbeing of the worker. Those requirements include:

- Removing the underage employee from the workplace
- Providing support to enable the underage employee to attend and remain in school or vocational training until the age of 16 or the minimum legal working age, whichever is higher
- Agreement to rehire the underage employee when they reach the age of 16 or legal working age if the worker wishes

Collaboration

NIKE participates in multi-stakeholder initiatives, including the FLA, Better Work, and the Better Cotton Initiative (BCI), which are each focused on addressing critical human rights risks across different levels of the supply chain. For example, we joined a project facilitated by the FLA in partnership with İyi Pamuk Uygulamaları Derneği, as well as several other international brands, on improving employment practices in the Turkish cotton sector. The project focuses on preventing and addressing child labor risks and improving labor recruitment practices at the farm level.

¹⁶ Hazardous conditions are those defined as working with hazardous chemicals, working with dangerous machinery, night work, or as otherwise identified by country law.

ADDITIONAL PRIORITY ISSUES



Training class for factory workers, Ho Chi Minh City, Vietnam

FREEDOM OF ASSOCIATION

We believe all workers have the right to freely associate and collectively bargain. Where freedom of association and collective bargaining are restricted under law, NIKE requires suppliers to allow for parallel means for independent and free association and bargaining.

Our Code Leadership Standards contain detailed requirements on how suppliers must respect the rights of workers to freely associate. Those requirements include prohibitions on interference with workers seeking to organize or carry out union activities, as well as on any sort of activity which seeks to intimidate, harass, or retaliate against workers for participation in a union or other representative organization or for attempting to organize or form a union.

Collaboration

NIKE was an original signatory in 2011 to the [Freedom of Association Protocol](#) in Indonesia which was signed by unions, suppliers, and leading brands manufacturing in the country. The Protocol provides an implementation framework for suppliers to support union activities to fully respect the rights of workers to join unions of their choosing and to bargain collectively. We meet regularly with the National Committee to review progress and discuss further opportunities for improvement.

Beyond our own standards and programs, NIKE also advocates publicly for strengthening local laws protecting the rights of workers to fully realize their right to freedom of association and collective bargaining. For example, in 2017

we joined the FLA, as well as other brands and retailers in advocating for legislative reforms in Mexico. The details of the most recent letter to the Secretary of Labor and Social Welfare of Mexico can be found [here](#).

Monitoring and Remediation

NIKE monitors our suppliers' compliance with our Code of Conduct and Code Leadership Standards through regular announced and unannounced audits conducted by internal and external parties. This includes audits by the FLA and assessments by the Better Work Program, a partnership of the ILO and the International Finance Corporation. Our monitoring activities are conducted on a schedule determined based on each supplier's facility's prior performance.

When a supplier's facility is found to have serious violations of NIKE's standards, it is required to remediate all issues identified and have on-site verification of the remediation. If a concern is raised by a third party, NIKE promptly investigates and requires corrective actions for any issues identified. Should a supplier fail to remediate issues identified by an audit or allegation investigation according to NIKE's requirements it would be subject to review and sanctions, including potential termination of the relationship.

LEARN MORE: [Sourcing and Manufacturing Standards](#)

FURTHER READING

[Human Rights](#)



PRIORITY ISSUE

Child Labor

GRI

GRI 408: Child Labor 2016

Disclosure 408-1: Operations and supplier at significant risk for incidents of child labor

PRIORITY ISSUE

Freedom of Association

GRI

GRI 407: Freedom of Association and Collective Bargaining

Disclosure 407-1: Operations and supplier in which the right to freedom of association and collective bargaining may be at risk

CHILD LABOR AND FREEDOM OF ASSOCIATION FINDINGS¹

	FY16	FY17
Number of Child Labor Findings/Events ²	0	0
Number of Other Age Standard Findings/ Events ³	0	1 ⁴
Number of FOA Findings/Events	0	0

¹ Based on factory audit findings during the period.

² Includes events found where workers were under NIKE's minimum age requirement (age standard CLS).

³ Includes management policy/procedures for CLSs for proof of age; hazardous conditions and remedying underage employment.

⁴ The violation of NIKE's age standard related to one worker who was at least age 16, but under age 18, hired in a position which was deemed hazardous under local law. When a finding happens, the factory is required to remediate the issues and employ corrective actions.

TRANSFORM MANUFACTURING: BY THE NUMBERS

91%

of our factories were rated
BRONZE OR BETTER,
our definition of sustainable



28K

WORKERS at



17

FACTORIES

took part in our
Engagement and
Wellbeing Survey pilot
between 2014–2017

0

the number of
CHILD LABOR
findings in FY17



100%

of our Tier 1
Suppliers were
AUDITED TO NIKE'S
CODE OF CONDUCT



0

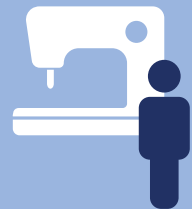
the number of
FREEDOM OF
ASSOCIATION FINDINGS
in FY17



Approximately

1M

CONTRACT FACTORY
workers in NIKE's
source base





UNLEASH HUMAN POTENTIAL



THE WORLD AROUND US

Equality is a global issue. Perhaps more than ever, people are using their voice to call for change and to demand action, not just for them but for the intersectional cultures they represent.

More countries are likely to follow the U.K.'s lead in requiring mandatory disclosure of gender pay gap statistics. Radically changing expectations around the use of personal data, the neutrality of the internet, and freedom of information are putting greater pressure on companies.

Organizations that embrace diversity, transparency and accountability will thrive as a new model for the 21st century organization emerges.

OUR APPROACH

We believe in harnessing the power of sport to unify and inspire the world toward action. We use the power of our brand to stand up for our values and create a level playing field. This starts with people: the people who make our products, the people who work in our offices, and the people in the communities where we live, work, and play.

“NIKE IS ABOUT INNOVATION, ABOUT HONESTY AND INTEGRITY, AND ABOUT COMPETITIVENESS. THOSE ARE THE THINGS THAT WE STAND FOR AND WE WANT OUR PEOPLE TO BELIEVE IN.”

Phil Knight, Co-Founder, NIKE, Inc.



UNLEASH HUMAN POTENTIAL: FY16/17 HIGHLIGHTS



EMPLOYEES



- Over 1,100 employees trained in Unconscious Bias Awareness in FY16/17.
- NIKE increased our resources within the Global Diversity & Inclusion team to provide strategic leadership for the function, and drive consistency for our eight Employee Networks.
- Over 1,800 employees utilized the Family Care Benefit in FY17.



COMMUNITY IMPACT



- Together with our community partners and employees, NIKE is getting millions of kids moving through Made to Play. Through FY17, we supported community partners around the world to get more than 14.5 million kids moving.
- Kids who move are the ones who move the needle – in the classroom, their careers, and in the community. NIKE works with partners around the world, including in Brazil, China, Europe, Russia, and the U.S., to get kids moving before, during, and after school.
- NIKE celebrated 45 Years of Giving in Oregon. In the six years from FY12 to FY17, we supported communities with more than \$54 million in donations and nearly \$5 million in product. And over 2,000 NIKE employees donated time and money in Oregon to support kids and their communities.
- NIKE and non-profit partner Marathon Kids are getting more than 350,000 kids running in the U.S. across all 50 states and in the U.K.



KEY
Numbered icons above
indicate relevant Sustainable
Development Goals



EMPLOYEES



TARGET

ATTRACT AND DEVELOP AN INCREASINGLY DIVERSE, ENGAGED AND HEALTHY WORKFORCE

NIKE's mission is to bring inspiration and innovation to every athlete* in the world. We believe that sport has the power to unify and inspire the world toward action – and that starts with people.¹⁷ From the people who make our products, to members of the NIKE team around the world and people in the communities where we live, work, and play, we're focused on helping everybody achieve their potential.

To attract and develop an increasingly diverse, engaged, and healthy workforce, we are measuring ourselves against three areas: diverse representation and a culture of inclusion; comprehensive, competitive, equitable pay and benefits; and employee growth, development, and wellbeing.

TOTAL EMPLOYEES¹

	FY15	FY16	FY17
% Change	10.4%	11.7%	6.8%
EE Count	56,595	63,177	67,449

1 Excludes temporary workers.

MEASURE

PROVIDE VISIBILITY TO OUR INCLUSION PROGRESS AND DIVERSITY REPRESENTATION

In early 2018, we became aware of reports of behavior within our organization that did not reflect our core values of inclusivity, respect, and empowerment. We took swift action, committing to a wide-ranging approach to evolving our culture, transforming how we approach leadership, and investing in programs to unlock and accelerate us toward an environment that is more inclusive and empowering.



Employees at Nike World Headquarters, Beaverton, Oregon

Specifically, we announced an overall review of our HR systems and practices, while elevating our confidential complaint process. We created a mandatory manager training that reinforces the role of respect, inclusion, and accountability that will roll out to people managers globally in 2018. We also increased our investment in leadership training and accountability, our diversity and inclusion teams and programs, and all-employee focused programming and training on our culture.

We also know that since our last report, our numbers around leadership representation for women globally and underrepresented minorities (URM)¹⁸ in the U.S. have not evolved as fast as we would have liked. We are committed to making progress to increase URM globally, but can only track the U.S. at this point. While we are focused on increasing representation of women and URM in the near term, we will continue to expand representation across other dimensions over the long term.

We remain deeply committed to not only improving diversity across NIKE, particularly at the leadership level, but also evolving our culture and making NIKE an environment focused on respect, equality, inclusion, and empowerment. We want NIKE to be a place where everyone has the opportunity to be successful.

