

FY16/17 SUSTAINABLE BUSINESS REPORT: EXECUTIVE SUMMARY

Released on May 14, 2018, NIKE's Sustainable Business Report covers FY16 and FY17 progress against our 2020 targets.

NIKE's 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, and equitable, and our materials and products are sustainable. And now, with more determination than ever, we're creating a culture where everyone has an opportunity to play an important role and be successful.

MINIMIZE ENVIRONMENTAL FOOTPRINT: HIGHLIGHTS

We deliver performance products while obsessing our impact on the environment – focusing on what we make, how we make it, and how we operate our business.

PRODUCT



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.

- 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.

MATERIALS

The materials we use have the greatest environmental impact in the entire product lifecycle. Reducing this impact is the strongest way we can improve our overall environmental performance.

- NIKE has been recognized as the largest user of recycled polyester in the industry for four straight years.
- We saved over 24 billion liters of water and 85,000 kg of pesticides in FY17 by sourcing cotton more sustainably.
- 75 percent of Nike-branded footwear and apparel products used some recycled materials in FY17.



ENERGY AND EMISSIONS



We are building resilience to climate uncertainty into our operations by reducing costs, innovating new operating models, and strengthening our supply chain.

- We signed power purchase agreements that will enable us to source 100 percent renewable energy in North America in 2019 and help us get half of the way to reaching 100 percent renewable energy globally by 2025.
- Most footwear finished goods factories have eliminated outdated steam boiler systems, creating an average energy savings of 15 to 20 percent at each location.

WASTE



We aim to design waste out of our products and optimize manufacturing processes to eliminate waste.

- 96 percent of footwear finished goods manufacturing waste was recycled or converted to energy in FY17.
- 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.

WATER



We are focused on innovating to reduce water use, and improving wastewater quality to enable cost-effective water recycling.

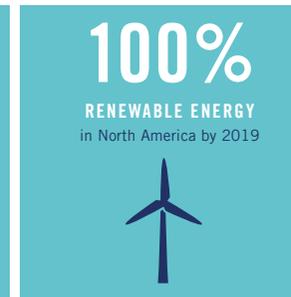
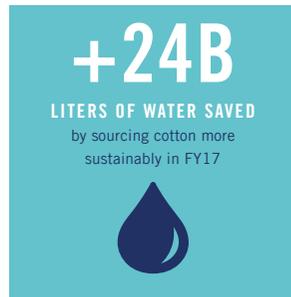
- 40 percent of our primary materials suppliers use recycled treated wastewater in their manufacturing processes.
- All finished goods factories and material suppliers in areas of high water scarcity and flooding risk are evaluating risks and developing mitigation and management plans.

CHEMISTRY



Chemistry is essential to product innovation and manufacturing, but can affect the sustainability of our product creation process.

- NIKE adopted the AFIRM Group Restricted Substance List (RSL).
- Global deployment of the ZDHC Wastewater Guideline has allowed NIKE to measure progress against our Manufacturing RSL compliance target.
- We supported the development of the Higg FEM 3.0 Chemical Module for assessing supply chain chemicals management.



TRANSFORM MANUFACTURING: HIGHLIGHTS

We are transforming manufacturing with robust standards so that our products are made responsibly and sustainably.

SUSTAINABLE SOURCING

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.

- The number of factories complying with our Code of Conduct (Bronze status) has increased from 50 percent in FY11 to 91 percent in FY17.
- Developed and rolled out a more detailed and robust audit protocol.
- Integrated a “Culture of Safety” program into our Nike Lean management framework.



ENGAGED WORKFORCE

We want to work with contract manufacturers that invest in developing the skills and capabilities of their employees and promote collaboration among workers and between workers and managers.

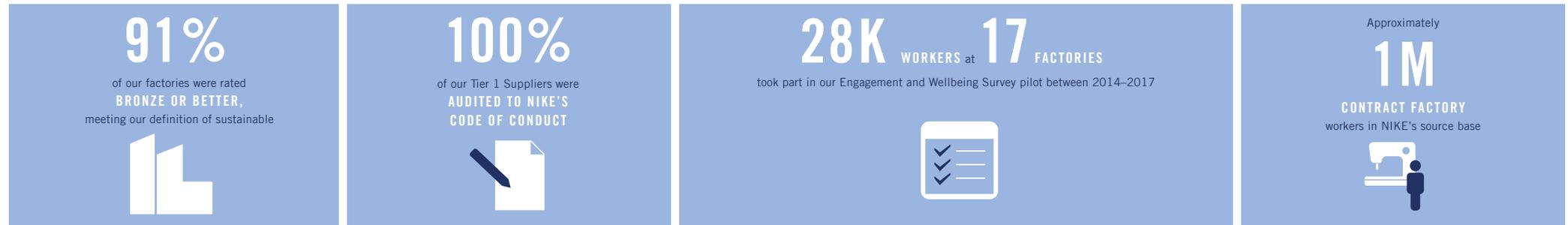
- In FY16, we launched a refined Engagement and Wellbeing (EWB) approach, including a survey that is statistically validated and correlated with key business metrics.
- In FY17, we completed a multi-year compensation and benefits pilot.
- We invested in human resource capability building at supplier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



PARTNERSHIPS TO ACCELERATE INDUSTRY CHANGE

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 to address risks and improve outcomes for contract factories, workers, and their communities.

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



UNLEASH HUMAN POTENTIAL: HIGHLIGHTS

We use the power of our brand to stand up for the values we believe in and create a level playing field.

EMPLOYEES

Our 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.

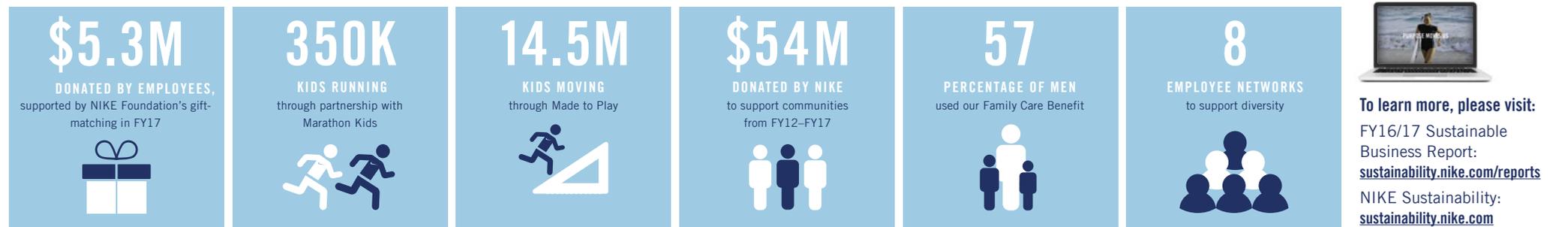
- Over 1,100 employees trained in Unconscious Bias Awareness.
- We announced a new team-based bonus award to accelerate our culture and reward behaviors that reinforce teamwork and collaboration.
- Over 1,800 employees utilized the Family Care Benefit in FY17.



COMMUNITY IMPACT

We believe in the power of sport to move the world forward and unleash human potential for athletes and communities everywhere.

- Supported community partners to get more than 14.5 million kids moving through Made to Play in FY17.
- NIKE works with partners around the world, including Brazil, China, Europe, Russia, and the U.S., to get kids moving before, during, and after school.
- From FY12 to FY17, we supported Oregon communities with more than \$54 million in donations and nearly \$5 million in product, and over 2,000 NIKE employees donated time and money.
- NIKE and non-profit partner Marathon Kids are getting more than 350,000 kids running across all 50 U.S. states and in the U.K.



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

