

PURPOSE MOVES US



SAE SHIGEMOTO



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ABOUT THIS REPORT

NIKE, Inc.'s ("NIKE") mission as a brand is to bring inspiration and innovation to every athlete¹ in the world. Our purpose is to unite the world through sport to help create a healthy planet, active communities and an equal playing field for all. We do that by building creative and diverse global teams, making a positive impact in the communities where we live and work, and by making products responsibly and more sustainably.

A commitment to transparency, accountability, and impact drives us – as reflected by our approach to sharing our priority issues and reporting our progress toward NIKE's 2020 targets.²

The targets and measures in this NIKE, Inc. Impact Report represent our public commitments and are an aggregated view of our long-term goals to meet stakeholder³ expectations and align with NIKE's business priorities. Building on NIKE's reporting tradition since 2001, we expect to report progress against our social and environmental targets and priority issues annually.

We know that we may face unforeseen and untimely setbacks, and that factors outside of our control may impact our efforts and intentions. We consider our goals aggressive – but achievable. We have plans in place to achieve these goals, knowing progress depends on end-to-end execution. Progress will not be linear. That said, we will amplify our successes and learn from our setbacks and failures. These goals are integral to our Purpose and we will pursue them relentlessly.

In this report, we cover NIKE's fiscal year 2019 (June 1, 2018, through May 31, 2019), with the notable exception of calendar year 2019 data for the Employee and Occupational Health and Safety sections. We will refer to the fiscal year as FY19 and the calendar year as CY19 for the rest of the report. Unless otherwise stated, the baseline for our targets is FY15.

We have obtained external assurance on select reported metrics (Scope 1 and 2 energy consumption and emissions, and Scope 3 commercial air travel emissions). More information can be found in the Appendix.

For news, updates, and more detail about NIKE, please visit purpose.nike.com.

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

Note: The information in this report and NIKE, Inc.'s corporate responsibility/sustainability reporting and website, inclusive of charts, graphs, and discussion, and all other information presented, may contain forward-looking statements, estimates, or projections based on expectations as of the original date of those materials. Those statements, estimates, and projections are subject to certain risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are detailed in our reports filed with the U.S. Securities and Exchange Commission, including Forms 8-K, 10-K, and 10-Q. Presented information may also discuss previously non-public financial and statistical information. All information was current only as of the date originally presented. We do not update or delete outdated information contained in website materials, and we disclaim any obligation to do so. All content is the property of NIKE, Inc.

¹ "If you have a body, you are an athlete." – Bill Bowerman, NIKE cofounder and celebrated track coach.

² Definitions of Priority issues on page 66.

³ Stakeholders are defined as customers, consumers, shareholders, employees, communities, NGOs, and academics.





SKY BROWN

INTRODUCTION



LETTER FROM OUR CEO

NIKE exists to progress sport. But in recent years, we also face a broader challenge: to help protect sport itself.

Today, that's why we're thinking even bigger than delivering inspiration and innovation for athletes. To best serve future generations, we're also bringing the best of NIKE to respond to some of the most pressing challenges of our time.

NIKE's purpose is to unite the world through sport to create a healthy planet, active communities and an equal playing field for all. These are more than aspirations – they are foundational priorities that shape decisions across every aspect of our business.

As of this FY19 NIKE, Inc. Impact Report, I have been President and CEO of NIKE for less than two months. Yet the extraordinary impact NIKE can have is already clear to me.

This is the power of sport. Like so many across our company, I came to NIKE because I believe in sport. I believe in sport's capacity to transform lives and communities. And at a time when our society is more fragmented than ever, when polarization is wearing down our institutions and climate change is threatening our very survival, I believe in the power of sport to bring us together to change the world for the better.

Nowhere does that capacity for impact matter more urgently than with regard to our changing planet. When it comes to the growing climate emergency, the data is crystal clear – and so too are the voices of our athletes. As marathon start times get moved into pre-dawn hours and players and fans suffer from heat exhaustion due to extreme weather conditions, those who work in sport see first-hand the damaging effects of climate change. This crisis is affecting the athletes we serve – not someday, but right now – and in turn compelling us to swiftly evolve our business.

If there is no planet, there is no sport. It is this understanding that drives the urgency of our commitment to sustainability and impact.

In FY19, we made some incredible progress toward our goals. We invested more than \$81 million to drive **impact in our communities** and got more than 17 million kids active. When we help unleash the power of play and sport for kids, we can change lives. That's why our priority in our community work is to get kids moving. And because a good coach can make all the difference in a kid's experience – we've helped train nearly 100,000 community coaches through NIKE-supported programming.

One particular focus for us is increasing the number of female coaches, as we know they are such powerful catalysts in **inspiring more girls to get active**. From partnering with community organizations to recruit and train female coaches to launching a training guide with the United States Olympic and Paralympic Committee to help all coaches create a girl-inclusive culture, we continue to invest in creating safe spaces where girls can learn, grow and become the leaders we know they can be, in sport and in life.

We've previously set a target to reach 100% renewable energy in our owned or operated facilities by 2025. We recently **achieved 100% renewable energy across North America** – an impressive stride toward our global energy

goals. We are also working to eliminate footwear manufacturing waste to landfill or incineration. In FY19, **99.9% of footwear manufacturing waste was recycled by contract factories or converted to energy**. In addition, we are increasing the use of more sustainable materials across our products, transforming some 1 billion plastic bottles per year into recycled polyester for jerseys as well as other materials for both apparel and footwear.

Across our supply chain, we're also investing in creating a skilled, valued, and engaged workforce. One key, we believe, is enabling contract factory workers to share in productivity gains. This year, we scaled our **supplier Engagement and Wellbeing Survey**, which provides a holistic, comprehensive view of the worker experience and captures an actionable data set for our suppliers. In FY19, we increased participation in the survey to 45 facilities, nearly doubling the reach to 270,000 people in their combined workforce.

We also continue to think critically about the change we want to drive inside NIKE. In FY19, we maintained the **global pay equity ratio** for men to women, and white to underrepresented groups in the U.S., that we achieved last year. Over the past year, we increased VP-level representation for women by 3 percentage points (p.p.) to 39% globally and for U.S. underrepresented groups by 2 p.p. to 21%. While this is good progress, we know there is more work to do. We will continue to increase representation and strengthen our culture of belonging.

And we will continue to strive to bring sport to kids and communities everywhere by scaling more sustainable solutions that teams across NIKE are tirelessly developing every day. We will continue to innovate for all athletes everywhere to help ensure an equal playing field for all and to challenge existing systems while we drive toward a more circular future.

To me, the same qualities that have made NIKE the world's leader in sport – our boldness, our creativity, our ambition – are the same qualities that position us for wider impact in the face of today's global challenges. This is why I'm so hopeful. Already, I can see the meaningful difference that our teams are making in the world – for our people and our planet. The stakes couldn't be any higher. And yet, the opportunities couldn't be any greater.

Like so much else at NIKE, it's not enough to be in the game. At NIKE, we lead. And as we challenge ourselves to always do better and think bigger, we can and will create the future we want to see.



John Donahoe
President and CEO

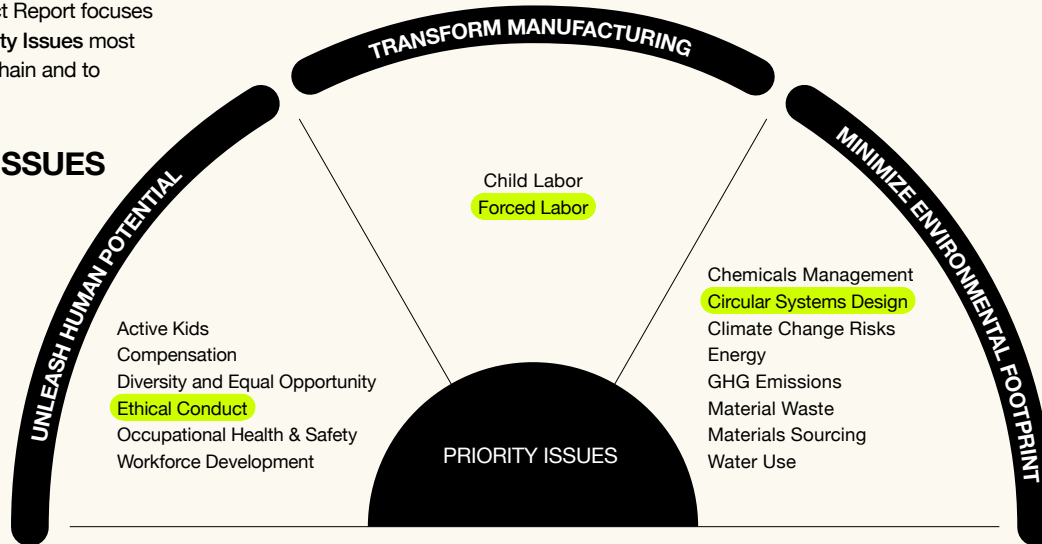


REPORT CONTENT

The FY19 NIKE, Inc. Impact Report focuses on 2020 Targets and Priority Issues most relevant across our value chain and to our stakeholders.

FY19 PRIORITY ISSUES

● New Priority Issues



2020 TARGETS AND MEASURES

UNLEASH HUMAN POTENTIAL

Employees

Target	Attract and develop an increasingly diverse, engaged, and healthy workforce
Measure	<ul style="list-style-type: none"> Provide visibility to our diversity and inclusion progress Provide comprehensive, competitive, and equitable pay and benefits Invest in our employees through growth and development and wellbeing initiatives⁴

Community Impact

Target	Invest a minimum of 1.5% of pre-tax income to drive positive impact in our communities
Measure	<ul style="list-style-type: none"> Get kids (ages 7–12) moving through play and sport Inspire a majority of NIKE employees to engage with their communities and support their giving of expertise, time, and money Drive sustained community impact in primary markets and sourcing backyards

TRANSFORM MANUFACTURING

Sustainable Sourcing

Target	Source 100% from factories that meet our definition of sustainable
Measure	<ul style="list-style-type: none"> Elevate a culture of health and safety Eliminate excessive overtime (EOT)

Engaged Workforce

Target	Ensure contract factory workers share in productivity gains
Measure	<ul style="list-style-type: none"> Work with factories to develop and test new benefits and compensation models for their workers that can be scaled in the supply chain Deliver improvements in key measures: unplanned absenteeism, turnover, and contract factory worker engagement and wellbeing

Partnerships to Accelerate Industry Change

Target	Establish partnerships that support the needs of workers both inside and outside of the factories
Measure	<ul style="list-style-type: none"> Scale services to support management and workers for improved engagement and wellbeing

MINIMIZE ENVIRONMENTAL FOOTPRINT

Product

Target	Deliver products for maximum performance with minimum impact, with a 10% reduction in the average environmental footprint
Measure	<ul style="list-style-type: none"> Greater than 80% of all NIKE product will be scored on sustainability performance

Materials

Target	Increase use of sustainable materials in footwear and apparel
Measure	<ul style="list-style-type: none"> Source 100% of our cotton more sustainably across NIKE

Carbon and Energy

Target	Reach 100% 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
Measure	<ul style="list-style-type: none"> Decrease energy use and CO₂e emissions 25% per unit in key operations Decrease energy use and CO₂e emissions 35% per kg in textile dyeing and finishing processes

Waste

Target	Eliminate footwear manufacturing waste to landfill or incineration, while continuing to reduce overall waste
Measure	<ul style="list-style-type: none"> Reduce waste index by 10% in footwear manufacturing, in distribution centers (DCs) and headquarters (HQs) Increase landfill diversion at DCs and HQs

Water

Target	Innovate and adopt new approaches to reduce water use in our supply chain, with a 20% reduction in freshwater use in textile dyeing and finishing (L/kg per unit of production)
Measure	<ul style="list-style-type: none"> Build resilience through supplier water risk-mitigation plans with material processors

Chemistry

Target	Enable Zero Discharge of Hazardous Chemicals (ZDHC)
Measure	<ul style="list-style-type: none"> 100% compliance with NIKE Restricted Substance List (RSL) 100% compliance with ZDHC Manufacturing Restricted Substances List (MRSL) Achieve better chemical input management through scaling more sustainable chemistries Lead industry change through collective action 100% of focus suppliers meeting NIKE's wastewater quality requirements for textile dyeing and finishing processes

⁴ This measure was updated to better reflect our strategic approach to employees.



TARGETS SUMMARY

Metric	Unit of Measurement	FY15 Baseline	FY16	FY17	FY18	FY19	FY19 Change vs. Baseline	Target
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UNLEASH HUMAN POTENTIAL



COMMUNITY IMPACT

Annual Investments as % of Pre-Tax Income	%	1.9%	1.8%	1.9%	1.8%	1.9%	N/A⁵	1.5%
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TRANSFORM MANUFACTURING



MANUFACTURING⁶

Factories Rated Bronze or Better	%	86%	87%	91%	93%	93%	▲ 44 p.p.⁷ (vs. FY11 baseline)	100%
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Factories with Excessive Overtime	%	3.3%	3.2%	3.9%	2.4%	2.3%	▼ 1 p.p.	0%
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MINIMIZE ENVIRONMENTAL FOOTPRINT



PRODUCT

Average Product Carbon Footprint ⁸	(kg CO ₂ e/unit)	7.33	7.19	7.15	7.45	7.33	0%⁹	▼ 10%
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Product Scored on Sustainability Performance ¹⁰	%	27%	68%	71%	73%	69%	▲ 42 p.p.	80%
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MATERIALS

Sustainable Materials – Apparel (AP) ¹¹	%	19%	21%	33%	34%	41%	▲ 22 p.p.	Increase
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Sustainable Materials – Footwear (FW) ^{11, 12}	%	31%	31%	32%	32%	30%	▼ 1 p.p.	Increase
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Cotton Sourced More Sustainably ¹³	%	24%	35%	53%	60% ¹⁴	86%	▲ 62 p.p.	100%
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CARBON AND ENERGY

Renewable Energy – Owned or Operated ¹⁵	%	14%	20%	22%	22%	27%	▲ 13 p.p.	100%
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Energy Consumption Per Unit – Key Operations ¹⁶	(kWh/unit)	5.28	4.75	5.32	5.42	5.51	▲ 4%	▼ 25%
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Carbon Emissions Per Unit – Key Operations ¹⁶	(kg CO ₂ e/unit)	1.89	1.73	1.90	1.97	1.94	▲ 3%	▼ 25%
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Energy Consumption Per kg – Textile Dyeing and Finishing ¹⁷	(kWh/kg)	15.86	15.46	14.95	14.40	13.44	▼ 15%	▼ 35%
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Carbon Emissions Per kg – Textile Dyeing and Finishing ¹⁷	(kg CO ₂ e/kg)	4.78	4.68	4.55	4.33	4.06	▼ 15%	▼ 35%
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Key ▲ Increase ▼ Decrease

Favorable ▲ ▼

Unfavorable ▲ ▼



TARGETS SUMMARY

Metric	Unit of Measurement	FY15 Baseline	FY16	FY17	FY18	FY19	FY19 Change vs. Baseline	Target
MINIMIZE ENVIRONMENTAL FOOTPRINT (CONTINUED)								
WASTE								
Waste to Landfill – Footwear Manufacturing ¹⁸	%	–	6.6%	3.9%	1.8%	0.1%	▼ 6.5 p.p.	0%
Waste Index – FW Manufacturing, Distribution Centers (DCs), and Headquarters (HQs) ¹⁹	–	100	98	100	103	102	▲ 2%	▼ 10%
Landfill Diversion DCs & HQs ²⁰	%	88%	87%	88%	87%	89%	▲ 1 p.p.	Increase
WATER								
Freshwater Use Per Kg – Textile Dyeing and Finishing ¹⁷	L/kg	–	126.5	117.2	109.3	94.3	▼ 25%	▼ 20%
CHEMISTRY								
Tested Material in Compliance with NIKE Restricted Substance List	%	95%	99%	98%	99%	98%	N/A²¹	100%
Compliance with the ZDHC Manufacturing Restricted Substances List (MRSL) ²²	%	–	–	–	67% ²²	79%	▲ 12 p.p.	100%
Focus Suppliers Meeting NIKE's Wastewater Quality Requirements – Textile Dyeing and Finishing ²³	%	–	–	–	40%	51%	▲ 11 p.p.	100%

Key	▲ Increase	▼ Decrease
Favorable	▲	▼
Unfavorable	▲	▼

5 This is an annual target. Baseline and change vs. baseline are not relevant to this target.

6 Scope includes all finished goods manufacturing.

7 p.p. = percentage points.