MEASURE

PROVIDE COMPREHENSIVE, COMPETITIVE AND EQUITABLE PAY AND BENEFITS

At NIKE, we strive to have a safe and inclusive workplace and continue to build diverse, high-performing teams. We engage and inspire our workforce by offering opportunities for career growth and development, in addition to providing equitable and competitive pay and benefits.

In FY16, we formally launched our U.S. Family Care benefit program, which provides up to eight weeks of paid time off for all eligible employees to care for a spouse, partner, or dependents. By the end of FY17, over 1,800 employees had already benefited from the program – from parents bonding with a newborn or adopted child, to those with a sick family member. This new benefit was also an opportunity for us to challenge gender norms where women typically assumed the role of primary caregiver. Of those who used the benefit over the past year, 57 percent (1,073) were men, compared to 43 percent (816) women.

FAMILY CARE BENEFIT

	FY17
Female	816
Male	1,073
No gender reported	0

¹⁷ The targets in this section focus on NIKE, Inc. employees. For a discussion of our efforts to ensure that contract factory workers are treated equitably, please see the "Transform Manufacturing" section.

¹⁸ At NIKE, our working definition of an underrepresented minority (URM) is someone whose racial or ethnic makeup is from one of the following: American Indian or Alaskan Native, Asian, Black or African American, Hispanic/Latino, Native Hawaiian or Other Pacific Islander, or Two or More Races.



EMPLOYEES



We continue to provide reward programs tailored to the needs of our workforce, including:

- Competitive health care benefits, with multiple plan design options to suit various family types
- Retirement benefits
- Incentives based on company and individual performance for eligible employees
- Opportunity to enroll in the Employee Stock Purchase Plan in most locations
- Employee discounts on NIKE products

In August 2016, NIKE signed the White House Equal Pay Pledge, publicly declaring our commitment to review pay and promotion practices annually, and to ensure that women and men who undertake the same work at the same level are equitably compensated. At NIKE, we define pay equity as equal compensation for women, men, and all races/ethnicities who undertake the same work at the same level, experience, and performance – and this methodology aligns with top tier global companies. NIKE's FY17 data show that for every \$1 earned by men, women globally earned 99.9 cents, and for every \$1 earned by white employees in the U.S., URM also earned \$1. We will maintain focus, driving with 100 percent as our goal for both ratios every year, and will continue to monitor this data.

FY17 GLOBAL PAY EQUITY

99.9¢ TO \$1

**WOMEN VS. MEN
(GLOBAL)**

\$1 TO \$1

**URM vs. WHITE
(U.S.)**

[LEARN MORE: Global Pay Equity](#)

FY17 GENDER PAY AND BONUS GAP (U.K.)

DIFFERENCE BETWEEN MEN/WOMEN	MEAN	MEDIAN
WHOLESALE (ALL OF NIKE U.K. MINUS RETAIL)		
Hourly Pay Gap	10%	8%
Bonus Pay Gap ¹	37%	52%
RETAIL		
Hourly Pay Gap	3%	3%
Bonus Pay Gap ¹	15%	18%

¹ Bonus includes bonus received, stock options exercised and/or ESPP values during the one-year time frame.

[LEARN MORE: U.K. Gender Pay Gap Report](#)

NIKE, INC. TOTALS BY GENDER (GLOBAL)

	ALL EMPLOYEES			DIRECTORS+			VPs			BOD		
	FY15	FY16	FY17	FY15	FY16	FY17	FY15	FY16	FY17	FY15	FY16	FY17
Female	48%	48%	48%	36%	36%	38%	26%	28%	29%	21%	25%	25%
Male	51%	52%	52%	64%	64%	62%	74%	72%	71%	79%	75%	75%
No gender reported ¹	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%

¹ On initial hire date, chose not to self-identify.

NIKE, INC. EMPLOYEE TOTALS¹ BY ETHNICITY (U.S.)

RACE/ETHNICITY	ALL EMPLOYEES			DIRECTORS+			VPs			BOD		
	FY15	FY16	FY17	FY15	FY16	FY17	FY15	FY16	FY17	FY15	FY16	FY17
American Indian or Alaskan Native	134	142	129	9	12	12	–	–	–	–	–	–
Asian	2,379	2,751	2,955	272	361	409	7	12	16	1	1	1
Black or African American	6,733	7,634	8,561	167	191	188	28	29	29	2	2	2
Hispanic/Latino	5,732	6,210	6,961	149	190	209	10	9	9	–	–	–
Native Hawaiian or Other Pacific Islander	251	250	277	2	5	5	–	–	–	–	–	–
Two or More Races	1,307	1,606	1,812	72	92	106	3	5	4	–	–	–
Unknown	115	17	71	10	2	22	2	–	2	–	–	–
White ²	15,326	16,355	16,374	2,657	2,993	3,159	253	271	293	11	9	9
TOTAL	31,977	34,965	37,140	3,338	3,846	4,110	303	326	353	14	12	12

¹ Numbers may not add up to 100% due to rounding. Not included in the data above are U.S. NIKE employees working outside the U.S. URM represented 27% (FY15), 22% (FY16) and 27% (FY17) of this population.

² Please see the [GRI Index](#) for a breakdown between White and underrepresented minorities (URM).

Goals, Resources, and Accountability

In FY16/17, we increased our resources within the Global Diversity & Inclusion team to provide strategic leadership for the function, and drive consistency for our eight Employee Networks. These resources strengthened our impact, but were insufficient. Now we are focused on creating a systemic approach to our diversity efforts in service of our business, people strategy, and employee experience in order to transform our culture.

In 2018, we elevated the Diversity team to sit at the heart of NIKE's People and Culture Strategy. We also created a new, elevated role of Chief Diversity and Inclusion Officer who reports directly to our Chief Human Resources Officer, and allocated additional funding into all of our employee networks for mentoring, training, and development.

We also have a set of initiatives designed to further accelerate our culture and prioritize our people that will roll out in the remainder of FY18 and FY19. They include:

- **FY18/19: Promotion-Pay-Performance Evaluation:** Continue to evaluate our promotion, pay, and performance results to assess the impact on all employees with a specific focus on diverse talent and representation. We will be studying time-in-job and the pace of promotions across our employee base – with a strong focus on women and URM – to understand how this impacts representation.
- **FY18/19: Dedicated Talent Sourcing:** We will invest in a dedicated diversity sourcing team to be immersed in the marketplace; increase visibility and accountability to ensure slates of diverse candidates when hiring; and remove bias from critical moments of the hiring process by creating more inclusive job descriptions, enabling blind resume reviews, eliminating the collection of candidate salary history, and using data to inform hiring decisions.
- **FY19: Global Pay Equity:** Our aim is a 1:1 pay ratio for both women (globally) and URM (U.S.). We will monitor our results annually and make adjustments where necessary.



EMPLOYEES



- **FY19: New Bonus Structure:** We will move to a new team-based PSP (Performance Sharing Plan) bonus award to accelerate our culture to reward behaviors that reinforce teamwork and collaboration.
- **FY19: Representation Accountability:** We will hold senior executives accountable to increasing representation, specifically within Leadership and Management. There are three ways to increase representation – promotion, retention, and hiring – and we're working through strategic initiatives and action plans to enable each of them.
- **FY19: Diverse Talent Investment:** We are creating a multi-faceted approach to investing in our diverse talent. This includes evolving our current development offerings, creating new programs that accelerate emerging diverse leaders, and expanding our employee networks – showcasing our commitment to engaging the diverse talent of the future. We will be investing in targeted leadership training – through best-in-class business schools and executive education institutions – for our diverse employees. And while NIKE holds a broad definition of diversity, we are beginning with women and URM. This new program will begin in June 2018.
- **FY19: New Mentoring Programs:** We will create new mentoring programs that will help accelerate career growth and development for women and URM. We plan to begin these programs with our employee networks and evaluate and scale where appropriate.
- **FY19: Unconscious Bias Awareness Training:** We will roll out Unconscious Bias Awareness training to the entire NIKE organization aimed at creating a stronger, more inclusive culture. Unconscious Bias Awareness training will launch to employees located in the U.S. and Canada in August of 2018, with a global launch to all 67,500 employees in mid-FY19. NIKE's Senior Executives went through this training in FY18.
- **FY19: Manager Training:** Manager Expectations: Living a culture of respect, inclusion, and accountability is a mandatory manager training for all people managers. It begins in May 2018 and ensures all managers are clear on expectations – when and how they are compelled to act – and that they have resources to lead in a manner consistent with our values and behaviors.

- **FY19: Immersive Executive Development:** A program for our most senior leaders where they'll re-connect to leadership expectations, receive direct feedback, and take accountability for their role in evolving NIKE's culture. This will become a core part of how we invest in, and develop, future leaders.

Our Commitment

For NIKE to grow and evolve, we need to create meaningful change and put a sharper focus on how we lead our teams and work together. We know we need to do more and accelerate our pace of change. We will hold ourselves and our leaders more accountable for driving measurable progress against representation and pay equity.

As a growth company, we're committed to employing the best and brightest to serve consumers globally. Employees with the necessary skillsets, expertise, and diversity are critical to drive our business forward. Diversity allows for a breadth of perspectives and experiences to develop thoughtful and original ideas; it's a key component of innovation.

For NIKE to deliver for every athlete completely, we need teams that truly reflect the diversity of our consumers, and a culture of inclusivity that reflects the communities we serve. This requires representation of diversity at all levels, and an inclusive community that embraces it.

MEASURE

BUILD STRONGER BODIES AND MINDS THROUGH DEVELOPMENT AND WELLNESS EFFORTS

We unleash human potential by creating growth and wellbeing opportunities for NIKE employees.

Our employees have access to more than 5,600 courses¹⁹ taught by industry experts. We've worked to enhance our development tools, enabling employees to create personalized playlists of courses and resources that align to their development interests and areas of growth. We also made updates to our learning management system to make training more relevant, including:

- Continued expansion around the globe with translated materials, allowing every employee to access development where they live and work
- Targeted development tools aimed at building world-class managers and enhancing the manager-employee relationship
- A reimagined onboarding experience for new employees to drive inspiration and empowerment from day one, to successfully integrate into NIKE's culture

Encouraging people to live a healthy, active lifestyle is also core to who we are. It's reflected in the products we design and in the resources we offer. As a brand committed to sports and fitness, we encourage our workforce to engage in a healthy lifestyle to the best of their ability. In fact, we see health as imperative to a high-performing workplace.

To help our employees live healthy, active lifestyles, we provide fitness facility discounts, wellness services, and competitive healthcare benefits. We also offer an Employee Assistance Program that provides confidential, professional counselling, education, and referral services.

FURTHER READING

[Standing up for Equality Approach to Diversity & Inclusion](#)



PRIORITY ISSUE

Employment

GRI

GRI 401: Employment 2016
Disclosure 401-3: Parental Leave

PRIORITY ISSUE

Total Compensation

GRI

GRI 405: Diversity and Equal Opportunity
Disclosure 405-2: Ratio of basic salary and remuneration of women to men

PRIORITY ISSUE

Workforce Development

GRI

GRI 404: Training and Education
Disclosure 404-3: Percentage of employees receiving regular performance and career development reviews

¹⁹ These courses are offered to employees as part of a free membership to an online learning platform that helps anyone learn business, software, technology, and creative skills to achieve personal and professional goals.



COMMUNITY IMPACT



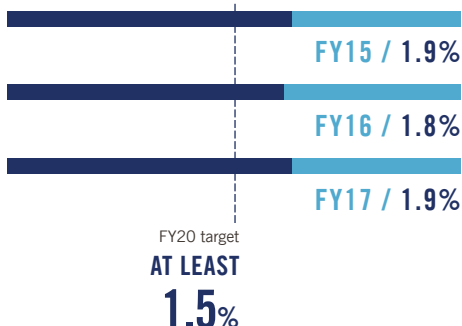
NIKE Greater China: Active Schools running launch

TARGET

INVEST A MINIMUM OF 1.5 PERCENT OF PTI TO DRIVE POSITIVE IMPACT IN OUR COMMUNITIES

PERFORMANCE

Annual Investment as % of PTI



Community isn't something we do, it's who we are. NIKE believes in the power of sport to move the world forward and unleash human potential for all athletes* and their communities everywhere. But, the world is moving less and less and today's kids are part of the least active generation ever. This is why NIKE is committed to Made to Play, its unifying brand and rallying call to bring sport and play to kids across the world, together with NIKE employees and partners. Through Made to Play, we've helped more than 14.5 million kids get moving, giving them an opportunity to live healthier, happier, and more successful lives. In FY16/17, we supported this work in communities around the world by investing more than 1.5 percent of pre-tax income (PTI) – meeting our target.

MEASURE

THROUGH THE POWER OF OUR BRANDS AND PARTNERSHIPS, GET KIDS (AGES 7–12) MOVING THROUGH PLAY AND SPORT²⁰

Kids who move, move the needle – in the classroom, in their future careers, and in their communities. But never have kids been less active than they are today, a trend NIKE is committed to reversing. In FY16, we launched initiatives with partners around the world to transform the lives of kids through play and sport. We focused on where they spend most of their time – schools and their community centers – and worked with local leaders, community organizations, governments, and other partners to get kids active. Our efforts used early, fun, positive experiences with play and sport, inspiring a lifelong love of movement.

In FY17, we announced a partnership with China's Ministry of Education to get 2 million kids moving over three years, building on a successful pilot. This collaboration is helping to transform the culture and quality of the delivery of sport and physical activity in schools across China. The partnership is creating a forum to showcase innovation in physical education through establishing the [Active Schools Innovation Awards](#). Also, as part of the partnership, NIKE is training up to 7,000 teachers to deliver engaging sports lessons, provide best-in-class coaching, and offer PE resources to more than 300 schools across China. We are also working with city school leagues to elevate locally relevant priority sports, such as basketball and soccer.

We support [Active Schools](#) in the U.S., an initiative supporting schools to get millions of kids active across the country. We also completed our Clinton Global Initiative Commitment, a three-year Active Schools and Active Communities pilot in Brazil that reached more than 60,000 kids and equipped schools and communities with ways to give young people early positive experiences with sport and physical activity.

The Rio 2016 Olympic Games were a huge opportunity to inspire Rio's youth and kids around the world to get active. Brazil's kids are the least active in Latin America. To help change this, we worked with the City of Rio, community leaders, and others on a five-year commitment to revitalize youth programming in the city's 22 Olympic Villages – local community sport and recreation hubs. Our goal is to increase access to sport and physical activity 25,000 kids to 50,000 kids at the Villages and to train 600 PE teachers and staff.

²⁰ The measure has not changed from our FY14/15 Sustainable Business Report, but the wording has changed to provide brevity and clarity to the original goal.



COMMUNITY IMPACT



In FY17, NIKE employees engaged in this work with approximately 1,000 volunteer hours at the Villages and NIKE provided over 40,000 pieces of product and equipment. Four Villages (Encantado, Caju, Clara Nunes, and Mato Alto) have also been redesigned for play and sport with new, updated equipment and local art that honors each Village's unique culture.

Running is the foundation for play and movement: It's a gateway to other sports and a lifetime of physical activity. Each stride is a step toward improved health and wellbeing, and benefits that can last a lifetime. That's why NIKE teamed up with non-profit partner Marathon Kids to inspire half a million young people to start running with the program by 2020. By the end of FY17, the partnership had grown from three to all 50 states with more than 350,000 kids running in the program with their schools, families, or local community-based organizations. We've now begun to bring the Marathon Kids program to U.K. primary schools, through local partner Kids Run Free, helping to spread the joy of running even further.

We know that sport has the power to bring people together and build stronger communities. As part of its EQUALITY initiative in FY17, NIKE announced new partnerships with [MENTOR](#) and [PeacePlayers International](#) – two leading organizations who share NIKE's commitment to building more equal playing fields for all, on the field and in life. As part of EQUALITY's inspiration to take action in our local communities, these partnerships will empower youth leaders with mentorship and through sport experiences so they are equipped to be a force for change in their own lives and in their communities.

The Nike Foundation became a founding donor of the Smithsonian's National Museum of African American History & Culture. The foundation's \$2 million donation supports the [museum's sports gallery](#) which celebrates the contributions of athletes on and off the field, focusing on the role sports have had in empowering African Americans and the role of African American athletes in American culture.

MEASURE

INSPIRE A MAJORITY OF NIKE EMPLOYEES TO ENGAGE WITH THEIR COMMUNITIES AND SUPPORT THEIR GIVING OF EXPERTISE, TIME AND MONEY

Our employees are talented, generous, passionate about sport, and enthusiastic about giving back to their communities. We want to fuel their efforts. So, in FY16 we launched "Give Your Best" (GYB) – an initiative inspired by Olympic runner Steve Prefontaine's challenge: "To give anything less than your best is to sacrifice the gift."

With the GYB giving platform, our employees can give their time and money to the causes they care about. The NIKE Foundation matches personal donations to charitable causes, dollar-for-dollar, up to \$10,000 per year per employee. For causes supporting sport and play in the community, we give \$2 for every \$1 donated by employees. In FY17, our employees, supported by NIKE Foundation's match-giving, contributed \$5.3 million to more than 1,400 charitable causes around the world.

We also give employees who volunteer \$10 per hour to donate to the cause of their choice. In FY17, over 6,000 NIKE employees in 46 countries tracked more than 100,000 volunteer hours and generated nearly \$1 million for charitable causes.

The NIKE Community Ambassador (NCA) program gives NIKE employees the opportunity to pass their love of sport on to the next generation. Through a train-the-trainer curriculum, local employees learn quality coaching skills and volunteer in schools and communities around the world. NCAs aren't just getting kids playing and moving today, they're inspiring them to be active for life. In FY17, over 3,200 of our employees regularly coached kids in their local community as part of the program.



NCA Kings Cross in London, U.K.

COMMUNITY IMPACT



MEASURE

DRIVE SUSTAINED COMMUNITY IMPACT IN ALL OF OUR PRIMARY MARKETS AND SOURCING BACKYARDS

Together with our employees and organizational partners, we're excited about the future we're creating for kids and the communities where we live and work.

In FY17, we celebrated 45 years of community in Oregon, where NIKE was founded. Since the beginning, we've been working with our employees and community organizations to impact local communities across the state. From FY12 to FY17, we supported communities with more than \$54 million in cash and nearly \$5 million in product. And over 2,000 NIKE employees donated time and money in Oregon to support kids and their communities.

NIKE and Special Olympics Oregon (SOOR) marked the 10th anniversary of the SOOR Youth Games in FY17. This annual event brings more than 500 youth athletes with intellectual disabilities and over 400 volunteer employees to our World Headquarters for a day of play and sport – a first-time experience for many of the athletes. Since the Youth Games started in 2007, more than 3,400 of our employees have volunteered to inspire over 4,500 kids across the state, giving more than 17,000 hours (as of FY17). Reflecting our belief in the potential of every single kid, we've also contributed \$400,000 to SOOR to develop Unified Champion Schools (UCS) in Oregon high schools across FY16–17, combining sports, education, and leadership training to equip young people with experiences and tools to create school cultures of acceptance and inclusion.