8 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).

9 Average product carbon footprint is flat compared to the FY15 baseline due to an increase in both material per unit (apparel getting heavier) and manufacturing emissions intensity (driven by grid electricity in Vietnam and style/model mix). NIKE has two other FY20 carbon targets, which represent Tier 1 (finished goods manufacturing) combined with other key operations, and Tier 2 (materials finishing). The product target represents Tiers 1 through 4 (which includes materials manufacturing and raw materials production).

10 Product scope includes all product engines across Nike brand, Converse, and Hurlley and Nike brand licensees.

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

12 FY16 and FY18 FW EPM percentages have been restated due to reporting variances identified through NIKE's data governance processes.

13 Certified organic, Better Cotton (cotton grown according to the Better Cotton Standard System), or recycled.

14 FY18 has been restated due to a reporting variance identified through NIKE's data governance processes.

15 The target scope includes electricity only, where we make energy purchase decisions on strategic assets. Equivalent to absolute reductions in Scope 1 and 2 CO₂e emissions of at least 50% by FY25. Target year to achieve 100% is FY25, not FY20. FY18 performance data for this target has been restated due to enhancements in NIKE's PPA tracking processes (FY18) that have resulted in more comprehensive and accurate reporting.

16 Key operations represent finished goods manufacturing, inbound and outbound logistics, DCs, HQs, and NIKE-owned retail. Historical performance data for this target has been restated due to a shift in NIKE's logistics' emissions data source (FY15–18) and to enhancements in NIKE's PPA tracking processes (FY18) that have resulted in more comprehensive and accurate reporting.

17 Measure includes focus suppliers only. Focus suppliers represent key suppliers involved in the dyeing and/or finishing of materials that directly support finished product assembly.

18 Target covers waste to both landfill and incineration. Incineration does not include waste to energy recovery unless otherwise noted.

19 The waste index is a weighted average of our footwear manufacturing waste per unit, DCs waste per unit and HQs waste per occupant. 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.

20 Baseline is FY15 except for Converse HQ, which is FY16 and included in Inc.-wide baseline for comparability across years.

21 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.

22 FY18 was NIKE's first year tracking this metric. FY18 has been restated due to a reporting variance identified through NIKE's data governance processes.

23 This target is now measured and reported using the ZDHC Wastewater Guidelines. Previously, this target was measured and reported using the BSR Standard. In FY17, we introduced the ZDHC Wastewater Guidelines, holding suppliers accountable to 24 additional conventional parameters and 202 hazardous chemicals, to vendors who produce approximately 80% of our materials. FY18 was the first year testing against the ZDHC Standard.





WE
UNLEASH



FY19 HIGHLIGHTS

3 p.p.

increase of VP-level representation of women globally, bringing the total to 39%

2 p.p.

increase of VP-level representation of U.S. underrepresented groups (URG), bringing the total to 21%

52/40%

women/URG in NIKE's U.S. Internship Program

147K

hours volunteered by employees

\$81M

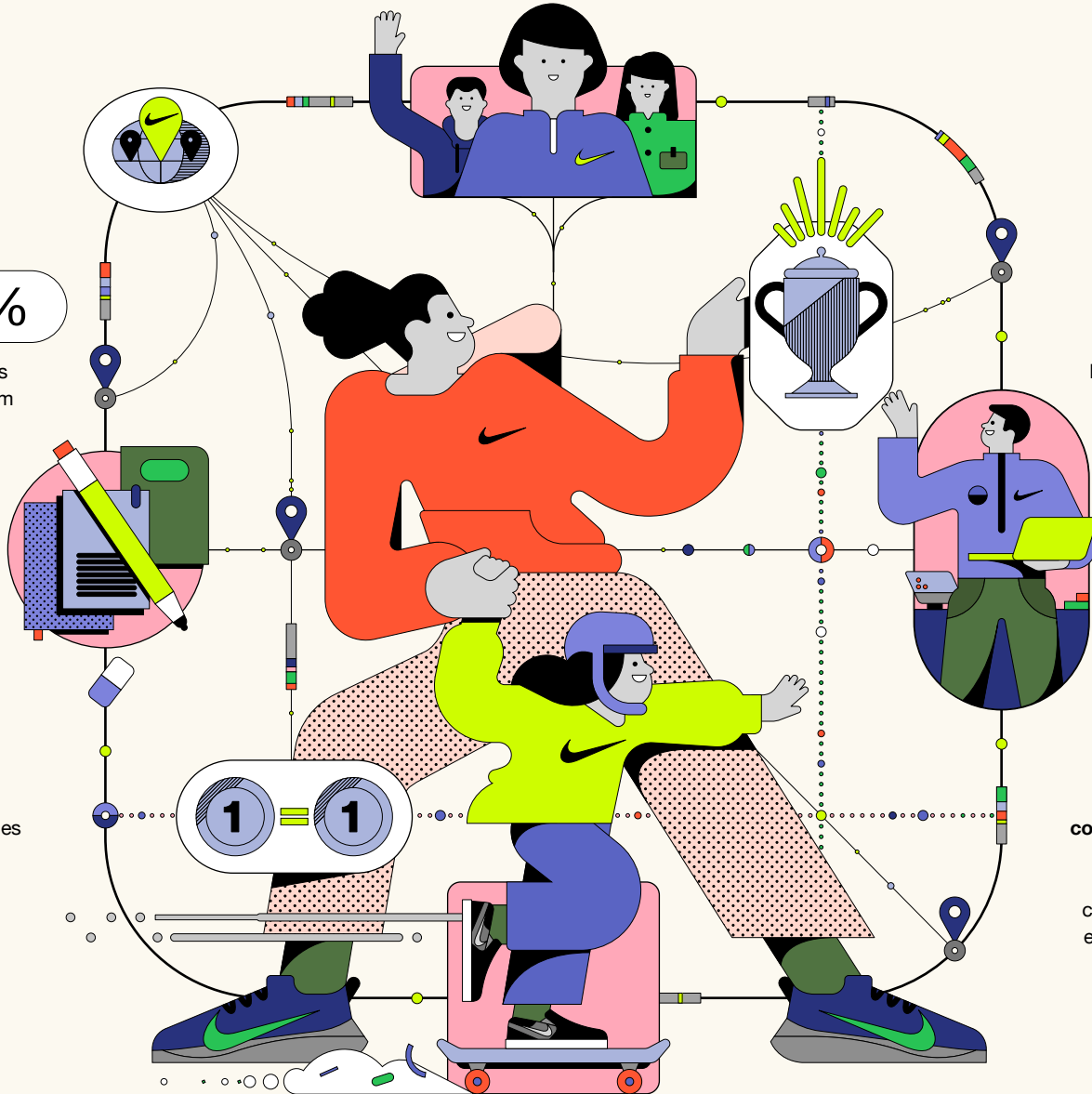
invested in communities

100K

community coaches trained, with the help of partners, to create positive sport experiences for kids

1:1

pay equity maintained for women globally and U.S. URG



EMPLOYEES



“If you have a body, you are an athlete”

– Bill Bowerman

NIKE cofounder and celebrated track coach

NIKE’s approach to employee and business growth is fueled by the belief that diversity – in all its forms – unlocks innovation.

We know that leveraging different perspectives, experiences, and backgrounds generates unique ideas. To enable this, it’s imperative that we continue to build a creative and inclusive culture, where all voices are welcomed and heard.

Target

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

Consumers live at the center of complex generational, social, cultural, and technological changes, and to serve them – and all athletes – better and more personally, NIKE must work to have our employee base reflect our global community.

We must also continue to listen to our employees and invest in our culture to create a workplace where all employees feel valued and have opportunities for career growth.

Sport gives us that opportunity. Through the power of sport, we can create deep bonds with our athletes, and distinct NIKE experiences for our employees, with lasting, purpose-driven impact for the world.

Measure

Provide visibility to our diversity and inclusion progress²⁴

DIVERSE REPRESENTATION IN LEADERSHIP MATTERS

During this past year, we’ve stepped up our efforts and measures of accountability to foster an inclusive environment and attract a more diverse workforce – one that’s more representative of the consumers we serve. Our strategies and tactics are designed to help us create a healthy pipeline and community of diverse talent to help lead NIKE into the future.

In 2019, we maintained a sharp focus on building diversity at the most senior levels, because we know increasing diversity of leadership is fundamental to

progress; leaders help shape culture and set the tone from the top. In addition, we continued to broaden the diversity focus at the manager level and above, while also supporting early-career employees in their efforts to advance.

We have continued our strong focus on opportunities to promote internally, as NIKE is a “grow from within” company. Retention remains strong, and we know we need to stay engaged to avoid eroding the progress we’re making in hiring and promoting women and underrepresented groups (URG).²⁵

In 2019, we increased representation of women at the VP-level by 3 percentage points (p.p.) and U.S. URG by 2 p.p.. We are pleased with our progress to date and are building momentum with consecutive years of growth. Still, we know there is more to do – and we’ll continue to focus on recruitment, promotion, and retention as levers to drive further increase in representation.



²⁴ All data on the employee section is in calendar year.

²⁵ Underrepresented groups (URG): At NIKE Inc., we use a working definition of a URG that includes people who identify with one or more of the following ethnic, racial and/or cultural groups: American Indian or Alaskan Native, Asian, Black or African American, Hispanic/ Latino, Native Hawaiian or other Pacific Islander.



EMPLOYEES



BOARD OF DIRECTORS

	CY16	CY17	CY18	CY19
TOTAL	12	11	13	13
GENDER				
Female	25%	18%	23%	31%
	3	2	3	4
Male	75%	82%	77%	69%
	9	9	10	9

RACE/ ETHNICITY

American Indian or Alaskan Native	-	-	-	-
Asian	8%	-	-	-
	1	-	-	-
Black or African American	17%	18%	23%	31%
	2	2	3	4
Hispanic/Latino	-	-	-	-
Native Hawaiian or Other Pacific Islander	-	-	-	-
Two or More Races	-	-	-	-
Unknown	-	-	-	-
White	75%	82%	77%	69%
	9	9	10	9

TOTAL EMPLOYEES²⁶

	CY16	CY17	CY18	CY19
% Change	-	2%	-2%	+4%
Employee Count	65,216	66,739	65,332	67,838

NIKE, INC. TOTALS BY GENDER (GLOBAL)

	All Employees				Directors+ ²⁷				VPs			
GENDER ²⁸	CY16	CY17	CY18	CY19	CY16	CY17	CY18	CY19	CY16	CY17	CY18	CY19
Female	48%	48%	49%	49%	37%	38%	39%	41%	28%	32%	36%	39%
	31,338	32,082	31,800	33,030	2,901	2,146	2,414	2,661	116	119	145	161
Male	52%	52%	51%	51%	63%	62%	61%	59%	72%	68%	64%	61%
	33,878	34,657	33,532	34,808	3,553	3,513	3,731	3,853	299	258	257	252
TOTAL	65,216	66,739	65,332	67,838	5,644	5,659	6,145	6,514	415	377	402	413

NIKE, INC. TOTALS BY RACE/ETHNICITY (U.S.)²⁹

	All Employees				Directors+				VPs			
RACE/ ETHNICITY	CY16	CY17	CY18	CY19	CY16	CY17	CY18	CY19	CY16	CY17	CY18	CY19
American Indian or Alaskan Native	0.4%	0.3%	0.4%	0.4%	0.3%	0.2%	0.2%	0.2%	-	-	-	-
	124	121	122	140	11	9	8	8	-	-	-	-
Asian	8.0%	8.1%	8.5%	9.0%	9.7%	10.4%	10.8%	10.9%	4.6%	4.6%	5.2%	5.2%
	2,817	2,949	2,831	3,060	388	417	477	512	16	15	18	18
Black or African American	22.6%	23.5%	21.6%	21.6%	4.7%	4.5%	4.5%	4.8%	8.3%	7.6%	8.1%	9.9%
	7,963	8,530	7,161	7,370	190	183	198	224	29	25	28	34
Hispanic/Latino	18.1%	19.0%	18.5%	19.1%	5.1%	5.0%	5.0%	5.2%	2.6%	2.1%	2.9%	3.2%
	6,399	6,911	6,115	6,521	204	203	220	243	9	7	10	11
Native Hawaiian or Other Pacific Islander	0.7%	0.8%	0.7%	0.7%	0.1%	0.2%	0.2%	0.2%	-	-	-	-
	253	275	240	239	5	9	10	10	-	-	-	-
Two or More Races	4.8%	4.8%	5.5%	5.5%	2.5%	2.5%	3.2%	3.3%	1.1%	1.2%	2.3%	2.9%
	1,693	1,727	1,826	1,894	102	101	141	156	4	4	8	10
Unknown	0.1%	0.4%	0.6%	1.1%	0.1%	1.5%	2.1%	2.7%	0.3%	2.4%	2.6%	1.7%
	15	141	190	365	4	61	92	128	1	8	9	6
White	45.4%	43.1%	44.2%	42.6%	77.5%	75.6%	74.0%	72.7%	83.1%	82.0%	78.8%	77.1%
	16,029	15,661	14,630	14,559	3,112	3,043	3,270	3,408	290	268	271	266
TOTAL	35,293	36,315	33,115	34,148	4,016	4,026	4,416	4,689	349	327	344	345

²⁶ Employee numbers exclude temporary workers and seasonal retail workers. Also, as part of our ongoing investment in development and career experiences, approximately 96 U.S. URG employees currently work outside of the U.S. These employees are not included in our U.S. URG reporting. Upon return to their U.S. home location, they will be included in the U.S. representation reporting. This period of reporting for the employee section of the report reflects data from January 1, 2019, through December 31, 2019, not FY19. The data is measured in calendar year not fiscal year to provide a timely snapshot.

²⁷ All employees who are Director level and above. Director, in this instance, refers to a certain management level within the company.

²⁸ Numbers include those employees who identified a gender.

²⁹ Percentages may not add up to 100 due to rounding.



EMPLOYEES



Basketball court – NIKE WHQ Bo Jackson Fitness Center

We also accelerated hiring women and U.S. URG at the Senior Director level. This is important progress as Senior Directors comprise our “bench” for future VP-level positions. Additionally, increased diversity across levels keeps us on track to improve the representation of women and URG in senior leadership overall.

At the Board level, NIKE has adopted a set of qualification standards for nominees for Director, which can be found on our corporate website, and includes diversity and inclusion as a factor to be considered, among others. In 2019, NIKE appointed one new Board Director, Thasunda B. Duckett, CEO of Chase Consumer Banking at JP Morgan Chase & Co. Duckett has been named one of *Fortune*’s “Most Powerful Women to Watch” and one of the “Most Powerful Women in Banking” by *American Banker* magazine. In addition to her leadership in the financial industry, Duckett is executive sponsor of JPMorgan Chase’s Advancing Black Pathways program which is directed toward helping black Americans achieve economic success through wealth, education, and careers.