In FY16, we partnered with the City of Portland to bring the bike-share program BIKETOWN to Portland, which introduced 1,000 bikes and 100 bike stations across the city. Over five years, we're providing \$10 million, contributing designs for BIKETOWN's stations and bicycles, and increasing accessibility through adaptable bikes for all people. We've also made an additional 400 BIKETOWN WHQ bikes available at our World Headquarters.

We bring the spirit of community that began in Oregon to all the places where we do business. For example, the NIKE Community Impact Fund (NCIF) is an innovative employee-led effort that



Special Olympics Oregon (SOOR)

leverages employees' local knowledge to fund grassroots organizations in their communities. In FY16, we expanded NCIF from our World Headquarters to all of NIKE's U.S. Community Stores, to our European Headquarters in the Netherlands, and to our Logistics facilities in Laakdal, Belgium. Since its launch, NCIF has awarded more than \$4 million in grants to local community organizations and schools. During NCIF's inaugural year in Laakdal, NIKE employees helped power over 30 organizations through more than \$220,000 in grants awarded to local non-profit organizations and schools creating more active communities through sport and play.

We're also doing work in our sourcing communities. For example, in FY16–17, we supported Active with Sports in Vietnam. Through our collaboration, Active with Sports

improved the quality of physical education in 10 schools in Ho Chi Minh City, helping teachers to get 4,800 students moving more each week. In China, we're bringing the benefits of sport to two schools serving 300 families and migrant children in Guangzhou through the Unlock School Gates after-school program.

FURTHER READING

[Inspiring Communities Through Sport](#)
[Community Impact](#)



PRIORITY ISSUE

Active Kids



ADDITIONAL PRIORITY ISSUES



Safety training – Ho Chi Minh City, Vietnam

Our issue prioritization process identified a set of priority sustainability issues for NIKE and formed the baseline of required topics for this FY16/17 Sustainable Business Report. Most of these issues overlapped with our existing 2020 sustainability targets. For issues not specifically covered by a 2020 target, we have provided space in this report for a description of the issue and details of our progress against it. **Occupational Health & Safety** falls into this category.

LEARN MORE: [Issue Prioritization](#)

OCCUPATIONAL HEALTH & SAFETY

NIKE believes that the protection of life and health in the workplace is a fundamental right. Our vision is to provide a safe, hygienic, and healthy workplace, develop safety management systems, and foster a strong culture of safety in NIKE facilities as well as the factories and facilities within NIKE's supply chain. Achieving this vision requires an active and engaged workforce that is properly informed and adequately trained on the hazards of their job and how to perform their work safely.

Approach

At NIKE, we believe that although there is no finish line, there is a clear starting line for Occupational Health & Safety (OH&S). We have developed a Code of Conduct and Code Leadership Standards that lay out the minimum OH&S standards we expect each of NIKE's own facilities, our suppliers' factories, and our supply chain partners to meet. These minimum standards are the foundation for the OH&S Management System we apply to our owned and operated facilities. We also factor these standards into our sourcing strategies in how we evaluate baseline factory performance, and how we determine the contract manufacturers and material suppliers with whom we will engage and grow our business.

The foundation of our safety management system is based on facility-appropriate implementation of the Code of Conduct, Code Leadership Standards, and local law. We monitor compliance to OH&S standards at NIKE owned and operated facilities and contract manufacturers through external audits and internal assessments. Establishing a culture

of safety is a continual journey and individual factories and facilities are at different levels of maturity. Gaps in implementation are treated as opportunities to develop management skills and tools to close gaps and improve performance.

Additionally, we work closely with Better Work – a joint initiative of the United Nations' ILO and the International Finance Corporation (IFC), a member of the World Bank Group – including its program in Cambodia, Better Factories Cambodia, to advance issues of health and safety in our factories. Our local team, along with Better Work, continue to work closely with our contract manufacturers to build management capabilities and to enhance the health and wellbeing of their workers.

Contract Manufacturing: Areas of Focus

Fire safety, building safety, and occupational health issues are the highest risk issues in the footwear and apparel manufacturing industry. We require our suppliers to adopt fire prevention and emergency action plans to protect workers during normal working operations and emergency situations. To accelerate management capability, worker involvement, and understanding of fire safety issues and preventative measures, NIKE collaborated with the FLA and Institution of Occupational Safety and Health (IOSH) on a global initiative to develop and implement a portfolio of fire prevention and fire safety tools for factories. As of the end of FY17, the program has been implemented in over 16 factory locations, and more than 1,200 workers have been trained as safety leaders.

Buildings must be constructed or retrofitted according to the laws of the manufacturing country, international standards if local laws do not exist, or certified structural engineering construction standards.

Additionally, we require our suppliers to anticipate, recognize, evaluate, and control occupational health and hygiene hazards in the workplace, use routine monitoring and analytical methods to determine the potential health effects of hazards that are present in the workplace, and control worker exposure to these health hazards.

As we continue our journey to elevate a culture of safety, we actively seek opportunities to collaborate with others to resolve common occupational health and safety issues. Safe operation of boilers and pressure vessels is an emerging issue in our industry. NIKE

ADDITIONAL PRIORITY ISSUES



benchmarked [Better Work's approach to boiler safety](#), and we have strengthened our program through our new Code Leadership Standard.

When we find issues of non-compliance in these high-risk areas, we respond immediately and work with factories to remediate. We divest from those factories that fail to elevate performance.

In FY17, we changed our compliance audit tool and methodology by including additional rating criteria and sophisticated risk and impact analysis. Based on the new tool, non-compliances were identified based on rating analysis, compared to the old tool provided rankings based on general performance of each category. The new tool allows audit teams to better identify non-compliances.

LEARN MORE: [NIKE's audit process](#)

NIKE Facilities: Areas of Focus

General OH&S compliance is a constant focus for NIKE owned and operated facilities, with individual business operations concentrating on the biggest risks to their operation. NIKE's global OH&S program is focused on developing and implementing a consistent management system to enable risk-based prioritization of OH&S concerns. Controlling hazardous energy and implementing comprehensive injury reporting requirements are examples of two such ongoing initiatives.

We believe that responsibility for OH&S issues must be shared by all stakeholders to create systemwide change. It is a collective effort that requires all companies contracting with factories as well as the factories themselves to share equally in raising the standards. One company cannot alone raise standards for an industry.

OH&S DATA FOR NIKE EMPLOYEES AND TIER 1 FOCUS FACTORIES

		CY16	CY17 ¹
NIKE EMPLOYEES^{2,3}			
DISTRIBUTION (INDUSTRY CODE: 493110)			
TCIR ⁴	NIKE	1.93	1.81
	Industry ⁵	5.1	5.1
LTIR ⁶	NIKE	1.08	1.24
	Industry	1.7	1.7
AIR MI (INDUSTRY CODE: 326100)			
TCIR	NIKE	2.8	3.7
	Industry	4.3	4.3
LTIR	NIKE	0.82	0.72
	Industry	1.1	1.1
OFFICES (INDUSTRY CODE: 561400)			
TCIR	NIKE	0.24	0.27
	Industry	0.8	0.8
LTIR	NIKE	0.08	0.07
	Industry	0.3	0.3
TIER 1 FOCUS FACTORIES⁷			
FOOTWEAR (INDUSTRY CODE: 3162)			
TCIR	NIKE	0.49	0.42
	Industry	6.7	6.7
LTIR	NIKE	0.30	0.25
	Industry	2.1	2.1
APPAREL (INDUSTRY CODE: 3152)			
TCIR	NIKE	0.94	0.60
	Industry	2.1	2.1
LTIR	NIKE	0.45	0.40
	Industry	0.6	0.6
EQUIPMENT			
TCIR	NIKE	1.68	0.78
	Industry	N/A	N/A
LTIR	NIKE	1.05	0.78
	Industry	N/A	N/A

- Using CY16 BLS rates as BLS Rates for CY17 have not been published yet.
- The reported injury rates reflect a combination of NIKE full-time and certain external temporary workers.
- Data is collected based on U.S. legal reporting requirements, reporting on all NIKE operations except retail which is excluded from OSHA recordkeeping requirements. Retail will be included in future reports.
- Total Case Incident Rate (TCIR).
- The industry average comes from the United States Department of Labor; Bureau of Labor Statistics. Each industry classification (such as DC, Air MI, Offices, Footwear Manufacturing, Apparel Manufacturing) reports a separate average for recordable injuries and lost time rates (which are captured).
- Lost Time Injury Rate (LTIR).
- For Tier 1 focus factories by Product Engine for calendar year 2016. Self-reported by factories. The BLS does not calculate manufacturing rates for equipment.

FURTHER READING

[Health and Safety](#)



PRIORITY ISSUE

Occupational Health & Safety

GRI

GRI 403: Occupational Health and Safety

Disclosure 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

UNLEASH HUMAN POTENTIAL: BY THE NUMBERS

\$5.3M

DONATED BY EMPLOYEES,
supported by NIKE Foundation's
match-giving in FY17



14.5M

KIDS MOVING
through Made to Play



57

PERCENTAGE OF MEN
used our Family
Care Benefit



350K

KIDS RUNNING
through partnership with
Marathon Kids



\$54M

DONATED BY NIKE
in Oregon to support communities
from FY12–FY17



8

EMPLOYEE NETWORKS
to support diversity





APPENDIX

GLOBAL REPORTING INITIATIVE (GRI) INDEX

This report is aligned with the GRI Standards at the Core level. The Sustainable Development Goals (SDGs) and the United Nations Global Compact (UNGC) Principles are also referenced below.