RECRUITING TALENT TO DRIVE INNOVATION AND GROWTH

We continue to prioritize recruiting the best and brightest talent – to bring in critical capabilities, support our company’s continued growth, build our pipeline of talent, and diversify our workforce.

We know it’s important we not only continue to do so through traditional channels, but that we also find ways to create a competitive advantage.

In line with this, we’ve scaled up our efforts across traditional channels like campus recruiting, sourcing, and partnerships. This work is complemented by additional channels, including one team to source external talent, another focused on internal talent and an apprenticeship program.

We are also proactively expanding our reach and diversifying our talent pool to meet more potential employees than ever before. In 2019, NIKE participated in multiple conferences and partner-sponsored events globally, creating and extending our relationship with potential future hires, resulting in more than 100,000 new engagements.

We continue to track progress against our interviewing policy adopted in 2018, which requires gender and racial/ethnic diversity among external candidates at Director-level and above in the U.S. Our focus on women and URG candidates plays a critical role in hiring for leadership roles. We look forward to expanding this policy more broadly in the future. Through 2019, we saw a

10%

increase in the hiring of women at Director-level and above

4%

increase in the hiring of U.S. URG at Director-level or above

10% increase in the hiring of women at Director-level and above, and a 4% increase in the hiring of U.S. URG at Director-level or above.

As a design and innovation-led company, we have also built special programs aimed at recruiting exceptional new pipelines of talent. In 2019, we created and launched the following uniquely NIKE programs:

- **Nike X Design:** This apprenticeship program between NIKE and the community college system of Los Angeles offers students an opportunity to gain work experience in design, footwear, and apparel graphics and color as part of a six-month rotational program.
- **Serena Design Crew:** In 2019, NIKE and Serena Williams teamed up to select a design collective of 10 talented individuals to participate in the Serena Design Crew. This group will work together to create a Serena-inspired collection during an eight-month apprenticeship program that started in January 2020.
- **Women in Nike (WIN):** We continue to invest in WIN, our unique two-year program that provides work experiences for retired or retiring WNBA players. Through this initiative, former professional basketball players join teams at NIKE’s World Headquarters (WHQ) in various roles across the organization.



EMPLOYEES



Our diversity sourcing and recruitment programs have had a strong impact in the last year as we continually increase our connectivity and exposure to new partners and organizations in the market. Our efforts primarily focused on impacting key groups that we measure from a representation standpoint, namely women globally and URG in the U.S. We also remain committed to recruiting across other key communities and groups. Here is an overview of some of our current efforts:

- **Technology:** We continued to partner with Grace Hopper, Lesbians Who Tech, Women Who Code, National Society of Black Engineers (NSBE) and the Society for Women Engineers as we recruit for top tech talent.
- **Black/African American:** In partnership with the Executive Leadership Council, Management Leadership for Tomorrow, the NSBE, National Black MBA Association, Code2040, and a host of other corporate partners, we continue to sharpen our focus on hiring more black leaders across all levels at the company, creating a strong brand with this community and driving strong hiring results year over year.
- **Latinx:** We amplified our partnership with The Alumni Society (TAS), a corporate partner facilitating opportunities to increase Latinx representation at senior levels for companies. We also partnered with the Society of Hispanic Professional Engineers (SHPE) to drive engagement in Science, Technology, Engineering and Math (STEM) fields and functions, and with Hispanicize to facilitate connections with Latinx-centric media collectives.
- **LGBTQ+:** This year we deepened our relationship with key LGBTQ+ hiring partners, including Out in Tech, Reaching Out MBA, Out4Undergrad, and Lesbians Who Tech to name a few, focused on amplifying the reach of our PRIDE network into the hiring space as we aim to recruit more LGBTQ+ talent.
- **Military Recruitment:** We're proud to support U.S. active-duty and retired military personnel. Over this past year, NIKE has participated in military-focused hiring conferences in Seattle, Washington, D.C., San Diego, Chicago, and Philadelphia.

- **All Abilities:** We continued to work to increase representation of employees of different abilities. We piloted a supported work program at our corporate headquarters to match employees with specific jobs across our workplace facilities management. We also recruited for our retail stores from Intellectual and Developmental Disability communities with Best Buddies, an international organization that connects people with disabilities with professional and social opportunities.

- **Native and Indigenous Outreach:** In 2019, NIKE increased our focus on building our pipeline of talent from North America's Native, Indigenous, and First Nations communities. Together with our Native American employee network, NIKE is developing outreach avenues, such as establishing a dedicated recruiting team and ensuring a stronger presence at key conferences and events.

- **Asian:** We are actively partnering with JobsForHer in India, and in late 2020, we will be partnering with the Society of Asian Scientists and Engineers for their annual conference.

INTERNSHIP PROGRAM

Our internship program in the U.S. also helps drive our diversity and inclusion strategies – prioritizing early-career talent attraction, full-time employee conversion, and a global approach. The program is highly competitive, hiring the top 1% of 40,000+ annual applicants. On average, 52% of our interns are women and 40% URG.

We set high standards for inclusive intern hiring, conversion to full-time positions, and retention. We have continued to see high rates of conversion and retention, in line with industry benchmarks.

INCREASING INTERNAL RECRUITING

We have incredible talent within NIKE, and our Internal Recruitment program focuses on investing in their growth and development. Our primary talent strategy is to grow from within, and from our employee survey data, we know career growth remains important to our employees. So, we created an internal recruiting team, which helps existing employees find new opportunities within NIKE. We've started at WHQ to test-and-learn, with a goal to expand in the years ahead.

Measure

Invest in our employees through growth and development and wellbeing initiatives

We remain deeply committed to fostering a culture and workplace where employees have a meaningful work experience, feel valued and supported, and have the right tools and resources to be successful. We know developing our employees is critical to both personal achievement and business success – and we continue to approach this growth from several angles.

FEEDBACK AND EMPLOYEE VOICE

73%
of employees participated in our All-Employee Survey

We measure the health of the organization twice per year through our annual All-Employee Engagement and Pulse Surveys. These global surveys enable

employees to share their perspectives on our culture and day-to-day work experiences. In 2019, 73% of employees participated in our All-Employee Survey, a significant increase from the year prior. We learned the majority of employees feel optimistic about the company and would recommend NIKE as a great place to work. Also, they want more support with career development and call out the need to simplify ways of working and improve communication across teams.

DEVELOPMENT AND GROWTH FOR ALL NIKE EMPLOYEES

Knowing how important career development is to current and future employees, we offer a breadth of learning and development opportunities – from online trainings to in-person labs – for critical career-building moments. Career Central, an online, internal portal created in 2018, offers a centralized entry point for all employees to find tips, tools, and resources for career development. And, we remain committed to investing in managers and the role they play in developing talent.

In 2019, we put a special focus on our NIKE Direct employees in North America. These retail teams had the opportunity to participate in specific learning and development programs to help them advance from the retail floor to manager and district manager roles, and ultimately transition into corporate-level functions.



EMPLOYEES



SUPPORTING EMPLOYEE GROWTH AND DEVELOPMENT

In 2019, there were over 45,000 unique visits to Career Central. More than 7,000 employees attended career labs; 3,500 used our discover workbooks for leadership development; and 2,300 managers completed courses specific to leadership.

UNCONSCIOUS BIAS AWARENESS TRAINING

In 2019, we launched Unconscious Bias Awareness Training, an initiative to create a common understanding and dialogue on unconscious bias awareness. Our goals included making employees aware of types of potential bias in the workplace and equipping them to both mitigate and address it. By the end of 2019, in-person group training and self-guided digital training tools, made available to all employees, have been completed by nearly 42,000 employees or 53% of our workforce. We will continue to offer this training to employees and our goal is to have our entire workforce complete it in 2020.

FOCUSED DEVELOPMENT AND GROWTH PROGRAMS

We invested in accelerated development of over 250 employees through our unique development programs:

- **Xcelerate:** We invest in Senior Director-level employees (approximately 36 each year) to prepare them for the next level of leadership through tangible business experience, coaching, and mentoring. In a six-month course, these employees from around the world gain direct access to our Executive Leadership Team and learning and development professionals. This program has maintained 50% representation of female participants and 30% representation of URG.
- **Amplify:** A focused development program for women and URG, designed in collaboration with the Center for Creative Leadership. The experience offered more than 100 NIKE employees at Manager and Director levels an opportunity to learn from NIKE and other companies. The coursework offered in-person learning experiences, a digital classroom and a capstone event that focused on leadership, strategy, and career development.
- **E-VOLVE:** An accelerated leadership development program for Director-level talent. This multi-month experience focuses on developing participants' self-awareness, strategic thinking, leadership skills, and ability to navigate change. The program

was piloted in the U.S. and China in 2019, with more than 50% female in both countries, and more than 30% URG for the U.S. program. We expect to expand this program globally in future years.

INVESTING IN GREAT LEADERSHIP

It's critical that our leaders and people managers are accountable, set up for success, and committed to developing their talent. To do this, they need specific feedback tools, opportunities for personal and professional growth, and clear expectations of what great leadership looks like. These expectations – known as Leadership Defined – have been set and shared with all Vice Presidents over the past year. They'll start to show up in hiring and onboarding processes, performance feedback, and development and training.

Our most-senior leaders have already participated in a holistic assessment and development experience, grounded in Leadership Defined, to build self-awareness and drive development planning. In 2020, we will expand our development approach to next-level leaders and continue to develop high-potential future leaders through a combination of 360 assessment, coaching, development programs, and career experiences.

CONNECTING AND DEVELOPING OUR EMPLOYEES THROUGH OUR NIKEUNITED NETWORKS

Teammates across NIKE have formed several employee networks, collectively known as NikeUNITED. These employee-formed and managed communities are sponsored by our Global Diversity and Inclusion Team and offer resources to a diverse spectrum of individuals across the company. The networks advance the development of their members, promote cultural awareness, and help strengthen our commitment to diversity and inclusion.

They include:

- Ability Network
- Ascend Network & Friends
- Black Employee Network & Friends
- Latino & Friends Network
- Nike Military Veterans & Friends
- Native American Network & Friends
- PRIDE Network
- Women of Nike & Friends

Converse has also adopted this model with five distinct employee networks, collectively known as Converse United, including Converse Diversity Network, Converse Pride Network, Women of Converse, Converse Military Veterans, and Converse Abilities Network.

In 2019, we continued to invest in programming for the networks centered on career and culture, and completed a pilot for a new digital mentoring program with the participation of nearly 1,000 employees. This program fosters better understanding of business strategies, increases leadership skills, develops deeper self-awareness, and improves employees' confidence in reaching career goals.

MAKING SPORT A DAILY HABIT

We love sport and we want to share that passion with all of our employees – it's who we are.

In addition to free gym access for our employees at our European and Greater China Headquarters, in 2019, we took a step to help make staying active easier by giving free access to our Sport Centers at WHQ for our full-time employees and North America store employees.



NIKE at the Portland Pride Waterfront Festival and Parade



EMPLOYEES



Mental health is also a key part of overall health. Through NIKE’s global Employee Assistance Program, we offered employees and their families free access to a network of advisors who provide short-term counseling and assistance for a range of issues: from daily stresses and marital conflict, to sleep issues, or finding eldercare or professional services. Employees do not need to be enrolled in a medical plan to take advantage of this program.

In 2019, we offered Headspace, a guided meditation and mindfulness app, for free to our global employee base.

In addition to these programs and benefits, we helped our employees live healthy, active lives year-round through fitness facility discounts and access to various other wellness services.

CELEBRATING OUR TEAMS AND CULTURE

A great part of being a member of the NIKE team is celebrating our success together. In 2019, we hosted NIKE’s largest-ever employee celebration on Just Do It Day. The festivities took place at more than 40 events across global time zones, cities, headquarters and territory offices, Air Manufacturing facilities, stores and distribution centers. We honored the winners of the Global Maxim Awards, the Just

Do It Awards, and the Founders Award, celebrated alongside nearly 100 NIKE athletes. Employees participated in more than 40 different sport activities aimed at making sport a daily habit.

Measure

Provide comprehensive, competitive, and equitable pay and benefits

TOTAL REWARDS

NIKE’s Total Rewards are designed to be competitive and equitable, meet the diverse needs of our global teammates, and reinforce our values. Our goal is to support a culture in which everyone feels included and empowered – and is rewarded for the success we create as a team.

EQUAL PAY FOR EQUAL WORK

We are committed to competitive pay and to reviewing our pay and promotion practices annually. 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. In 2019, we released our results and have maintained a 1:1 pay ratio for men to women (globally) and white to URG (U.S.).

SUPPORTING OUR WHOLE TEAM

A big part of supporting our teammates through pay and benefits is listening to our employees to help inform what we offer. As part of this commitment, we introduced several new and enhanced employee benefits and compensation programs.

In the U.S., we enhanced benefits to support the diverse ways our employees grow and care for their families. We increased our fertility and adoption benefits, added a new surrogacy benefit, and introduced Rethink, a benefit for families caring for children with learning, social, or behavioral challenges.

Our U.S. Military leave benefit, through which NIKE provides up to 12 weeks of paid time off every 12 months, has provided essential support to our Reservists and National Guard members as they selflessly serve our country.



NIKE store athlete – Just Do It Day celebration



COMMUNITY IMPACT

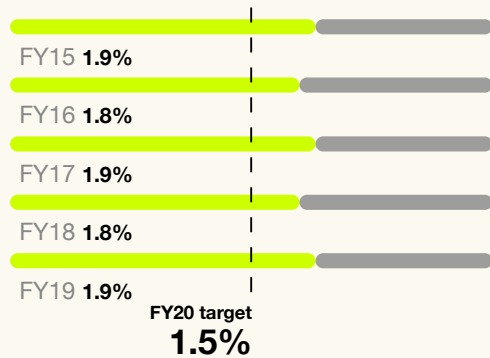


NIKE has a deep-rooted legacy as committed partners in the communities where we live and work; it's core to who we are.

We play to our strengths and prioritize bringing play and sport to communities around the world. And that's a more pressing need today than ever before because the world is moving less³⁰ and today's kids are among the least active ever.

Target
Invest a minimum of **1.5% of pre-tax income** to drive positive impact in our communities

ANNUAL INVESTMENTS AS % OF PRE-TAX INCOME (PTI)



We consistently meet our target of investing 1.5% of NIKE's pre-tax income (PTI) to drive positive impact in our communities, and FY19 was no exception. We surpassed our target again, investing \$81.9 million to drive impact in communities around the world. This represents 1.9% of PTI, based on the prior year.

From FY15 to FY19, NIKE invested \$417 million in our communities, of which \$130 million helped promote equality and level playing fields for all.

While our target measures money invested, we're even prouder of the millions of people positively affected by our efforts in FY19: getting kids moving, training coaches, and bringing people together to experience the power of play and sport through our global "Made to Play" commitment.



30 Regina Guthold, Gretchen Stevens, Leanne Riley, Fiona Bull; "Worldwide trends in insufficient physical activity from 2001 to 2016: a pooled analysis of 358 population-based surveys with 1.9 million participants." *The Lancet*, Sept 4, 2018.



COMMUNITY IMPACT



Measure

Get kids (ages 7–12) moving through play and sport

Leveraging the power of sport as a unifying force, we're helping kids reach their greatest potential. We know that active kids do better – they're healthier, happier, and more successful in school and life. But the reality is that today, only one in five kids globally gets the physical activity they need. Physical inactivity is shortening lives and short-changing futures.

NIKE is focused on getting and keeping more kids active by removing barriers to play and sport, particularly for girls, training more youth coaches, and supporting environments that promote physical activity like active schools. In FY19, 17 million kids got active with the help of NIKE and its more than 90 community partners around the world. Together with our partners, we have also reached nearly 100,000 community coaches who help kids enjoy play and sport.

UNLOCKING PLAY AND SPORT FOR GIRLS

Globally, girls tend to be less active than boys. Research by the Women's Sports Foundation³¹ shows that only one in three girls between the ages of 6 and 12 participate in sport on a regular basis; 40% of teen girls don't participate in sports; and boys get 1.13 million more sport opportunities than girls every year. Why? Researchers³² point to a "complex confluence of cultural, social, and economic factors, including, but not limited to, physical and perceived barriers to accessing sport, and a lack of supportive coaches."

Active girls are more confident, do better in school, and are better at setting goals – and these benefits continue into their adult lives. That's why removing barriers is a primary focus of NIKE's Made to Play commitment.

We work with local, national, and global organizations around the world, working to grow girls' access to sport and remove the barriers currently preventing them from play and obstructing the path to their potential. We also support girls with product so they can play with confidence, and we invest in gender-inclusive training models and enhanced curriculum that we make widely available.

A few examples of our initiatives in FY19 include:

- We donated 25,000 sports bras to girls through more than 50 community programs around the world.
- In China, NIKE launched Boundless Girls, dedicated to unlocking barriers to sport participation and reimagining sport for girls – on their terms. The program covers 10 schools in Beijing and Shanghai where a specially designed curriculum combines gender-competent training, expert talk, and products delivered throughout the academic year.
- In Europe, the Middle East and Africa (EMEA), NIKE launched a Made to Play fund with Gurls Talk and Women Win. The fund supports women changing the lives of girls in their communities. It gives 17 young women from South Africa to London the training they need to become even better leaders, funding to support their individual efforts to get girls under the age of 14 active in their communities, and mentor training.
- Together with Girls, Inc., we produced an enhanced physical literacy curriculum called Steppingstones for the organization's affiliates across the U.S. and Canada. The program helps girls, ages 8–10, develop movement skills based on a diverse array of sports and activities.

- By collaborating with PLAY International, we are reaching 3,000 kids in 20 primary schools in Paris through Playdagogy. Playdagogy uses games to discuss ideas about gender-based representations with kids. Sessions help change views on representation and even, over time, behavior, making girls more confident and boys more inclusive while playing.
- 3K**
kids reached across 20 primary schools
- With NIKE and the Women's Foundation for a Greater Memphis, the Memphis Grizzlies hosted the third annual Girls Summit for 450 girls from 16 middle schools. The event included hands-on demos and panels, as well as free sports bra fittings, removing one of the barriers girls face to staying active.
 - In Tokyo, we support JUMP-JAM, an innovative program that merges sport and free play to give physical activity and social skills to elementary school children at 72 Children's Center locations. At 35 of those Children's Centers, NIKE trained staff to facilitate play that encourages girls' participation, reaching 2,450 kids.



Kickoff of the NIKE Boundless Girls program – Shanghai, China

³¹ <https://www.womenssportsfoundation.org/what-we-do/wsf-research/>

³² <https://www.npr.org/sections/health-shots/2018/06/11/618878274/after-high-school-young-womens-exercise-rates-plunge>



COMMUNITY IMPACT



HOW TO COACH KIDS

In the U.S., less than one-third of youth coaches are trained, limiting the ability to effectively engage, develop, and retain children in play and sport. In FY19, NIKE and the U.S. Olympic and Paralympic Committee launched How to Coach Kids, as part of our commitment to the Aspen Institute’s Project Play 2020. It’s a free 30-minute training course on coaching kids ages 12 and under. The course supports Project Play’s multi-year effort to increase the quality and quantity of volunteer youth coaches in the U.S. and keep kids engaged in play while promoting active, safe, and healthy lifestyles.

COACHING IS A GAME CHANGER

When it comes to helping kids fall in love with play and sport, a great coach can make all the difference. But there is a serious shortage of trained youth coaches across the globe. Today’s kids need more role models who look like them – similar gender, identities, and backgrounds – to help motivate and inspire them to reach their full potential, on and off the court.

Research shows that girls benefit from female coaches.³³ Yet, less than a quarter of youth coaches in the U.S. are female. That’s why we’re growing the number of female coaches and improving coaching for girls. For example, in FY19, NIKE partnered with the Women’s Sports Foundation to develop a first-of-its-kind report – *Coaching Through a Gender Lens: Maximizing Girls’ Play and Potential*³⁴ – to examine the intersection of girls’ sports development needs with their current day experiences. This research, which focused on sport-playing girls from ages 7–13, revealed that when girls like their coaches, they are more likely to see the importance of being active, love their sport, and keep playing as they get older. NIKE applied these findings immediately, integrating them into a training for more

THE GIRL EFFECT

The NIKE Foundation has invested more than \$200 million in programs and research supporting adolescent girls through Girl Effect since 2004. Girl Effect was first launched with other organizations as a movement based on the premise that the most effective way to break the cycle of global poverty is to improve the lives of adolescent girls, and in 2015 evolved into an independent global nonprofit organization by the same name. Using a deep understanding of girls’ needs and expertise in behavior change science, Girl Effect works to inspire and equip girls to navigate adolescence and make choices about their health, education, and economic future. The NIKE Foundation’s commitment continues – in partnership with NIKE, the two organizations contributed over \$12 million to Girl Effect in FY19.

than 400 prospective female coaches at the NIKE Legacy Summit in Los Angeles. The event kicked off with Women Coach LA, an initiative between NIKE and the City of Los Angeles³⁵ to increase the number of women coaching.

ACTIVE SCHOOLS, ACTIVE KIDS

NIKE supports Active Schools initiatives around the world to champion heroes in physical education and help inspire school communities from London to Shanghai to get even more kids moving.

900K NIKE and Discovery Education collaborated to help more than 64,000 teachers and reach nearly 900,000

kids reached kids in the U.K. since 2017 through the Active Kids Do Better initiative. This initiative supports schools and parents in their efforts to get kids moving by delivering open-source resources, tools, and activities for use during the school day and at home.

In FY19, NIKE and ukactive Kids, a leading nonprofit, launched the first ever Active School Hero Award to celebrate and support inspirational primary school staff working hard to improve activity levels in schools across London’s 33 boroughs. In addition to this recognition, the winner receives professional development training from NIKE and local community organization Youth Sport Trust. The teacher’s school also receives a visit from NIKE athletes to further inspire the students to be active.

In China, NIKE and the Ministry of Education (MOE) hosted the country’s second national Active Schools Innovation Awards ceremony. The ceremony recognized 100, out of more than 2,600 nominations, of the country’s most creative and inspiring teachers who are transforming the culture of sport and physical activity in their schools. The Active Schools program is part of a long-term strategic relationship between NIKE and the Chinese MOE, which began in 2013. In the last three years, NIKE has helped train

more than 7,000 teachers to deliver sports lessons during the school day and has provided physical education resources to 7,100 schools, making a positive impact on 2 million kids.

LESSONS LEARNED

Active Individuals Transform Communities

We know that physically active kids can improve whole school environments; studies show higher levels of progress and achievement, improved attendance, happier kids, and more satisfied school communities. Since 2013, NIKE has partnered with Active Schools initiatives around the world. Active Schools call for at least 60 minutes of physical activity a day, deliver high-quality physical education, and create a culture of physical activity for all. Through our work with Active Schools, we’ve learned that many educators report they don’t have the training needed to prioritize sport and physical activity for their students. In addition, their role remains largely undervalued, and the benefits of physical activity are grossly underestimated. These are some of the reasons that we continue to champion schools and school leaders that integrate fun options for physical activity into the entire school day – before, during, and after school – and create a culture of physical activity for all.



Girls training at TRASO (Transformación Social) – Mexico City, Mexico

33 <https://www.womenssportsfoundation.org/wp-content/uploads/2019/04/coaching-through-a-gender-lens-report-web.pdf>
34 <https://www.womenssportsfoundation.org/what-we-do/wsf-research/>
35 https://www.nike.com/us/en_us/e/cities/losangeles



COMMUNITY IMPACT



Measure

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

In FY19, NIKE employees continued to make a positive difference in their local communities by supporting more than 2,700+ organizations.

\$9.8M

in donations made through Employee Matching Gift, Volunteer Rewards, and NIKE Foundation match, a 22% increase over FY18.

>147K

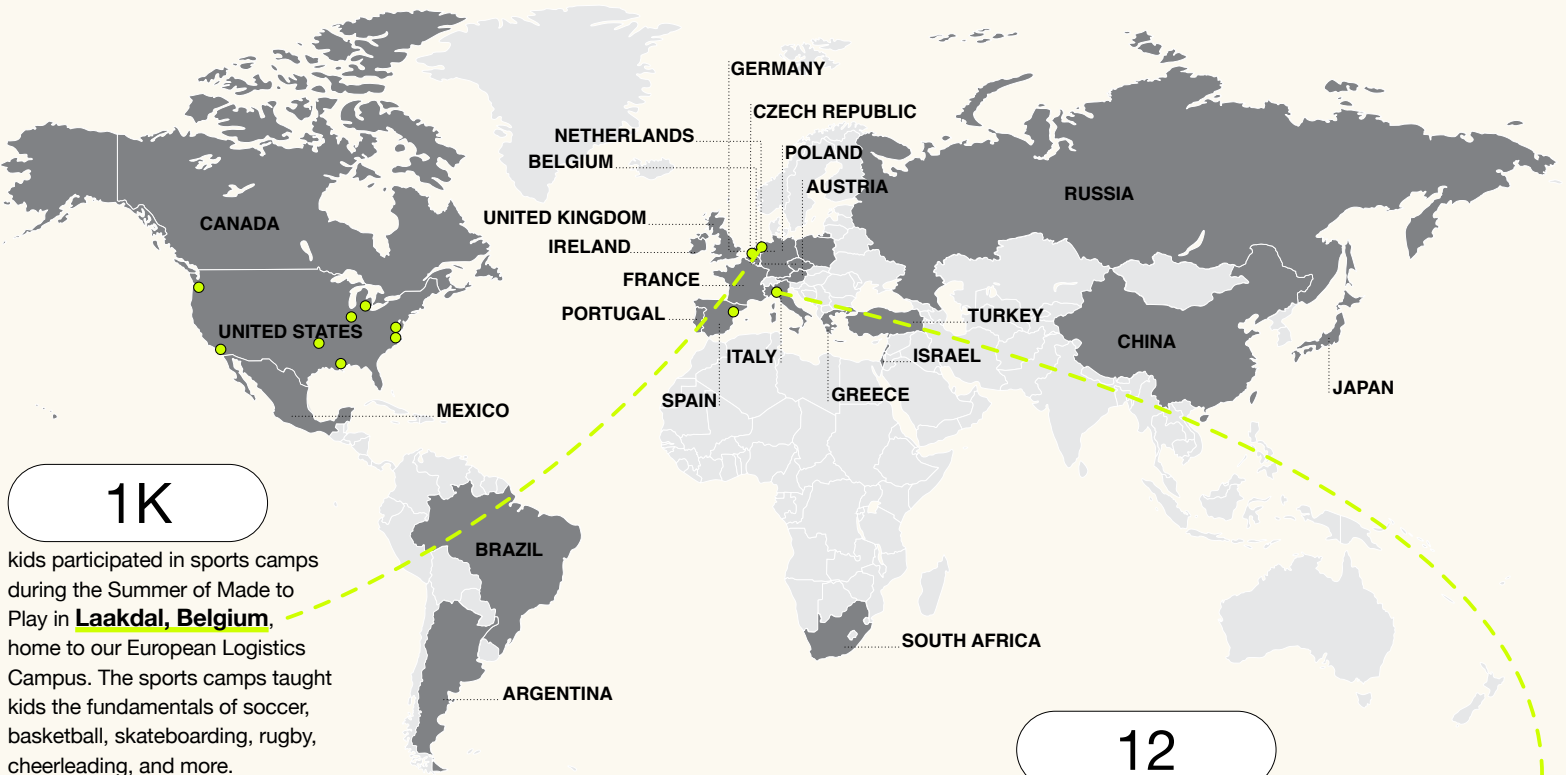
volunteer hours tracked by employees, 21% more than FY18, and nearly 23,800 NIKE employees were involved in community efforts.

\$200K

invested in NikeUNITED Employee Network grants to nonprofit organizations that address causes and issues that are important to our diverse employee communities.

5,400 retail employees

served as volunteer youth coaches through the Nike Community Ambassadors program in 24 countries. The NIKE Community Ambassador program gives NIKE retail employees the opportunity to pass their love of sport on to the next generation. Community Ambassadors aren't just getting kids active today – they're inspiring them to be active for life. Global retail employees learn quality coaching skills and then coach kids in sport and play in their local schools and communities.



1K

kids participated in sports camps during the Summer of Made to Play in **Laakdal, Belgium**, home to our European Logistics Campus. The sports camps taught kids the fundamentals of soccer, basketball, skateboarding, rugby, cheerleading, and more.

12

cities around the world now have the NIKE Community Impact Fund (NCIF), which bring employees into the grant-making process to support the work of local organizations in the communities where they live and work. In FY19, we launched our **Milan NCIF**.

- Countries with NIKE Community Ambassadors
- Cities with the NIKE Community Impact Fund



COMMUNITY IMPACT



Measure

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



Portland's BIKETOWN Culture Collection: a series of bike wraps designed by NIKE employees that reflect their communities, cultures, and celebrated cultural moments

Throughout FY19, NIKE expanded its relationships and programming investments to train coaches and get kids moving in several cities.

- **Los Angeles and New York City:** NIKE, together with Children's Aid and NBA legend Kobe Bryant, brought Mamba League to New York City, with more than 250 kids in the inaugural season. Mamba League is an eight-week youth basketball league in Los Angeles – and now New York City – that helps kids ages 8–10 learn basketball fundamentals, develop self-confidence, and practice teamwork. In an effort to level the playing field, the program also strives for coaches and players to be 50% women and girls, respectively, with coaches from the community trained in both basketball fundamentals and social-emotional development skills.

- **Mexico City:** In Mexico City, with Yo Quiero Yo Puedo, Nemi Foundation, and Proed, we trained 60 physical education teachers from 31 schools, reaching over 9,000 kids through the Juego Más (“Play More”) Active Schools program. And as part of the commitment made through the brand

45K

girls and boys reached through play sessions

campaign, Juntas Imparables (“Together Unstoppable”), NIKE has trained coaches from the Nemi Foundation to deliver play sessions at 80 schools and 13 community organizations, impacting 45,000 girls and boys.

- **Sourcing backyards:** In our sourcing communities, we work with educators, community leaders, and employees to respond to local needs while helping to get kids moving. In FY19, partnerships like Unlock School Gates and Active with Sport in Guangzhou, China and Vietnam, respectively, reached more than 37,000 primary school kids across 20 schools.

HELPING LEARNING AND CULTURE TAKE WING

Jordan Brand's Wings Initiative is rooted in the core belief that the influence of basketball culture extends beyond the court and that education and mentorship both on and off the court help connect youth to opportunity. Through Wings, the Jordan Brand creates and supports innovative solutions for underrepresented communities.

Our global impact expanded to new cities in FY19, serving youth ages 11–21 in Chicago, Los Angeles, New York, Portland, Philadelphia, New Orleans,

Charlotte, Hong Kong, Shanghai, Shenzhen, and nine other provinces across Greater China.

Together with the United Negro College Fund and other organizations, the Jordan Scholars Program awarded college scholarships to 27 high school seniors in North America. In Greater China, 350 eighth-graders received high school scholarships. In 2019, 100% of Wings Scholars participated in college counseling or a one-on-one mentorship program with NIKE employees.