GENERAL DISCLOSURES

GRI STANDARD	NUMBER	GRI DISCLOSURE	LOCATION AND NOTES	OMISSION	UNGC PRINCIPLE	SDG
ORGANIZATION PROFILE	102-1	Name of the organization	NIKE, Inc.			
	102-2	Activities, brands, products, and services	Business Overview: page 6 FY17 10-K: Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: page 73			
	102-3	Location of headquarters	One Bowerman Dr, Beaverton, OR 97005			
	102-4	Location of operations	Business Overview: page 7 FY17 10-K: Item 1. Business: pages 55–59 and Item 2. Properties: page 68 NIKE Manufacturing Map			
	102-5	Ownership and legal form	FY17 Proxy Statement Company Bylaws FY17 10-K: Item 1. Business: page 55			
	102-6	Markets served	FY17 10-K: Item 1. Business: pages 55–59			
	102-7	Scale of the organization	Business Overview: pages 6–7 FY17 10-K: Item 1. Business: pages 55–59			
	102-8	Information on employees and other workers	Business Overview: pages 6–7 Unleash Human Potential: Employees: pages 55–57 FY17 10-K: Item 1. Business: page 57 and 59 d. We do not have a significant portion of the organization's activities performed by people who are not employees. e. No significant variations	102-8a, b: We currently do not have temporary workers in our data sources.		

Additional Information

TOTAL EMPLOYEES BY EMPLOYMENT TYPE AND GENDER¹ (102-8C)

	FY17			FY16		
	Male	Female	N/A	Male	Female	N/A
Regular Full-Time	23,983	21,755	3	22,606	20,561	2
Regular Part-Time	11,017	10,691	0	10,090	9,918	0
TOTAL REGULAR	35,000	32,446	3	32,696	30,479	2
FULL-TIME	69%	67%	100%	69%	67%	100%

¹ Temporary employees excluded.

NIKE, INC EMPLOYEE TOTALS¹ BY ETHNICITY (U.S.)

	ALL EMPLOYEES			DIRECTORS+			VPs			BOD		
	FY15	FY16	FY17	FY15	FY16	FY17	FY15	FY16	FY17	FY15	FY16	FY17
White	48%	47%	44%	80%	78%	77%	79%	83%	83%	79%	75%	75%
Underrepresented Minority (URM)	52%	53%	56%	20%	22%	23%	16%	16%	16%	21%	25%	25%
No ethnicity reported	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	–	–	–


¹ Numbers may not add up to 100% due to rounding. Not included in the data above are U.S. NIKE employees working outside the U.S. URM represented 27% (FY15), 22% (FY16) and 27% (FY17) of this population.

ORGANIZATION PROFILE	102-9	Supply chain	Business Overview: page 7 Transform Manufacturing: Sustainable Sourcing: pages 41–44 FY17 10-K: Item 1. Business: pages 57–58 Stages of our Value Chain Value Chain Footprint
	102-10	Significant changes to the organization and its supply chain	FY17 10-K: Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: page 73 FY17 10-K: Item 2. Properties: page 68
	102-11	Precautionary Principle or approach	Our Approach: Sustainable Innovation: pages 9–10 Our Approach: Our Environmental Moonshot: page 11 Minimize Environmental Footprint: Our Approach: page 19
	102-12	External initiatives	Sustainability Commitments Industry Standards & Assessment Tools We also mention external initiatives throughout the report.
ORGANIZATION PROFILE	102-13	Membership of associations	Transform Manufacturing: Partnerships to Accelerate Industry Change: pages 47–48 Partnerships and Collaborations We also mention memberships throughout the report.
STRATEGY	102-14	Statement from senior decision-maker	Letter from Our CEO: page 4 Performance and Disclosure Committee: page 5



GLOBAL REPORTING INITIATIVE (GRI) INDEX

GENERAL DISCLOSURES

GRI STANDARD	NUMBER	GRI DISCLOSURE	LOCATION AND NOTES	OMISSION	UNGC PRINCIPLE	SDG
ETHICS AND INTEGRITY	102-16	Values, principles, standards, and norms of behavior	Our Approach: Sustainable Innovation: pages 9–10 NIKE Code of Conduct NIKE Code Leadership Standards NIKE Code of Ethics Sustainability Policies			
GOVERNANCE	102-18	Governance structure	Performance and Disclosure Statement Executives FY17 Proxy Statement: page 7, 12 Performance and Disclosure Committee: page 5 Governance			

Additional Information

NIKE aims to be a brand with purpose that moves the world forward. To achieve that, we need all parts of our value chain to understand and deliver on our goals – from our leaders to product designers, to the employees in our stores, and workers in contracted factories who make our products. A strong governance structure, coupled with a sustainability mindset, provides the foundation for driving collective decision-making and accountability across the company.

Corporate Responsibility, Sustainability and Governance Committee

Our ability to succeed starts with leadership commitment at the highest level. The Corporate Responsibility, Sustainability and Governance (CRS&G) Committee of our Board of Directors is responsible for reviewing NIKE's significant strategies, activities, among other duties, and policies regarding sustainability, contract manufacturer labor practices, community impact, and charitable activities and make recommendations to the Board. The committee sets the tone and pace for sustainability within NIKE's business strategy. [Learn more.](#)

Responsibilities include:

- Review and provide guidance to management on sustainability issues and impacts, and the integration of sustainability into NIKE's business, including innovation, product design, manufacturing and sourcing, and operations.
- Review, provide guidance to management, and report to the Board on sustainability (including labor practices) within NIKE's supply chain, and review reports of NIKE's sustainability audits.
- Review and provide guidance to management regarding NIKE's work with industry organizations and non-governmental organizations concerning corporate responsibility.
- Annually review the activities of the NIKE Foundation and NIKE community impact initiatives.
- Review and make recommendations to management on reporting to shareholders and other communities regarding corporate responsibility activities.
- Review, provide guidance to management, and report to the Board regarding the involvement of significant corporate responsibility issues in major business decisions, to protect NIKE's valuable goodwill, and human and intellectual capital.
- Review and make recommendations to the Board with respect to any shareholder proposal that relates to the matters overseen by the Committee.
- Annually evaluate the performance of the Committee and report the results of the evaluation to the Board.
- Review and assess annually the adequacy of the Committee's charter.
- Perform such other duties and functions as may, from time to time, be assigned to the Committee by the Board.

Performance and Disclosure Committee

We established a Performance and Disclosure Committee – composed of NIKE's Chief Administrative Officer and General Counsel, Executive VP of Global Communications, Chief Financial Officer, Chief Operating Officer, and Chief Sustainability Officer – in 2012 to provide oversight and direction on NIKE public sustainability targets, reporting, and disclosures.

This body provides executive oversight of strategy, approach, and release of company reports, and the filters we use to participate in ratings, rankings, indices, and key public-facing agreements. The committee also provides executive oversight of development and performance of relevant sustainability targets and corporate sustainability policies. This oversight includes providing enterprise leadership for integrating sustainability into corporate and functional strategy to ensure that the efforts are resourced and supported to be successful.

NIKE Teams Focused on Sustainability

NIKE's core Sustainable Business & Innovation (SB&I) team is part of NIKE's Advanced Innovation function. The SB&I team links sustainability and leadership across our value chain, including innovation and product creation, sourcing and manufacturing, 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, NIKE Direct, Global Sourcing & Manufacturing, Supply Chain, and Brand. These teams report to the leaders of those areas and coordinate directly with SB&I through our Business Integration team.

[LEARN MORE: Governance](#)

STAKEHOLDER ENGAGEMENT	102-40	List of stakeholder groups	Our Approach: Issue Prioritization: page 16 Partnerships & Collaborations			
	102-41	Collective bargaining agreements	FY17 10-K: Item 1. Business: page 59			
	102-42	Identifying and selecting stakeholders	Partnerships & Collaborations			
	102-43	Approach to stakeholder engagement	See below			
	102-44	Key topics and concerns raised	Our Approach: Issue Prioritization: page 16			

Additional Information

On our journey to be a brand with purpose that moves the world forward, we have benefited from constructive counsel from a variety of external stakeholders – civil society organizations, industry, government, investors, consumers, and others. Engaging stakeholders challenges us to better understand emerging issues and helps us identify opportunities for innovation.

For this year's report, we fundamentally altered our approach to sustainability disclosure, resulting in a Sustainable Business Report (SBR) that is more streamlined and focused on progress to our 2020 targets; and a website focused on topics important to our consumers, that also allows for deep dives on material issues.

To make sure our approach was sound, we worked with Ceres to convene an external stakeholder panel and conduct multiple dialogues to guide the development of NIKE's approach to reporting and communication. Ceres is a sustainability non-profit organization working with investors and companies to tackle the world's biggest sustainability challenges, including climate change, water scarcity and pollution, and human rights abuses. NIKE has worked with Ceres on many different sustainability projects since the late 90s.







GLOBAL REPORTING INITIATIVE (GRI) INDEX

GENERAL DISCLOSURES

GRI STANDARD	NUMBER	GRI DISCLOSURE	LOCATION AND NOTES	OMISSION	UNGC PRINCIPLE	SDG
		Over the course of a year, we hosted three webinars with the stakeholder team to discuss our plans for the next SBR and updated sustainability website.				
		<p>Stakeholder team:</p> <ul style="list-style-type: none"> • BSR, Tara Norton, Managing Director • Calvert Investments, Mike Lombardo, Vice President • Ceres, Amy Augustine, Senior Director • Clean Production Action, Mark Rossi, Executive Director • General Motors, Sharon Basel, Senior Manager Sustainability • MIT Sloan School of Management, Jason Jay, Senior Lecturer and Director, Sustainability Initiative at MIT Sloan • Solidaridad, Madhyama Subramanian, Program Manager • WWF, Lindsay Bass, Manager, Water Stewardship • WWF, Nicole Tanner, Senior Specialist, Water Stewardship • NYC Comptroller's Office, Millicent Budhai Robinson, Director of Corporate Governance <p><u>Engagement themes</u></p> <p>Over the course of three engagements, the stakeholder team provided useful and relevant feedback for our disclosure strategy and planning. Here are just a few high-level themes we heard in those conversations.</p> <ul style="list-style-type: none"> • Integration: Communicate NIKE's commitment to sustainability as an important component of business strategy and decision-making. <ul style="list-style-type: none"> - Examples: Letter from Our CEO, Our Environmental Moonshot, Governance, Innovating Sustainably. • External World: Acknowledge the external events and changing business context that are influencing and evolving expectations for companies. <ul style="list-style-type: none"> - Examples: Minimize Environmental Footprint: The World Around Us, Transform Manufacturing: The World Around Us, Unleash Human Potential: The World Around Us, Our Environmental Moonshot. • Priority Issues: Clearly outline NIKE's approach to issue prioritization and strategic direction. <ul style="list-style-type: none"> - Examples: Letter from Our CEO, Issue Prioritization. • Balance: Diversify the ways in which NIKE delivers relevant sustainability information to its interested stakeholders, ensuring the SBR, website and other supplementary communications present a consistent message and serve to complement one another. <ul style="list-style-type: none"> - Examples: Sustainable Business Report, Sustainability Website, Investor Relations. <p><u>Incorporating feedback</u></p> <p>The feedback that resulted from these engagements provided NIKE's leadership with direct insights and perspectives about our approach to reporting and disclosure. It also allowed NIKE leadership to hear directly from stakeholders and understand the topics that are top of mind for them.</p> <p>NIKE derives value from the stakeholder dialogue process, and we are committed to the integration of external feedback into our strategic planning and disclosure. 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.</p>				
REPORTING PRACTICE	102-45	Entities included in the consolidated financial statements	About this Report: page 2 Business Overview: pages 6-7 FY17 10-K: Item 1. Business: page 55			
	102-46	Defining report content and topic Boundaries	Our Approach: Issue Prioritization: page 16			
	102-47	List of material topics	Our Approach: Issue Prioritization: page 16			
	102-48	Restatements of information	All restatements are noted in this report.			
	102-49	Changes in reporting	Our Approach: Issue Prioritization: page 16 About this Report: page 2			
		Additional Information				
		In FY14/15 we embedded "Waste Generated" into the Water, Energy, and Chemical issues. This decision was made based on our analysis which showed that the real "impact" of waste is embodied in these areas. The unintended consequence was that stakeholders may have assumed that waste was a lower priority for NIKE, despite significant efforts made and the waste-related 2020 target we had in place. As it is actually a top-rated issue for our stakeholders, this year we have reintroduced waste into our list of priority issues in an effort to align with our stakeholder understanding of these issues.				
		NIKE's FY14/15 SBR included reporting on FY11-15 performance targets. FY15 served as the target year for NIKE's previous targets and also is the baseline year for most of NIKE's FY20 targets. FY20 targets encompass a significantly expanded scope compared to FY11-15 targets. For example, previous targets only included WHQ for in scope office facilities. FY20 targets include five NIKE, Inc. global HQs. FY20 targets also include outbound logistics and get deeper into NIKE's supply chain. As a result, FY15 values have been restated where necessary to enable comparability considering this expanded scope.				
	102-50	Reporting period	About this Report: page 2			
	102-51	Date of most recent report	We published the FY14-15 Sustainable Business Report in May 2016.			
	102-52	Reporting cycle	NIKE reports on a biannual reporting cycle.			
	102-53	Contact point for questions regarding the report	sustainability@nike.com			
	102-54	Claims of reporting in accordance with the GRI Standards	About this Report: page 2			
	102-55	GRI content index	GRI Index: pages 65-73			
	102-56	External assurance	We do not externally assure any data in this report. About this Report: page 2			

GLOBAL REPORTING INITIATIVE (GRI) INDEX

ENVIRONMENT

GRI STANDARD	NUMBER	GRI DISCLOSURE	LOCATION AND NOTES	OMISSION	UNGC PRINCIPLE	SDG																				
MATERIALS																										
MATERIAL ASPECTS: Non-Renewable Resource Depletion																										
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Minimize Environmental Footprint: Materials: pages 23–24																							
	103-2	The management approach and its components	Minimize Environmental Footprint: Materials: pages 23–24 Materials																							
	103-3	Evaluation of the management approach	Minimize Environmental Footprint: Materials: pages 23–24																							
GRI 301: MATERIALS	301-1	Materials used by weight or volume	Minimize Environmental Footprint: Materials: pages 23–24		8	 																				
Additional Information																										
The top five material volumes reported include renewable materials: cotton and corrugate/paper; and non-renewable materials: polyester, rubber, and EVA foam.																										
All material types reported are purchased from external suppliers except for EVA foam, which is sourced internally. Data reported consists of both direct measurements and estimates.																										
While many materials are measured directly for a wide variety of products, total corrugate volumes are estimated using averaging packaging material used for each product group.																										
While the majority of cotton and polyester volume data is sourced using direct measurements, product creation data is used to estimate material volumes for certain parts of the business.																										
ENERGY																										
MATERIAL ASPECTS: Energy																										
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Minimize Environmental Footprint: Energy and Emissions: pages 25–28 Energy & Emissions																							
	103-2	The management approach and its components	Minimize Environmental Footprint: Energy and Emissions: pages 25–28 Energy & Emissions																							
	103-3	Evaluation of the management approach	Minimize Environmental Footprint: Energy and Emissions: pages 25–28																							
GRI 302: ENERGY	302-1	Energy consumption within the organization	Minimize Environmental Footprint: Energy and Emissions: pages 25–28		8	   																				
Additional Information																										
<table border="1"> <thead> <tr> <th></th> <th>FY15</th> <th>FY16</th> <th>FY17</th> </tr> </thead> <tbody> <tr> <td>OWNED OR OPERATED¹</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Heat Consumed</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Steam Consumed</td> <td>1,007 MWh</td> <td>614 MWh</td> <td>865 MWh</td> </tr> <tr> <td>Cooling Consumed</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table>								FY15	FY16	FY17	OWNED OR OPERATED¹				Heat Consumed	0	0	0	Steam Consumed	1,007 MWh	614 MWh	865 MWh	Cooling Consumed	0	0	0
	FY15	FY16	FY17																							
OWNED OR OPERATED¹																										
Heat Consumed	0	0	0																							
Steam Consumed	1,007 MWh	614 MWh	865 MWh																							
Cooling Consumed	0	0	0																							
Fuel consumption represents natural gas and recycled oil.																										
¹ NIKE converts all energy consumed to kWh using net calorific value of the fuels consumed, including transportation fuels. Electricity data doesn't require conversion.																										
WATER																										
MATERIAL ASPECTS: Water use																										
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Minimize Environmental Footprint: Water: pages 32–33 Water																							
	103-2	The management approach and its components	Minimize Environmental Footprint: Water: pages 32–33 Water																							
	103-3	Evaluation of the management approach	Minimize Environmental Footprint: Water: pages 32–33																							
GRI 303: WATER	303-1	Water withdrawal by source	Minimize Environmental Footprint: Water: pages 32–33		8																					
Additional Information																										
Contract manufacturers report their freshwater withdrawal volumes and source to NIKE in accordance with NIKE's Water Program, which outlines measurement practices and defines freshwater sources. The facility boundary is equivalent to the property boundary, and freshwater is inclusive of domestic and manufacturing uses.																										
EMISSIONS																										
MATERIAL ASPECTS: GHG Emissions																										
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Minimize Environmental Footprint: Energy and Emissions: pages 25–28 Energy & Emissions																							
	103-2	The management approach and its components	Minimize Environmental Footprint: Energy and Emissions: pages 25–28 Energy & Emissions																							
	103-3	Evaluation of the management approach	Minimize Environmental Footprint: Energy and Emissions: pages 25–28																							
GRI 305: EMISSIONS	305-1	Direct (Scope 1) GHG emissions	Minimize Environmental Footprint: Energy and Emissions: pages 25–28	8	    																					
305-2	Energy Indirect (Scope 2) GHG emissions																									
305-3	Other Indirect (Scope 3) GHG emissions																									
Additional Information																										
Scope 1 and 2 emissions have been calculated and reported in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition); Scope 3 emissions in accordance with the Greenhouse Gas Protocol: Corporate Value Chain (Scope 3), Accounting and Reporting Standard. Emissions are reported in metric tonnes of carbon dioxide equivalent and include CO ₂ , CH ₄ , N ₂ O. Other GHGs have been assessed yet are not reported due to low materiality in NIKE's GHG emissions footprint. Global Warming Potentials (GWPs) are sourced from the Intergovernmental Panel on Climate Change Fifth Assessment Report (AR5 – 100 year). The operational control consolidation approach is used for emissions reporting. FY15 is used as the base year in alignment with FY20 energy and carbon targets.																										