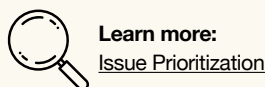
Jordan Designers Program expanded to three new cities – Los Angeles, New York City, and Charlotte – reaching nearly 100 student designers. Hundreds of hours of creativity and design came to life through the mentorship of Jordan's own design and marketing teams and trusted partners. Six designs created by student groups were placed on T-shirts and sold in the local communities that inspired the design. Students planned the launch of their products and helped craft the marketing plan and retail environment of their tees.



UNLEASH HUMAN POTENTIAL: PRIORITY ISSUES

Through our issue prioritization process, we identified a set of priority issues for NIKE in FY19, which determined the focal topics for this Impact Report. For FY19 priority issues not specifically covered by a 2020 target, we have provided additional space in this report to describe challenges faced and progress underway.

Occupational Health and Safety (OH&S) falls into this category, showing up as a priority issue across different stages of the value chain, including raw materials sourcing, materials and finished goods manufacturing, and logistics.



Learn more:
[Issue Prioritization](#)

OCCUPATIONAL HEALTH AND SAFETY

We believe all people enjoy a fundamental right to the protection of life and health in the workplace. As our global business evolves, NIKE aims to provide safe, hygienic, and healthy workplaces across our value chain, both in our own facilities and in those operated by suppliers. We do this by adopting and refining safety systems and rules, through education and training, and by fostering a safety culture.

Our approach to OH&S rests on several foundational guidelines:

- [NIKE's Environment, Health, and Safety \(EHS\) Policy](#)
- [NIKE's Code of Conduct](#)
- [NIKE's Code Leadership Standards](#), which communicate how suppliers should implement the Code of Conduct
- Local laws wherever we or our suppliers operate



Factory worker at Dean Shoes factory (VL VIE) – Ho Chi Minh City, Vietnam

NIKE-owned and -operated facilities and Tier 1 finished goods contract manufacturers undergo external audits and internal assessments. When those processes reveal gaps in OH&S standard implementation, we develop management skills and implement tools that fix those problems. We also consider those audits and assessments as we evaluate contract manufacturers and choose whom we work with as our business grows.

CREATING A CULTURE OF SAFETY IN CONTRACT FACTORIES

Across the footwear and apparel manufacturing industry, several risk factors stand out: fire safety, building safety, occupational health, and machine safety. We have been working for several years with our suppliers to develop more robust systems to manage these risks effectively at their facilities.

- **Fire safety:** We require Tier 1 suppliers to adopt fire prevention and emergency action plans to protect workers during normal working operations and emergency situations. To improve fire safety knowledge and practices among workers and managers, in FY19, NIKE collaborated with the Fair Labor Association (FLA) and Institution of Occupational Safety and Health (IOSH), a U.K.-based safety and health professional organization, to develop fire safety tools and training for factories around the world. In FY19, 33 factory locations implemented the program, training more than 2,300 workers to educate their colleagues and facilitate safety programs. Since the program began in 2015, more than 100,000 factory workers completed training sessions on fire prevention and protection, as well as related topics including hazard identification, electrical safety, chemical handling, and laser safety.
- **Building safety:** 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.
- **Occupational health:** We require our suppliers to anticipate, recognize, evaluate, and control occupational health and hygiene hazards in the workplace. They must use routine monitoring and analytical methods to assess potential health effects of hazards and control worker exposure to them. In FY19, we developed plans to scale this initiative throughout our source base. Expanding this capability throughout our value chain is a strategic priority for FY20.

- **Machine safety:** Improving our factory suppliers' capabilities to operate and maintain modern and automated machinery continues to be a priority. Our Code Leadership Standard requires contract manufacturers to implement machine management programs and track their performance against international machine safety standards. Through an engagement with internationally recognized safety experts Pilz, we provide advanced machine safety training and certification. Since FY18, 44 factory machine safety practitioners have completed the training, with 34 designated as Certified Machine Safety Experts.

Embedding safety into a manufacturing culture takes time, and we recognize that different facilities mature at different paces. Our safety maturity model – based on existing academic research and published whitepapers – allows our suppliers to self-evaluate their ability to implement a world-class safety management system in their factories. To build a mature culture of safety, leadership must participate and be accountable at all levels: assessing strengths accurately and identifying areas for improvement. In FY19, nine factories were evaluated by independent third parties to have mature safety cultures and advanced safety management systems in place. Seven new ones are planned for FY20.

To help foster that level of engagement, in FY19, we developed an online training on how to use our self-assessment tools. The self-assessment can be supported by third-party consultants or NIKE staff, and the results are calibrated with a worker/management safety perception survey. The calibrated results are used as a leading indicator of safety performance.

Additionally, we began to explore further ways to evaluate manufacturers based on 11 success factors, defined by the ISO 45001 Standard on Occupational Health and Safety Management Systems, an international safety-management protocol. We mapped our assessment tool criteria to the 11 success factors.

As we continue to elevate a culture of safety within our supply chain and across our industry, we collaborate with others to resolve common OH&S issues. In addition to our engagement with the FLA, we work closely with Better Work, a joint program of the International Labour Organization (ILO) and the International Finance Corporation (IFC).



UNLEASH HUMAN POTENTIAL: PRIORITY ISSUES

For example, safe operation of boilers and pressure vessels is an emerging issue in our industry. NIKE benchmarked Better Work's industry approach to boiler safety, and we have strengthened our program through our Code Leadership Standard updated in FY18. In FY19, Better Work facilitated several industry seminars on boilers in Cambodia and Indonesia. Additionally, we developed simple tools and training on boilers and pressure vessels for the benefit of all Better Work factories (rather than just contract factories). NIKE actively participates in local Better Work programs in Cambodia, Indonesia, Vietnam, Nicaragua, and Jordan to build management capabilities and enhance worker health and wellbeing.

In Cambodia, all NIKE supplying factories are monitored under the Better Work program. The economically vital garment manufacturing industry is affected by a complex and incompletely understood phenomenon: mass fainting events, in which numerous workers feel light-headed and dizzy nearly simultaneously.

In 2017, the Cambodian Labor Ministry drafted safety and health guidelines designed to prevent mass fainting incidents. In partnership with Better Work, the NIKE team confirmed that its factories met these requirements. Better Work has specifically called out the issue of poor nutrition as one of many factors contributing to mass fainting; we continue to explore how to best address this and other drivers behind this issue.

In FY19, we began to explore additional relationships with organizations that share a strategic vision to improve workplace safety and health. For example, NIKE attended the Center for Safety Health Sustainability (CSHS) summit on Human Capital in April 2019, hosted by the IOSH. As a founding member of CSHS and recognized advocate for health and safety professionals throughout the world, the intent of our partnership is to elevate safety capabilities and cultures throughout our finished goods suppliers.

OH&S DATA³⁶ FOR NIKE EMPLOYEES AND TIER 1 FOCUS FACTORIES³⁷

		CY16	CFY17	CY18	CY19 ³⁸
NIKE Employees^{39, 40}					
Distribution (Industry Code: 493110)					
Total Case Incident Rate (TCIR)	NIKE	1.93	1.81	1.74	1.26
	INDUSTRY ⁴¹	5.10	5.20	5.20	5.20
Lost Time Injury Rate (LTIR)	NIKE	1.08	1.24	1.21	0.31
	INDUSTRY	1.70	1.90	1.90	2.20
Air MI (Industry Code: 326113)⁴²					
TCIR	NIKE	2.80	3.70	3.56	4.76
	INDUSTRY	4.30	5.20	5.20	3.70
LTIR	NIKE	0.82	0.72	1.31	2.20
	INDUSTRY	1.10	1.40	1.40	1.00
Offices (Industry Code: 551114)					
TCIR	NIKE	0.24	0.27	0.32	0.22
	INDUSTRY	0.80	0.90	0.90	0.80
LTIR	NIKE	0.08	0.07	0.17	0.07
	INDUSTRY	0.30	0.20	0.20	0.20
TIER 1 Focus Factories⁴³					
Footwear (Industry Code: 3162)					
TCIR	NIKE	0.50	0.40	0.39	0.39
	INDUSTRY	6.70	4.20	3.90 ⁴⁴	3.90
LTIR	NIKE	0.30	0.30	0.25	0.26
	INDUSTRY	2.10	1.10	1.10	1.10
Apparel (Industry Code: 3152)					
TCIR	NIKE	0.90	0.60	0.57	0.56
	INDUSTRY	2.10	2.30	1.50 ⁴⁴	1.50
LTIR	NIKE	0.50	0.40	0.42	0.34
	INDUSTRY	0.60	0.50	0.50	0.50
Equipment					
TCIR	NIKE	1.70	0.80	0.54	0.55
	INDUSTRY	N/A	N/A	N/A	N/A
LTIR	NIKE	1.10	0.80	0.54	0.55
	INDUSTRY	N/A	N/A	N/A	N/A

³⁶ OH&S data is reported using calendar year (CY) instead of fiscal year (FY) to align data with regulatory reporting requirements, including OSHA and BLS (which is used as an industry standard).

³⁷ Focus factories are key strategic contract factories within our source base that represent the majority of finished goods production of Nike footwear, apparel, and Converse footwear.

³⁸ Using CY18 BLS rates as BLS rates for CY19 had not been published at the time of the FY19 NIKE, Inc. Impact Report publication.

³⁹ The reported injury rates reflect a combination of NIKE full-time and certain external temporary workers.

⁴⁰ Data is collected based on U.S. legal reporting requirements, reporting on all NIKE's operations except retail, which is excluded from OSHA recordkeeping requirements. Retail will be included in future reports.

⁴¹ The industry average comes from the United States Department of Labor, Bureau of Labor Statistics. Each industry classification (such as DC, Air Manufacturing Innovation (Air MI), Offices, Footwear Manufacturing, Apparel Manufacturing) reports a separate average for recordable injuries and lost time rates (which are captured).

⁴² A surge in product demand in a tight labor market is the primary driver behind the increase in injury rate. At the beginning of 2019, a number of employees elected to work overtime in order to meet production demands. We then added over 500 temporary workers to staff the production demands, many of whom had never worked in a manufacturing environment before. We have since stabilized our workforce and are seeing a downward injury trend that we expect to continue.

⁴³ Tier 1 focus factory data is self-reported by factories and may be incomplete. At the time of the FY19 NIKE, Inc. Impact Report publication, December 2019 data was estimated for factories where actual data was unavailable. The BLS does not calculate manufacturing rates for equipment.

⁴⁴ Due to publication timelines, CY17 BLS rates were used in the FY18 NIKE, Inc. Impact Report as CY18 BLS rates had not yet been published. This figure has been updated to reflect the actual CY18 BLS rate.



UNLEASH HUMAN POTENTIAL: PRIORITY ISSUES

CREATING A SAFE AND HEALTHY WORKPLACE AT NIKE FACILITIES

In FY19, NIKE began deploying the enterprise-wide Environmental Health & Safety Policy into our owned and operated network. The policy affirms our commitment to operate in a safe and responsible manner in order to protect the environment and safeguard the health and safety of our employees and customers.

General OH&S compliance remains a constant goal for NIKE-owned and -operated facilities, with individual business operations focusing on the biggest risks they face. NIKE's global OH&S program aims to develop and implement consistent management systems so facilities can set priorities to address risk.

Machine safety, chemical management, controlling hazardous energy, and implementing comprehensive injury reporting are examples of ongoing enterprise-wide initiatives. In FY19, we further refined our approach to machine safety, integrating a consistent approach to machine safety evaluation in our higher risk operations. We also significantly upgraded machine-specific Lockout-Tagout procedures with clear, visual instructions and labels.

Constant operational modifications are required to keep pace with how our consumers want product delivered both in retail outlets and digital orders. Our owned and operated distribution network in the U.S. and Belgium meets this need by designing lean projects with safety embedded in the process.

LESSONS LEARNED

Safety Can Unlock Efficiency

An example of a significant safety improvement in FY19 included a retrofit of material handling equipment and work stations to create safer, more ergonomically supportive production lines by developing smaller work groups, modifying work stations, and optimizing order release flow, while shortening order lead times and increasing workflow, quality, and service performance.



Learn More:

[Environmental Health & Safety Policy](#)



Nike Air Manufacturing Innovation plant – Beaverton, Oregon, U.S.





VASHTI CUNNINGHAM

WE TRANSFORM



HIGHLIGHTS

93%

of contract factories rated **Bronze or better**, our definition of sustainable

1M

workers in our source base in 41 countries

560

audits performed by NIKE or on our behalf in the supply chain

\$437M

disbursed through a **trade finance program** between NIKE and the International Finance Corporation

270K

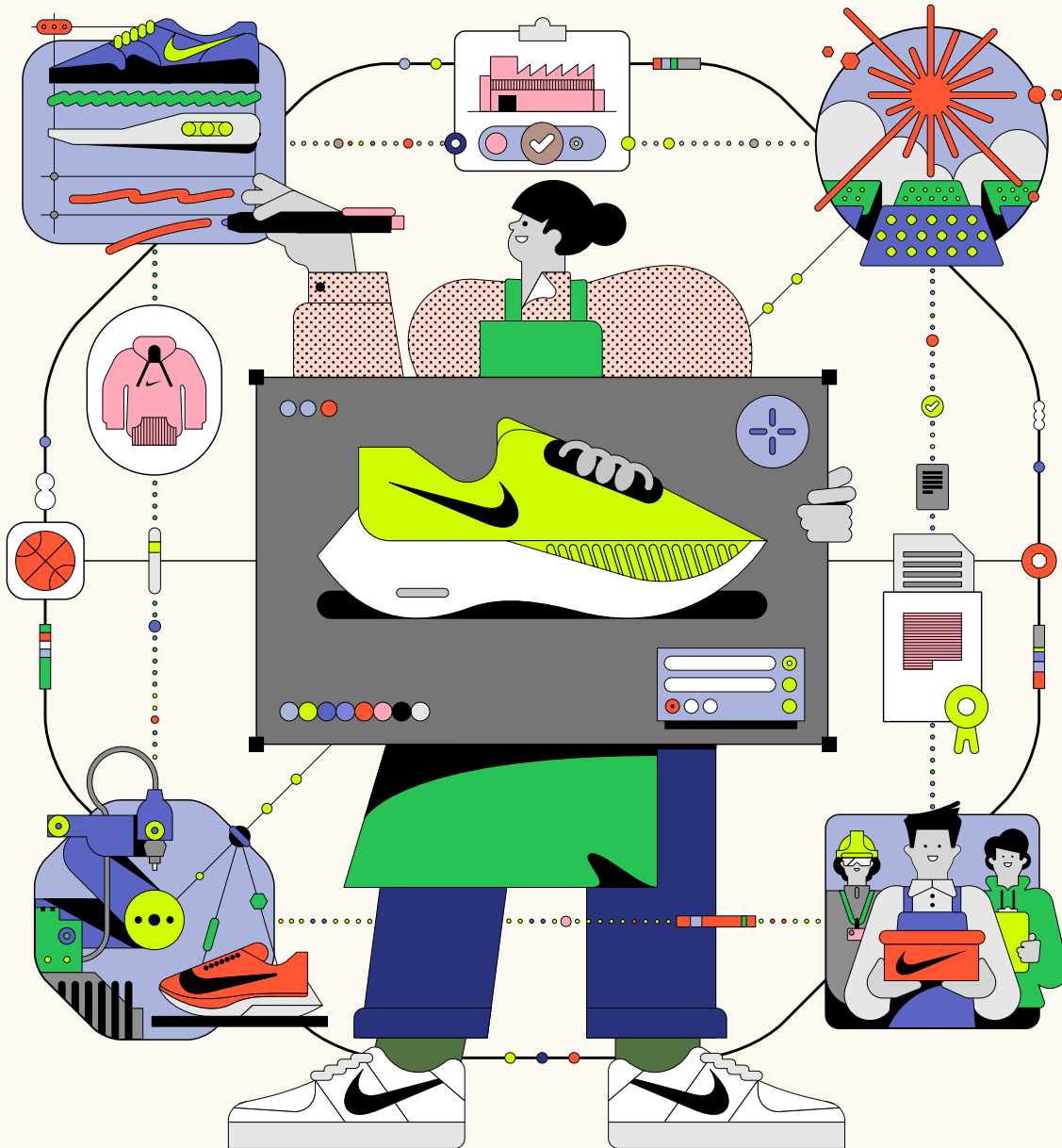
contract factory workers reached through NIKE's **Engagement and Wellbeing Survey** since FY18

77%

of factories with excessive overtime incidents **resolved the issue or stopped supplying NIKE**

>100,000

workers in Tier 1 supplier factories completed fire safety training since 2015



SUSTAINABLE SOURCING



At NIKE, we work to enable fair and safe working conditions at our suppliers' factories and facilities. We expect our suppliers to safeguard the communities where they operate. And we work with our suppliers to help protect the environment.

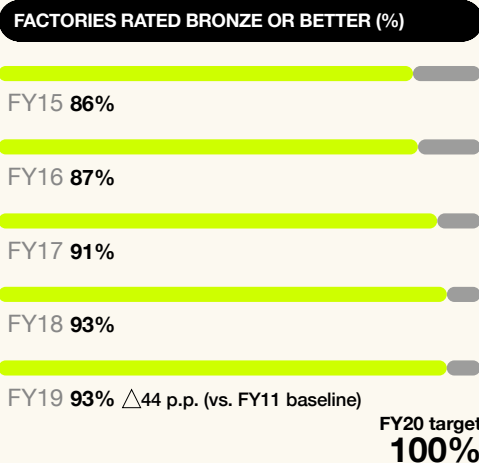


Shoetown Manufacturing facility - Xiangtang Town, China

At NIKE, we believe in the power of collective action to tackle both internal and external pressures that prevent our suppliers from putting the health and wellbeing of the worker at the center of their work. We also believe that the work we do in partnership with others in the industry serves to benefit us all and provide a level playing field to both brands and suppliers. We continue to support partnerships that streamline auditing and improve approaches to remediation and capability building, allowing greater focus on worker wellbeing and environmental protection, through support for the Social Labor Convergence Program (SLCP), work with the Fair Labor Association and Better Work, and participation in the Sustainable Apparel Coalition's Facility Environmental Module (FEM). Partnerships like the Leadership Group for Responsible Recruitment and Responsible Business Alliance provide the tools and collective leverage to drive real change on complex issues.

Target

Source 100% from factories that meet our definition of sustainable



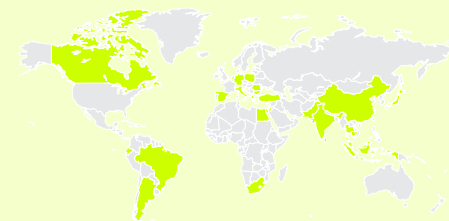
This target tracks the environmental and social performance of our Tier 1 factories. We conduct regular audits, both announced and unannounced, to track how well they're meeting our standards. Facilities receive color-coded ratings according to our Sustainable Manufacturing and Sourcing Index (SMSI), a system to combine factory ratings for lean manufacturing and human resource management, as well as for health, safety, and the environment. If they're performing below NIKE's minimum compliance standards, they receive Yellow or Red ratings. A Bronze rating indicates baseline compliance, meaning that the supplier shares our commitment to the welfare of workers and is using resources responsibly and efficiently.

To go beyond Bronze SMSI ratings, additional work is required across environment, labor, and health and safety. Silver signals that a facility is enhancing its sustainability capabilities as a business driver within our industry. Gold indicates NIKE would consider a facility to be world-class in sustainability in any industry.

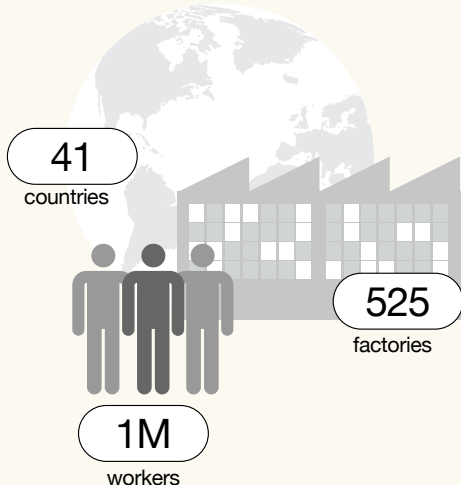
After the SMSI was launched in 2012, NIKE set the target of having 100% Bronze or better factories by 2020. In FY19, 93% of NIKE's 525 contract factories received Bronze ratings or better. This represents a considerable improvement over FY15, when 86% of 692 NIKE contract factories had a Bronze rating (or better), and a 44 p.p. improvement over our FY11 baseline performance.

MANUFACTURING MAP

This resource provides details about the factories NIKE contracts with around the world. The map provides insight into the types of products each factory makes, demographic statistics on workers, address, and contact information.



Learn more: [Manufacturing Map](#)



SUSTAINABLE SOURCING



Using the facilities that are best positioned to grow as our guide, we have made progress both by improving factory compliance while reducing our total number of supplier factories.

While progress on this target was flat this year, we remain committed to driving improvement with our suppliers, acknowledging that persistent issues within the industry – such as working hours and wages and benefits – continue to pose challenges.

SETTING AND VERIFYING THE RIGHT STANDARDS

We evaluate our factories' sustainability performance based on standards set out in NIKE's [Code of Conduct](#) and [Code Leadership Standards](#). Those expectations align with leading international standards to protect worker rights, create a safe working environment, safeguard communities where suppliers operate, and advance environmental protections. Across our compliance and capability-building initiatives, our approach is grounded in supplier ownership; we expect sustainability to be a core consideration of our suppliers' business models.

In addition to performing our own audits or hiring third-party auditors, NIKE also works with third-party organizations to independently audit facilities. These include the Fair Labor Association (FLA), which brings together universities, civil society organizations, and companies to find sustainable solutions to systemic labor issues, and Better Work, a joint program of the ILO and the IFC, a member of the World Bank (see [Occupational Health and Safety](#)).

When facilities receive a below-compliance rating (Red or Yellow), they are expected to remediate the issue within six months, with verification by an auditor. If critical issues are found, such as severe non-compliance with NIKE's standards for protections against forced labor or attempted bribery of NIKE auditors, immediate remediation of the issue is required. If a facility does not sufficiently address an issue, it is placed on probation. If problems remain, NIKE considers a responsible exit, which includes providing early notice and a clear ramp-down schedule.

We continue to review the most frequent areas of non-compliance, such as hours, wages, and benefits, to identify ways we can strengthen compliance with our contract factories. And we search for opportunities – like improving audit data quality, addressing the root causes of issues, and working with other brands in the supply chain – to drive consistent performance as we strive for 100% Bronze or better compliance.

WORKING HOLISTICALLY TO SOLVE CHALLENGES

NIKE has been accredited by the FLA since 1999. In FY19, the FLA reaccredited NIKE's Sustainable Manufacturing Program. This involved a holistic view of our sustainability programs, highlighting NIKE's continuous review and improvement. Our notable strengths included innovative programs, ongoing development of external partnerships, protocols to enable responsible purchasing, deep staff expertise, and a commitment by executive management and the Board of Directors.

NIKE is a signatory of the Social Labor Convergence Program, which seeks to drive industry convergence on factory compliance to reduce audit duplication and free up resources to invest in improving working conditions. It is also based on a model of supplier ownership that aligns with NIKE's approach to sustainable and consistent performance. Our goal is to replace our current monitoring system with this industry approach. During FY19, NIKE remained involved in supporting the piloting of this verification methodology and in FY20 will work to begin scaling this approach in our supply chain.



Learn More:
[NIKE Commitment to Labor Standards](#)

FACTORY RATINGS: NIKE, Inc.

	FY16	FY17	FY18	FY19
Gold	0	0	0	0
Silver	4	5	7	10
Bronze	570	532	499	478
Yellow	60	28	12	11
Red	27	23	23	26
No Rating	2	3	1	0
TOTAL	663	591	542	525

FACTORY RATINGS: Footwear, Apparel, Equipment

	FY16	FY17	FY18	FY19
T1 Footwear	142	127	124	114
Gold	0	0	0	0
Silver	4	5	7	10
Bronze	123	111	113	100
Yellow	10	4	0	1
Red	5	6	4	3
No Rating	0	1	0	0
T1 Apparel	394	363	328	334
Gold	0	0	0	0
Silver	0	0	0	0
Bronze	335	331	305	307
Yellow	42	18	11	8
Red	15	14	11	19
No Rating	2	0	1	0
T1 Equipment	127	101	90	77
Gold	0	0	0	0
Silver	0	0	0	0
Bronze	112	90	81	71
Yellow	8	6	1	2
Red	7	3	8	4
No Rating	0	2	0	0
TOTAL	663	591	542	525

WORKER COUNT RESULTS⁴⁵

	FY15	FY16	FY17	FY18	FY19
Americas	87,234	71,904	77,833	72,986	70,835
EMEA	17,197	18,674	18,396	19,114	22,128
N Asia	236,142	233,561	198,877	170,724	153,645
S Asia	287,862	304,932	296,984	286,938	292,481
SE Asia	386,293	436,970	444,907	473,258	513,023
TOTAL	1,014,728	1,066,041	1,036,997	1,023,020	1,052,112

⁴⁵ Count of workers in NIKE source base at fiscal year-end for period shown.



SUSTAINABLE SOURCING



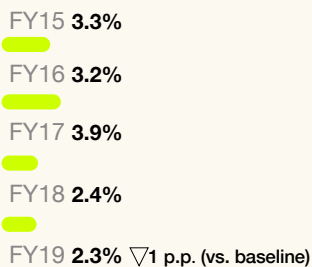
Our FY19 audits, as in previous years, most frequently identify issues with working hours, wages, and benefits. The majority of wage and benefits findings are related to issues like annual and holiday leaves, insurance, or late payment of retirement severance. We required all non-compliant factories to remediate the identified issues, and verified corrective actions through additional onsite audits.

We encourage contract manufacturers to improve human resources (HR) and production planning processes, and share information with us through organizations like Better Buying. We require them to comply with our working hours standards set in NIKE's Code Leadership Standards. For more information, see the [Engaged Workforce](#) section.

Measure

Eliminate excessive overtime (EOT)

FACTORIES WITH EOT EVENT (%)



FY20 target
0%

In FY19, the number of EOT incidents in factories failing to meet NIKE's baseline expectations remained flat at 13, representing 2.3% of the supply base. That represents progress against our FY15 baseline, but our target is 0%.

While the Code of Conduct focuses on suppliers, we recognize that NIKE can do more to reduce overtime in our suppliers' factories and engaged Better Buying,⁴⁶ an initiative that provides information and analysis about good purchasing practices, to get input from suppliers on how NIKE's purchasing practices may impact suppliers' EOT performance.

In addition, we continue to:

- Support improvements in the enforcement of local laws through our relationship with Better Work and training of factory management through Lean 2.0
- Evolve demand and production planning with our suppliers to smooth volume fluctuations and enhance predictability. These measures have an impact on excessive overtime rates in factories
- Facilitate greater industry engagement with multi-brand facilities and alignment to shift the approach suppliers take to forecasting

LESSONS LEARNED

EOT Requires Constant Attention and Vigilance

Excessive overtime (EOT) is prevalent throughout our industry. EOT can affect workers' wellbeing and result in errors in product quality. Studies also show that workers who work excessive hours can be less productive than those who work a standard work week. As part of requiring fair working conditions, NIKE incentivizes contract manufacturers to eliminate EOT. To comply with NIKE's Code Leadership Standards, supplier facilities must ensure that workers do not work more than 60 hours a week, and that workers have at least 24 consecutive hours off in every seven-day period. It is difficult to predict where EOT will reoccur; factories tend not to repeat the practice after audit detection. For example, no factory with an EOT finding in FY18 was a repeat offender in FY19. In fact, within FY19, 77% of factories with EOT incidents either resolved the issue, attaining a Bronze rating, or stopped supplying NIKE.

AUDIT COUNTS⁴⁷

	FY16	FY17	FY18	FY19
NIKE	538	390	415	513
Fair Labor Association	7	1	5	3
Better Work	31	15	51	44
Total	576	406	471	560

AUDITS, NON-COMPLIANCE⁴⁸

	FY16	FY17	FY18	FY19
Age Standards	0	1	0	1
Discrimination	2	2	3	4
Freedom of Association and Collective Bargaining	0	0	1	2
Harassment and Abuse	4	4	3	2
Regular Employment	11	2	7	4
Voluntary Labor	0	6	5	1
Wages and Benefits	35	36	34	43
Working Hours	39	43	39	36
Other	8	5	8	8



Shoetown Manufacturing facility – Yong Zhou, China

⁴⁶ <https://betterbuying.org/>

⁴⁷ Audit counts were lower in FY17 and FY18 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.

⁴⁸ The top findings identified in audits in FY16, 17, 18, and 19 were working hours and wages and benefits. For all findings, the factories were required to remediate the identified issues and the corrective actions were verified through another onsite audit.



ENGAGED WORKFORCE



We believe that a skilled, valued, and engaged workforce is key for growth and sustainability.

We work with our suppliers to develop new tools and approaches to evolve their HR practices in ways that improve compensation and engagement, and create a better employment experience for their workers.

Target

Ensure contract factory workers share in productivity gains

Measures

Work with factories to develop and test new benefits and compensation models for their workers that can be scaled in the supply chain

Deliver improvements in key measures: unplanned absenteeism, turnover, and contract factory worker engagement and wellbeing

PILOTING AND SCALING NEW COMPENSATION AND BENEFIT MODELS

We want to enable every contract factory worker in our supply chain to receive compensation sufficient to meet their basic needs and provide discretionary income. We work with our suppliers to continue progress on this requirement. We know that factory worker wages can increase as factories become more efficient. And we know that valued workers improve factories' performance – which in turn helps workers, factories, and NIKE.

From FY15–FY18, we collaborated with Dara O'Rourke and Niklas Lollo, researchers based at the University of California at Berkeley's Institute

for Research on Labor and Employment, to study how experimental approaches to compensation at one factory affected both workers and the facility's performance. The project focused on pay transparency, clear communication with workers, aligned incentives across the production process, and engaging workers to problem solve. At a factory in Thailand, three different systems were tested to link worker pay to increased productivity. Each process involved giving workers more real-time visibility of their performance and pay – for instance, by tracking productivity and hourly earnings on LED screens. In different ways, each experimental system rewarded higher productivity with higher wages.

The results, published in FY19, were encouraging. Overall results showed that collectively the factory increased worker pay, productivity, and profitability. Our supplier has independently chosen to scale versions of the approach to all lines within that pilot factory, as well as to other factories in its network. Since completion of the pilot, NIKE and the factory jointly presented on the findings to NIKE's other leading apparel and footwear suppliers.

We believe that rewarding performance and attracting talent benefits all stakeholders. We will continue to learn from those leading suppliers who have successfully implemented advanced compensation systems, and to research our suppliers' biggest challenges in this area.



Learn more:
[Compensation and Benefits Research Pilot](#)



Shoetown Manufacturing facility – Yong Zhou, China

DEVisING NEW WAYS TO GAUGE FAIRNESS

The FLA is one of our key partners on compensation. In FY19, we tested FLA's Fair Compensation Tool, which increases brand access to details about take-home pay for different groups of production workers, including seasonality and comparison with external benchmarks. The tool provides NIKE with detailed visibility into factory wage levels and compensation structures for different production departments.