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ENVIRONMENT

GRI STANDARD	NUMBER	GRI DISCLOSURE	LOCATION AND NOTES	OMISSION	UNGC PRINCIPLE	SDG
Additional Information						
SCOPE 1 AND 2 METHODOLOGY				CARBON SCOPE MATRIX¹		
Emissions data is calculated using primary activity data and extrapolations. Primary data is collected across the business via several internal processes and systems; extrapolation methodologies employ conservative assumptions to avoid understating NIKE's footprint. Emissions factors are updated according to a set cadence.				● IN SCOPE ● OUT OF SCOPE RE100 25% ENERGY & CARBON PER UNIT REDUCTION 35% ENERGY & CARBON PER UNIT REDUCTION MOONSHOT FULL VALUE CHAIN IMPACTS		
SCOPE 1 AND 2 OPERATIONAL BOUNDARIES				NIKE VALUE CHAIN TERMINOLOGY		
<u>Distribution Centers</u> Top 21 DCs globally as of the end of FY17, which represent more than 90% of shipped units and 90% of square footage.				CORPORATE SERVICES		
<u>Retail</u> Nike Brand, Converse, and Hurley stores globally.				HGs ● ● ● ● ●		
<u>HQs</u> World Headquarters, European HQ, Greater China HQ, Converse HQ, and Hurley HQ. New construction at HQ locations become in scope once buildings become operational.				Other Office Facilities & WHQ Building Construction ● ● ● ● ●		
<u>Other Office Facilities & WHQ Building Construction</u> Includes non-HQ office facilities and new building construction at WHQ prior to newly constructed sites becoming operational.				Air MI ● ● ● ● ●		
<u>Air MI</u> NIKE-owned manufacturing facilities that are the primary producers of NIKE air units.				Corporate Jets ● ● ● ● ●		
EMISSIONS FACTORS				Commercial Air Business Travel ● ● ● ● ●		
EMISSIONS EMISSIONS FACTOR SOURCE				RAW MATERIALS PRODUCTION		
SCOPE 1	GHG Protocol Emissions Factors from Cross-Sector Tools March 2017			Raw Materials Production ● ● ● ● ●		
SCOPE 2	U.S. – Contractual instruments (Power purchase agreement)			MATERIALS MANUFACTURING		
	U.S. & Canada – Supplier-specific emission factors			Materials Manufacturing ● ● ● ● ●		
	U.S. – Green-e Energy US Residual Mix Emissions Rates			MATERIALS FINISHING		
	U.S. – U.S. EPA Climate Leadership Emission Factors for GHG Inventories November 2015			Textile Dyeing & Finishing ● ● ● ● ●		
	U.S. – eGRID (location-based)			FINISHED GOODS MANUFACTURING		
	E.U. – AIB European Residual Mixes			FW, AP, & EQ Manufacturing ● ● ● ● ●		
	Global – IEA World Electricity CO ₂ Emissions Factors			LOGISTICS		
	2006 IPCC Guidelines for National Greenhouse Gas Inventories			Inbound Logistics ● ● ● ● ●		
	U.K. Department for Environment Food and Rural Affairs (DEFRA) and the Department of Energy and Climate Change (DECC)			Outbound Logistics ● ● ● ● ●		
SCOPE 3	IEA World Electricity CO ₂ Emissions Factors			Distribution Centers ● ● ● ● ●		
	Network for Transport Measurement (NTM)			RETAIL		
	Clean Cargo Working Group (CCWG) Nominal Trade Lane Average Port – Port			NIKE Direct ● ● ● ● ●		
	U.K. Department for Environment Food and Rural Affairs (DEFRA) and the Department of Energy and Climate Change (DECC)			CONSUMER USE		
				Consumer Use ● ● ● ● ●		
				END OF LIFE		
				End of Life ● ● ● ● ●		

¹ Only NIKE-owned Retail (NIKE Direct) and Logistics (Distribution Centers, Inbound & Outbound Logistics) are in scope for all of NIKE's commitments (RE100, FY20 targets, and the moonshot). Non-NIKE-owned Retail and Logistics are included in the Full Value Chain Impacts.

SCOPE 3 EMISSIONS BY CATEGORY & OPERATIONAL BOUNDARIES

SCOPE 3 EMISSIONS IN SCOPE OF MOONSHOT AMBITION			
EMISSIONS SOURCES	FY17 METRIC TONNES CO ₂ E AND/OR EVALUATION STATUS	SCOPE OF REPORTED EMISSIONS	EMISSIONS CALCULATION METHODOLOGY
UPSTREAM			
1 - PURCHASED GOODS & SERVICES	9,179,754	Includes emissions across NIKE brands and product engines, including from raw materials production, materials manufacturing, materials finishing, and finished goods manufacturing.	Emissions data is calculated using primary activity data and extrapolations. CO ₂ e emissions include CO ₂ , CH ₄ , and N ₂ O. Nike Brand and Converse footwear finished goods manufacturing emissions data is derived from 100% primary data and represents nearly 90% of the emissions in finished goods manufacturing. For this subset, vendors provide monthly energy consumption: from the local utility grid, onsite generators, other fuels and purchased steam. For electricity: kWh values are multiplied by CO ₂ e emissions factors for electricity purchased from the local utility grid by the country the factory resides in. For onsite generation and other fuels: CO ₂ e emissions are calculated using the IPCC bottoms up calculation methodology. Extrapolation methodologies are used for emissions estimates outside of footwear finished goods manufacturing based on lifecycle analysis data and employ conservative assumptions to avoid understating NIKE's footprint.

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SCOPE 3 EMISSIONS IN SCOPE OF MOONSHOT AMBITION

EMISSIONS SOURCES	FY17 METRIC TONNES CO ₂ e AND/OR EVALUATION STATUS	SCOPE OF REPORTED EMISSIONS	EMISSIONS CALCULATION METHODOLOGY
UPSTREAM			
4 - TRANSPORTATION & DISTRIBUTION (UPSTREAM)	642,287	Includes ~95% of global inbound transportation via the following modes of transportation: air, ocean, truck, and rail.	Transactional data is applied to a third-party transportation carbon calculator against industry standard emissions factors. For Air: Distance traveled (km) x cargo weight (kg) x emission factor [g of CO ₂ / (TEU x km)]. For all other modes: Distance traveled (km) x cargo volume (TEU) x emission factor [g of CO ₂ / (TEU x km)].
6 - BUSINESS TRAVEL	81,913	Includes emissions from commercial air travel.	Air CO ₂ emissions are estimated based on number and distance of trips. Short-haul trips are less fuel efficient per mile flown. Longer haul flights become less efficient due to the need to carry more fuel.
DOWNSTREAM			
9 - TRANSPORTATION & DISTRIBUTION (DOWNSTREAM)	73,080	Includes ~90% of global outbound transportation via the following modes of transportation: air, ocean, truck, and rail. Excludes non-NIKE paid freight.	Transactional data is applied to a third-party transportation carbon calculator against industry standard emissions factors. For Air: Distance traveled (km) x cargo weight (kg) x emission factor [g of CO ₂ / (TEU x km)]. For all other modes: Distance traveled (km) x cargo volume (TEU) x emission factor [g of CO ₂ / (TEU x km)].
12 - END-OF-LIFE TREATMENT OF SOLD PRODUCTS	368,542	These emissions are associated with the disposal of products including landfill, recycling, and incineration.	There is no primary emissions data available for end-of-life treatment of NIKE's products. To evaluate NIKE's value chain footprint, we identified and quantified CO ₂ e emissions created at each stage of the value chain. The impact of each individual product differs considerably, based on its profile, materials used, size and weight, method of manufacture, and location of production, use, and disposal. Several internal and external tools were used to develop this estimation, including NIKE's Business and Environmental Scenario Tool (BEST), Enablon database, NIKE's Apparel Sustainability Index, NIKE's Footwear Sustainability Index, and NIKE's Materials Sustainability Index. End-of-life Stage: at the disposal stage we assumed the finished good is disposed of at the end of one year.

SCOPE 3 EMISSIONS OUT SCOPE OF MOONSHOT AMBITION

EMISSIONS SOURCES	FY17 METRIC TONNES CO ₂ e AND/OR EVALUATION STATUS	SCOPE OF REPORTED EMISSIONS	EMISSIONS CALCULATION METHODOLOGY
DOWNSTREAM			
5 - WASTE GENERATED IN OPERATIONS	2,030	Emissions relative to the fate of the waste generated in our own operations including HQs and DCs.	Total HQ and DC waste not diverted from landfill multiplied by a lifecycle assessment-based emission factor for municipal waste sent to landfill.
11 - USE OF SOLD PRODUCTS	6,284,727	These emissions are associated with washing and drying NIKE's sold apparel and socks. We assumed for the value chain footprint exercise that footwear and equipment were not washed. Based on our footprinting work, we estimate that about 36% of the emissions throughout our value chain are emitted during the use phase of NIKE products. These emissions are out of scope of NIKE's moonshot ambition.	There is no primary emissions data available from use of NIKE's products. To evaluate NIKE's value chain footprint, we identified and quantified CO ₂ e emissions created at each stage of the value chain. The impact of each individual product differs considerably, based on its profile, materials used, size and weight, method of manufacture, and location of production, use, and disposal. Several internal and external tools were used to develop this estimation, including NIKE's Business and Environmental Scenario Tool (BEST), Enablon database, NIKE's Apparel Sustainability Index, NIKE's Footwear Sustainability Index, and NIKE's Materials Sustainability Index. Consumer Usage: Water and Energy Usage was estimated based on the following assumptions – Only apparel units and socks were considered. Each item was assumed washed 52 times in one year. The washing assumptions were based on regional consumer washing practices and estimates of washing machine types by region. CO ₂ e was based on regional conversion factors applied to the estimated energy usage.