Knowing more about how wages work at our factories helps us scale improvements. We also encourage our suppliers to use the FLA tool to support their own development of compensation strategies.

We tested the tool with three of our leading suppliers in China, Vietnam, and Indonesia, and are now expanding our use of the tool to additional factories to evaluate how we can scale visibility into factory wages. By using the FLA tool, we facilitated detailed discussions on how many of our suppliers currently use compensation to attract and retain workers and meet worker needs.

REDUCING ABSENTEEISM AND TURNOVER

Compared to similar facilities in the industry, NIKE suppliers have relatively low rates of unplanned absenteeism and turnover. We continue to build on this foundation by collaborating with our suppliers on new ways to improve worker experience and engagement, with the goal of maintaining current baseline rates. We focus on improving outlier factories who have higher rates than their peers.

In FY18, NIKE selected 10 facilities we believed could make the greatest additional improvements. In FY19, we expanded this targeted approach to five additional suppliers and continued to work with six suppliers whom we have engaged with since FY18: a total of 11 facilities.

As in FY18, NIKE field teams worked closely with each facility to analyze absenteeism and turnover, and to develop customized improvement plans, performing detailed cost analysis and tracking. This approach helped to measure the impact of the work and enable deeper collaboration.

ENGAGED WORKFORCE



For example, one facility of Stella Group in China had a higher turnover rate than comparable factories. Management found that they did not have in-depth data on why workers left. The factory improved its exit-interview process, began engaging supervisors in meeting turnover reduction targets, and started to analyze more data from HR information systems. We discovered that new workers, whose turnover rates were higher than other groups, were less aware of the factory's compensation package and benefit programs. As a result, the onboarding process for new workers was improved and an employee consultation room was set up to capture and address concerns that might cause turnover. Management also reviewed the facility's wage structure, increasing skill allowances with clear criteria, and set up a training center for further skill development. This resulted in approximately a 17% reduction in turnover rate against FY18.

Another factory in Brazil, Aniger, started working with a NIKE team to decrease turnover in FY17. The factory team gained leadership approval for business model changes and HR systems improvements, which continued through to FY19.

63%
improvement in
turnover rate

With this long-term commitment, turnover rate improved substantially: 38% in FY18; an additional 40% in FY19; and a total of 63% from FY17 to FY19.

The NIKE team has also observed some negative trends in turnover and unplanned absenteeism rates. In these instances, NIKE supports the facility to conduct further review to try to identify emerging challenges so they can be addressed.

LESSONS LEARNED

HR Systems Are Key

We saw the greatest improvements in absenteeism and turnover in facilities that invested in broader, long-term HR management systems. Other key factors such as middle-management engagement, data-driven decisions, and improved communication between management and employees also contributed to the improvements.



Shoetown Manufacturing facility – Yong Zhou, China



ACCELERATING INDUSTRY CHANGE THROUGH PARTNERSHIPS



Many issues we address with suppliers are very complex and beyond the ability of an individual company or supplier to solve.

We believe in collaboration with a wide range of other companies, organizations, and stakeholders. Together, we can develop better systems and practices to address systemic problems, improve working conditions, and promote respect for the rights of workers.

Target

Establish partnerships that support the needs of workers both inside and outside of the factory

Since FY17, NIKE has worked with two technology providers, MicroBenefits and Workplace Options, to support contract manufacturers in improving communication, enhancing worker knowledge and experience, and enabling ease of access to HR tools and policies. To date, 15 supplier facilities have adopted one of these two platforms, while three others have developed and deployed their own digital solutions.

In FY19, NIKE joined the Responsible Labor Initiative (RLI), an organization within the Responsible Business Alliance (RBA), and the Leadership Group for Responsible Recruitment (LGRR), an initiative of the Institute for Human Rights and Business (IHRB). Through these memberships, NIKE will build more partnerships with leading companies across sectors to address risks of forced labor, especially those related to the recruitment and employment of migrant workers.

NIKE also launched Verité's CUMULUS Forced Labor Screen™,⁴⁹ a new due diligence tool to help identify risks related to the recruitment of foreign migrant workers by NIKE suppliers. This tool will help NIKE map labor in our supply chain and more proactively identify, prioritize, and address forced labor risks. In the tool's limited release, our launch in Malaysia made NIKE one of its first adopters. In FY20, we will continue to evaluate expansion to other high-risk countries.

NIKE continues to work with the International Finance Corporation (IFC) on a trade finance program that incentivizes supplier performance by offering lower trade finance terms for facilities rated Bronze or better. At the end of FY19, 31 factories in 11 countries were participating, which disbursed more than \$437 million in FY19.

Measure

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

In order to improve employment conditions, our suppliers need to know more about how their workers are doing. The [NIKE Engagement and Wellbeing \(EWB\) Survey](#) provides a holistic, comprehensive view of the worker experience and captures an actionable data set for our suppliers. We have been scaling this approach since FY17.

By the end of FY19, we had deployed the EWB Survey to 45 factories in 11 countries. In total, the EWB Survey involved factories employing 270,000 workers.

In FY19, NIKE also approved new service providers to facilitate the EWB survey across the supply chain. By increasing the number of EWB providers, suppliers gain more choice on how they survey workers, to help identify opportunities and inform progress. In FY19, we approved four additional EWB Survey vendors, bringing our total of approved EWB vendors to six: MicroBenefits, Workplace Options, Highfive, ELEVATE, Ulula, and Cience. We built a standardized vendor management approach to drive consistency across survey deployments and geographies.

In FY19, we also developed an EWB Toolkit Guidebook to help suppliers take action on the findings and drive systemic improvements. This Guidebook aims to help suppliers connect survey insights, root causes, and countermeasures with potential improvements in their HR management systems, building up connections with their long-term strategies and systems. The Guidebook will be rolled out to suppliers in FY20.



Learn more:
[EWB White Paper](#)



Maxport Limited Vietnam (featured here) partnered with the IFC to implement gender-smart solutions to strengthen and grow its workforce

⁴⁹ <https://www.verite.org/cumulus-forced-labor-screen>



TRANSFORM MANUFACTURING: PRIORITY ISSUES

Through our issue prioritization process, we identified a set of priority issues for NIKE in FY19, which determined the focal topics for this Impact Report.

For FY19 priority issues not specifically covered by a 2020 target, we have provided additional space in this report to describe challenges faced and progress underway.

Child Labor and Forced Labor fall into this category.

CHILD LABOR

NIKE specifically and directly forbids the use of child labor in facilities contracted to make our products. NIKE's Code of Conduct requires that workers 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 hold positions that may be hazardous, such as working with chemicals or heavy machinery, nor can they work at night. Our Code of Conduct age requirements exceed those of the ILO.

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

CHILD LABOR-RELATED FINDINGS

	FY16	FY17	FY18	FY19
Number of Child Labor Findings/Events	0	0	0	0
Number of Other Age Standard Findings/Events	0	1	0	1 ⁵⁰

FORCED LABOR

At NIKE, we believe we have a responsibility to conduct our business ethically. We expect the same from our suppliers. We work with long-term, strategic suppliers that demonstrate a commitment to engaging workers, providing safe working conditions, and advancing environmental responsibility. This includes combating risks of forced labor, modern slavery, and human trafficking.

NIKE's Code of Conduct and Code Leadership Standards include strict prohibitions on forced, bonded, prison, or indentured labor. We also have specific requirements to address key risks of forced

labor. These include, but are not limited to: prohibiting workers paying fees for employment; requiring terms and conditions of employment to be provided and explained prior to departure from the workers' home countries with adequate time for review; providing contracts in both the workers' language and legally enforceable language in the receiving country; and prohibiting requirements to post bonds or make deposits as a condition of employment.

VOLUNTARY LABOR-RELATED FINDINGS

	FY16	FY17	FY18	FY19
Voluntary Labor	0	6	5	1 ⁵¹



Learn more:

[NIKE's Code of Conduct](#)

[NIKE's Code of Leadership Standards](#)

[NIKE's Modern Slavery Act Statement](#)

[NIKE's Human Rights and Labor Compliance Standards](#)

⁵⁰ Due to insufficient age verification procedures, a facility hired two workers below the legal working age of 18 in Indonesia. Both workers were still employed by the facility, but had reached the legal working age by the time of the assessment. More robust age verification procedures were developed to ensure all workers met the legal requirement in the future.

⁵¹ A facility did not ensure that foreign workers' legal employment status was in place. Additionally, employment eligibility fees and repatriation fees were not covered by the facility in line with our commitment to the employer pays principle.





KYLIAN MBAPPÉ

WE MINIMIZE



HIGHLIGHTS

>7.5B

plastic bottles diverted from landfills and waterways and transformed into recycled polyester footwear and apparel since 2010

99.9%

of footwear manufacturing **waste** recycled or converted into energy

30%

of NIKE global stores are **LEED certified**

23B

fewer liters of **freshwater** used by material vendors since FY16

98%

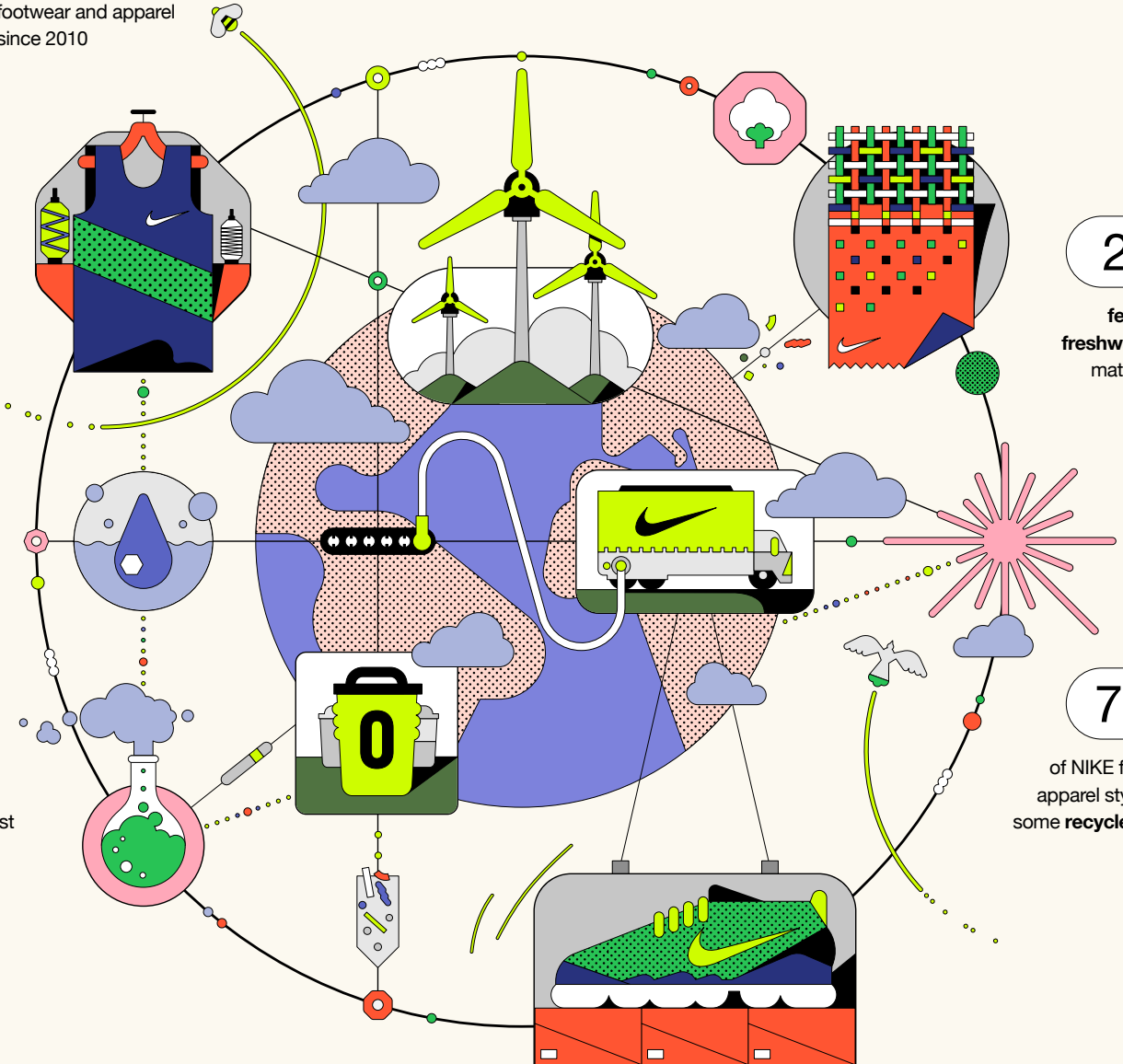
of tested materials in **compliance** with NIKE Restricted Substance List

76%

of NIKE footwear and apparel styles included some **recycled materials**

30M

shoes recycled since Reuse-A-Shoe launched 26 years ago



PRODUCT



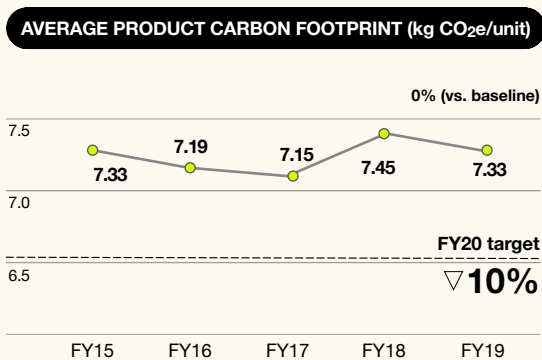
NIKE serves a global community of athletes with world-class design, innovation, and high-performance product. That means we need a high volume of materials like textiles, polymers, and other essential fabrics.

This reality sets the broad context for our ongoing efforts to reduce our products' impact by using more sustainable materials, leveraging durability, reuse, recycling, circularity, and reducing waste along our supply chain. All materials carry an environmental impact: carbon emissions related to production and transportation to water use in agricultural and manufacturing processes to name just two. We continue to work aggressively to unite NIKE's industry-leading design and performance to the lowest impact across carbon, waste, water, and chemistry. This Product section of the report aims to represent all dimensions of that effort.