SCOPE 3 EMISSIONS - NOT RELEVANT/NOT YET CALCULATED

EMISSIONS SOURCES	FY17 METRIC TONNES CO ₂ e AND/OR EVALUATION STATUS	SCOPE OF REPORTED EMISSIONS	EMISSIONS CALCULATION METHODOLOGY
UPSTREAM			
2 - CAPITAL GOODS	Not relevant	NIKE does not have significant investment in capital goods as most manufacturing equipment is owned and operated by contracted factories.	N/A
3 - FUEL & ENERGY-RELATED ACTIVITIES NOT INCLUDED IN SCOPE 1 OR 2	Not relevant	NIKE does not have significant use of fuel and energy-related activities as our manufacturing is completed by contract factories.	N/A
7 - EMPLOYEE COMMUTING	Relevant, not yet calculated	Employee commuting is a relevant metric for NIKE, Inc. as we had approximately 10,700 employees commuting just to our World Headquarters daily in FY17. We have not yet calculated the corresponding CO ₂ emissions for employee commuting.	N/A
8 - UPSTREAM LEASED ASSETS	Not relevant	NIKE does not have significant emissions from upstream leased assets.	N/A



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ENVIRONMENT

SCOPE 3 EMISSIONS - NOT RELEVANT/NOT YET CALCULATED

EMISSIONS SOURCES	FY17 METRIC TONNES CO ₂ E AND/OR EVALUATION STATUS	SCOPE OF REPORTED EMISSIONS	EMISSIONS CALCULATION METHODOLOGY
DOWNSTREAM			
10 - PROCESSING OF SOLD PRODUCTS	Not relevant	NIKE's products are finished consumer goods and do not undergo any additional processing once sold.	N/A
13 - DOWNSTREAM LEASED ASSETS	Not relevant	NIKE does not have significant emissions from downstream leased assets.	N/A
14 - FRANCHISES	Not relevant	NIKE does not have significant emissions from franchises.	N/A
15 - INVESTMENTS	Not relevant	NIKE does not have significant emissions from investments.	N/A
8 - UPSTREAM LEASED ASSETS	Not relevant	NIKE does not have significant emissions from upstream leased assets.	N/A

GRI STANDARD	NUMBER	GRI DISCLOSURE	LOCATION AND NOTES	OMISSION	UNGC PRINCIPLE	SDG
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EFFLUENTS AND WASTE

MATERIAL ASPECTS: Material Waste

GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Minimize Environmental Footprint: Waste: pages 29-31			
	103-2	The management approach and its components	Minimize Environmental Footprint: Waste: pages 29-31 Waste			
	103-3	Evaluation of the management approach	Minimize Environmental Footprint: Waste: pages 29-31			
GRI 306: EFFLUENTS AND WASTE	306-2	Waste by type and disposal method	Minimize Environmental Footprint: Waste: pages 29-31		8, 9	

Additional Information
Distribution center and office waste disposal method has been determined by information provided by waste disposal contractors. In some facilities, NIKE directly contracts with disposal providers for material-specific streams or specific containers. In other facilities, NIKE uses one provider for all waste streams.

Contract manufacturers report their solid waste generation and disposal method to NIKE in accordance with NIKE's Waste Program, which outlines separation and handling practices for non-hazardous waste and defines waste items and management methods.

For hazardous waste, annual compliance audits verify that our partners are meeting the requirements in the NIKE Code Leadership Standards (CLS) for suppliers. Auditors confirm that partners have obtained all required permits and that hazardous waste vendors selected by the partners are properly qualified and licensed. The CLS also outlines storage requirements for any location that generates or stores 100 kg or more of hazardous waste each month.



TOTAL WEIGHT OF HAZARDOUS WASTE (TONNES) GENERATED IN FOOTWEAR MANUFACTURING ^{1,2}		
	FY16	FY17
Total Weight	6,858	7,370

¹ Best available data reported to NIKE by manufacturing partners of finished goods. Excluded from scope is any hazardous waste generated from non-manufacturing activities.
² Annual compliance audits verify that our partners are meeting the requirements in the NIKE Code Leadership Standards (CLS) for suppliers. Auditors confirm that partners have obtained all required permits and that hazardous waste vendors selected by the partners are properly qualified and licensed. The CLS also outlines storage requirements for any location that generates or stores 100 kg or more of hazardous waste each month.

EMPLOYMENT

MATERIAL ASPECTS: Employment Total Compensation

GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Unleash Human Potential: Employees: pages 55-57
	103-2	The management approach and its components	Unleash Human Potential: Employees: pages 55-57
	103-3	Evaluation of the management approach	Unleash Human Potential: Employees: pages 55-57



GRI 401: EMPLOYMENT	401-3	Parental leave	Unleash Human Potential: Employees: page 56
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We report on the total number of employees that took parental leave, by gender. We currently are not able to track return to work and retention rates.





GLOBAL REPORTING INITIATIVE (GRI) INDEX




ENVIRONMENT

GRI STANDARD	NUMBER	GRI DISCLOSURE	LOCATION AND NOTES	OMISSION	UNGC PRINCIPLE	SDG
OCCUPATIONAL HEALTH AND SAFETY						
MATERIAL ASPECTS: Occupational Health & Safety						
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Transform Manufacturing: Sustainable Sourcing: page 41 Unleash Human Potential: Additional Priority Issues: pages 61–62			
	103-2	The management approach and its components	Unleash Human Potential: Additional Priority Issues: pages 61–62 Culture of Health and Safety			
	103-3	Evaluation of the management approach	Unleash Human Potential: Additional Priority Issues: pages 61–62			
GRI 403: OCCUPATIONAL HEALTH AND SAFETY	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Unleash Human Potential: Additional Priority Issues: pages 61–62	We disclose Total Case Incident Rate (TCIR) and Lost Time Injury Rate (LTIR), which is considered industry standard.		 

TRAINING AND EDUCATION

MATERIAL ASPECTS: Workforce Development						
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Unleash Human Potential: Employees: pages 55–57			
	103-2	The management approach and its components	Unleash Human Potential: Employees: pages 55–57 People at Nike			
	103-3	Evaluation of the management approach	Unleash Human Potential: Employees: pages 55–57			
GRI 404: TRAINING AND EDUCATION	404-3	Percentage of employees receiving regular performance and career development reviews	Unleash Human Potential: Employees: page 55			 
Additional Information						
EMPLOYEES WHO RECEIVE PERFORMANCE REVIEW (CFE RATING)¹						
		FY16	FY17	FY16	FY17	
GENDER		%	%	EMPLOYMENT TYPE		%
Female	CFE Rating	66%	63%	Full-time	CFE Rating	76%
	No Rating	34%	37%		No Rating	24%
Male	CFE Rating	65%	62%	Part-time	CFE Rating	42%
	No Rating	35%	38%		No Rating	58%
GRAND TOTAL		65%	62%			61%
		35%	38%	1 Excludes temporary workers.		

DIVERSITY AND EQUAL OPPORTUNITY

MATERIAL ASPECTS: Total Compensation						
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Unleash Human Potential: Employees: pages 55–57			
	103-2	The management approach and its components	Unleash Human Potential: Employees: pages 55–57 People at Nike			
	103-3	Evaluation of the management approach	Unleash Human Potential: Employees: pages 55–57			
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY	405-2	Ratio of basic salary and remuneration of women to men	Unleash Human Potential: Employees: pages 55–57			  

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SOCIAL

GRI STANDARD	NUMBER	GRI DISCLOSURE	LOCATION AND NOTES	OMISSION	UNGC PRINCIPLE	SDG
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING						
MATERIAL ASPECTS: Freedom of Association						
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Transform Manufacturing: Additional Priority Issues: pages 49–50			
	103-2	The management approach and its components	Transform Manufacturing: Additional Priority Issues: pages 49–50 Human Rights			
	103-3	Evaluation of the management approach	Transform Manufacturing: Additional Priority Issues: pages 49–50			
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Transform Manufacturing: Additional Priority Issues: pages 49–50		1, 3	
CHILD LABOR						
MATERIAL ASPECTS: Child Labor						
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Transform Manufacturing: Additional Priority Issues: pages 49–50 Code of Conduct Code Leadership Standards (CLS)			
	103-2	The management approach and its components	Unleash Human Potential: Additional Priority Issues: pages 49–50 Human Rights			
	103-3	Evaluation of the management approach	Transform Manufacturing: Additional Priority Issues: pages 49–50			
GRI 408: CHILD LABOR	408-1	Operations and suppliers at significant risk for incidents of child labor	Transform Manufacturing: Additional Priority Issues: pages 49–50		1, 5	 
CHEMISTRY						
MATERIAL ASPECTS: Chemistry						
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Minimize Environmental Footprint: Chemistry: pages 34–36			
	103-2	The management approach and its components	Minimize Environmental Footprint: Chemistry: pages 34–36 Approach to Chemistry Chemistry Playbook			
	103-3	Evaluation of the management approach	Performance and Disclosure Committee: page 5 Minimize Environmental Footprint: Chemistry: pages 34–36			
CHEMISTRY	N/A		Minimize Environmental Footprint: Chemistry: pages 34–36			
EXCESSIVE OVERTIME						
MATERIAL ASPECTS: Excessive Overtime						
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Transform Manufacturing: Sustainable Sourcing: pages 41–44			 
	103-2	The management approach and its components	Transform Manufacturing: Sustainable Sourcing: pages 41–44			
	103-3	Evaluation of the management approach	Transform Manufacturing: Sustainable Sourcing: pages 41–44			
EXCESSIVE OVERTIME	N/A		Transform Manufacturing: Sustainable Sourcing: pages 41–44			
ACTIVE KIDS						
MATERIAL ASPECTS: Active Kids						
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Our Approach: Issue Prioritization: page 16 Unleash Human Potential: Community Investment: pages 58–60			
	103-2	The management approach and its components	Unleash Human Potential: Community Investment: pages 58–60 Community Impact			
	103-3	Evaluation of the management approach	Performance and Disclosure Committee: page 5 Unleash Human Potential: Community Investment: pages 58–60			
ACTIVE KIDS	N/A		Unleash Human Potential: Community Investment: pages 58–60			