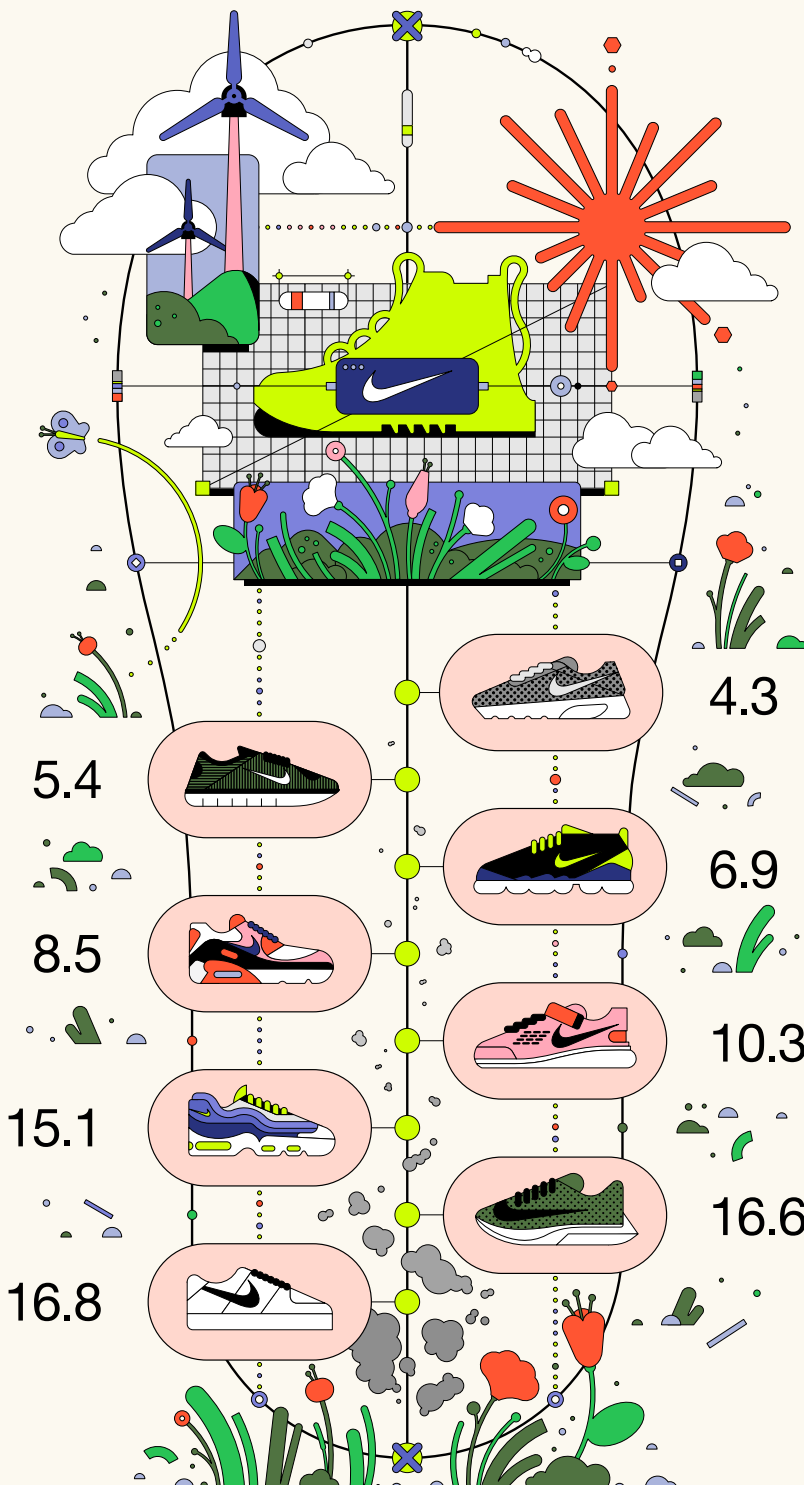
While we have made notable progress, our performance against the measurable target defined for FY20 reveals challenges. Some are specific to NIKE's business; others are shared by the industry and, in fact, by any large-scale manufacturing enterprise.

Target

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



FOOTWEAR CARBON FOOTPRINT (kg CO₂e/pair)



Footwear carbon footprint is measured in kg CO₂e per pair from highest to lowest footprint: Air Force 1, Zoom Vaporfly, Air Max 95, Air Zoom Pegasus, Air Max 90, Air Vapormax Flyknit, Free Flyknit, and Tanjun.



PRODUCT



Our product's carbon footprint per unit has fluctuated between FY15 and FY19. We made progress in FY19 compared to FY18 due to slightly lighter footwear product mix.

However, we are flat versus our FY15 baseline and are not on track to hit our FY20 target of achieving a 10% reduction in average product carbon footprint per unit, due to a few key factors. For example, manufacturing in some key regions of our supply chain has become more carbon-intensive (see [Energy and Carbon](#)). In addition, due to recent trends, apparel has become heavier, requiring more material per unit.

These specific issues highlight the complex challenges inherent to sustainable product development. Achieving our strategic goal of reduced environmental impact will require sustained and integrated work across our value chain: upstream and downstream, from design and marketing decisions to manufacturing techniques. We remain committed to creating innovative products made with more sustainable materials.

USING THE BEST POSSIBLE MATERIALS

As this integration evolves, we actively pursue sustainability in our products and materials. Specifically, we focus on scaling the use of innovative sustainable materials and reducing the material-related footprint of manufacturing. In FY19, some recycled materials were used in 76% of Nike brand footwear and apparel products, from footwear uppers to entire jerseys. The type of materials we use represent the greatest opportunity for reducing our impact. We continue to focus on converting key material and product programs to lower impact materials across all of our categories. To support these efforts, we are evolving the tools available to our product and materials team to enable better decision-making. In addition, we are working cross-functionally – across design, materials, product creation, and finance – to execute material conversions.

AIMING FOR PATTERN EFFICIENCY

Our apparel product category teams continue to focus on improving pattern efficiency – planning apparel items so that manufacturing creates as little

waste as possible. From 2016 to 2019, overall pattern efficiency improved by 2%, a significant achievement considering this is already a highly optimized method of make. However, this improvement has been offset by trends toward heavier fleece fabrics and larger-fitting garments.

FLYKNIT: INNOVATING TO CUT WASTE

Flyknit, the material woven from high-strength fibers, reduces manufacturing-process waste by about 60% over traditional equivalent materials. In FY19, we produced more than 23 million pairs of Flyknit shoes, leveraging recycled plastic content equivalent to more than 31 million plastic bottles. Since launch in 2012, we have produced more than 100 million pairs of Flyknit shoes. The simplicity of Flyknit means that there are dramatically fewer upper parts involved in the construction. This means the footprint of Flyknit offshore production lines are on average 30% smaller than a normal cut-and-sew production

10M
pounds of
waste avoided

line. Due to its innovative and waste-reducing production method, Flyknit has avoided over 10 million pounds of waste since inception.



VAPORMAX RANDOM

Launched in FY19, the Vapormax Random is our most recent Flyknit innovation. Because each shoe is created from different colors of yarn that would otherwise go to waste, the upper takes on a unique random look. In addition to the upper, the Air sole contains at least 75% recycled materials and the heel counter is made from recycled CDs. This shoe shows that when we think differently about design, we can turn waste into innovation.



PRODUCT



AIR: RECYCLING CONTINUES TO TAKE FLIGHT

100% renewable electricity used for U.S.-made Air

All Nike Air soles designed since 2008 contain at least 50% recycled manufacturing waste, and starting in FY20 U.S.-made Air will be created with 100% renewable electricity. Nike Air soles will be created via a circular manufacturing process, where manufacturing scraps are reincorporated into the product. More than 90% of the waste from materials used in Air soles production is turned into new, innovative cushioning systems. We produce millions of Air sole units each year, highlighted by two of our most recent full-length Air innovations: Vapormax and Air Max 720.



Converse Renew: footwear made with upcycled textiles, recycled PET, and recycled cotton

CONVERSE: INVENTING THE FUTURE

Converse's Renew is an ongoing initiative to develop new, innovative, and more sustainable production methods. Through Renew, Converse is exploring new approaches that both lessen their environmental impact and make smart use of existing materials, like recycled textiles and plastics and leftover canvas. Converse currently has three different Renew footwear processes: Upcycled Textile, Recycled PET (rPET), and Recycled Cotton.

- Over the Summer of 2019, the collection was launched with Chuck Taylor All Star's iconic canvas upper made from 100% recycled polyester, which is made from used plastic bottles (rPET canvas), and upcycled denim. The rPET yarn was specifically developed to closely match the natural canvas traditionally used to make the Chuck canvas. Each pair of high-top All-Stars required at least 11 plastic bottles to make.
- For Renew Denim, launched in July 2019, Converse worked with Beyond Retro, a U.K.-based sustainable fashion brand and vintage retailer, to source tens of thousands of pairs of denim jeans a season to create the footwear. In addition to using discarded materials and reducing waste, Renew Denim uses minimal volumes of water and eliminates the need for chemical processing or growing and sourcing more cotton. Through Renew Denim, Converse

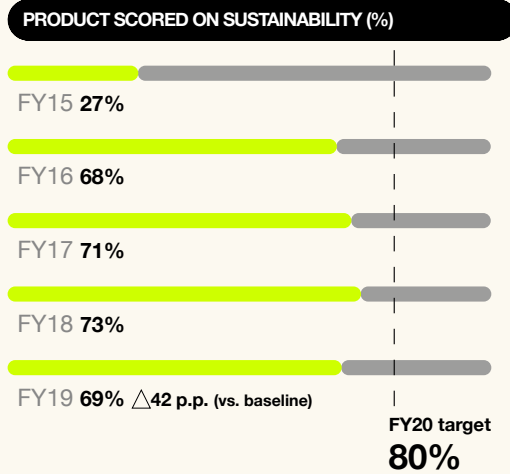
~93K

pairs of denim jeans diverted from landfill

has diverted 92,696 pairs of denim jeans from landfill. In weight, this is equivalent to approximately 93,000 pounds of fabric.

Measure

Greater than 80% of all NIKE product will be scored on sustainability performance



Over the past five years, we have significantly increased the number of products scored on sustainability. Teams work across categories to analyze their decisions that drive reductions in each product's footprint, using the scoring available. The NIKE Apparel, Equipment, Socks, and Converse Apparel categories remain strong, with more than 88% of all their products scored on sustainability performance. As our footwear business grows and we reimagine the toolset to drive sustainability decision-making, we have seen a decrease in footwear product creation teams scoring product using existing tools. As this decrease was not anticipated, we are increasing and clarifying our communication with our global footwear teams to continue to use existing tools until we transition to new scoring tools. Our aim is to equip our teams with updated scoring tools that have a more real-time and holistic approach to empower decision-making to drive carbon and waste reduction.



MATERIALS



Improving the sustainability of the many materials NIKE relies upon for athletic performance presents a complex challenge.

In a value chain that depends on interdependent systems, one action affects another. Understanding this interplay requires a deep look across design, supply, sourcing, manufacturing, and distribution. In addition, scaling the use of environmentally preferred materials (EPM) in a business that is highly seasonal requires changes at the enterprise-system level.

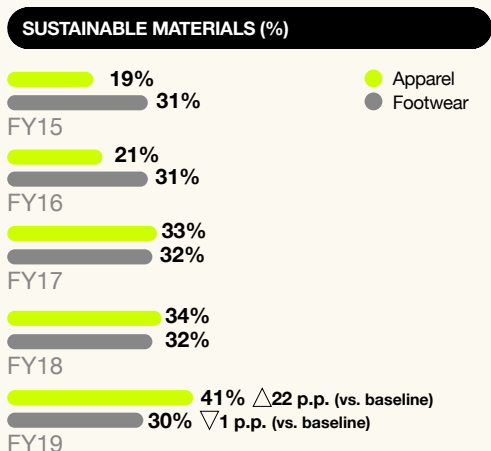
To tackle this challenge, we are uniting cross-functional teams – across Innovation, Product Creation, Finance, Planning, and Manufacturing – to identify solutions to obstacles, including EPM supply and cost issues. We can already point to significant successes.

This is an issue that requires collaboration. NIKE belongs to the Sustainable Apparel Coalition, an alliance of brands, manufacturers, and researchers. In 2012, NIKE shared our Materials Sustainability Index (MSI) with the Sustainable Apparel Coalition. This data fueled the development of a tool called the Higg Materials Sustainability Index (MSI), which has become the industry standard for evaluating how individual materials affect the environment, and how manufacturing and design choices can reduce a product’s environmental impact. NIKE footwear is preparing to implement the Higg MSI in FY20, a move that promises to be the largest adoption of the tool in the industry.

NIKE also collaborates with Textile Exchange (TE),⁵² a global nonprofit convener of brands, manufacturers, and retailers, to drive industry transformation in preferred fibers, integrity and standards, and responsible supply networks. NIKE holds a seat on TE’s governance board.

Target

Increase use of sustainable materials in footwear and apparel



NIKE is pioneering industry transformation in sustainable materials. We have converted large volumes of key shoe components to 100% sustainable materials, expanding EPM options in use for all footwear. For example, we are developing new recycled polyester and leather alternative options that can potentially be incorporated across our product line, including synthetic leathers, socks, laces, linings, and sock liners. As fundamental components, these all provide opportunities for our teams to decrease environmental impact substantially by converting to 100% EPM use.

For example, in FY19, over 28,000 metric tons of carbon were avoided through the use of recycled polyester, rather than conventional, in Nike-branded footwear.

>28K
metric tons of carbon avoided

We have made significant progress in the use of sustainable materials in apparel. However, the percentage of sustainable materials in footwear has remained essentially flat against the FY15 baseline. We are working on this, but recognize it will take additional time to reimagine large iconic footwear platforms while meeting consumer expectations.

Our sustainable materials strategy for apparel is focused on converting the top volume materials to more sustainable options. To do this, we are focused on massive conversions maximizing recycled and organic content with zero compromise to quality. In addition, we are optimizing and innovating dyeing and finishing methods to reduce energy, water, and chemical usage.

DYEING TEXTILES WITH LESS WATER

The creation, processing, and dyeing of textiles uses tremendous amounts of water – as much as 150 liters of water per kilogram of product. In NIKE apparel, ColorDry technology reduces water and chemical consumption compared to conventional technologies.

MICROFIBERS

Microfibers are fibers that are shed from textiles during production, consumer use, or end-of-life and end up in the environment. NIKE is working with stakeholders across our value chain and cross-industry to identify long-term, scalable solutions to microfibers.



Learn more: [Microfibers Statement](#)

BETTER CHOICES



Polyester

Recycled



Cotton

Organic

Recycled

BCI Better Cotton



Leather

Leather Working Group certified

Environmentally preferred leather



Synthetic leather

Recycled



EVA

Recycled



Rubber

Environmentally preferred rubber formulations

Nike Grind



Thermoplastic Polyurethane (TPU)

Recycled

52 <https://mci.textileexchange.org/>



MATERIALS



RECYCLED POLYESTER

Recycled polyester avoids the use of newly created, petroleum-based fibers; instead, used plastic – from discarded water bottles, for instance – is processed into fabric, dramatically reducing the carbon footprint of a given product. Recycled polyester has a 30% lower carbon footprint than virgin polyester.

Since 2010, we have diverted more than 7.5 billion plastic bottles from landfills and waterways by

>1B plastic bottles diverted from landfills and waterways in FY19 using recycled polyester in our products; over 1 billion bottles in FY19 alone. For example, each shoe upper made from Flyknit contains an average of six to seven recycled plastic bottles.

Since Flyknit's inception in 2012, we have diverted approximately 470 million plastic bottles from landfills. Laying them end to end would be enough to circle the planet twice.

In addition, Women's Training, Men's Training, Basketball, Tennis, and National Football League each rely on recycled polyester for more than 35% of their total polyester needs.

TOP FIVE MATERIALS BY VOLUME

		FY15	FY16	FY17	FY18 ⁵³	FY19
Cotton						
Organic	kg	4,123,000	4,613,000	5,622,000	7,147,000	9,582,000
	%	7%	7%	8%	9%	9%
Recycled	kg	68,000	75,000	183,000	375,000	582,000
	%	<1%	<1%	<1%	<1%	1%
Better Cotton Initiative (BCI)	kg	9,879,000	17,629,000	32,487,000	42,335,000	82,170,000
	%	17%	27%	45%	51%	76%
Total	kg	59,058,000	64,416,000	72,195,000	83,603,000	107,703,000
Polyester						
Recycled	kg	22,769,000	25,481,000	25,856,000	29,429,000	27,013,000
	%	16%	18%	17%	19%	20%
Total	kg	138,494,000	144,499,000	156,492,000	157,611,000	134,668,000⁵⁴
Corrugate/Paper						
Recycled	kg	95,424,000	103,977,000	107,052,000	129,087,000	142,300,000
	%	84%	84%	84%	84%	84%
Total	kg	113,568,000	123,622,000	127,236,000	153,425,000	169,100,000
Rubber						
Environmentally Preferred	kg	63,414,000	59,460,000	65,808,000	77,653,000	92,934,000
	%	89%	91%	98%	92%	94%
Total	kg	71,380,000	65,382,000	67,382,000	84,044,000	98,478,000
Ethylene-Vinyl Acetate (EVA) Foam						
Recycled	kg	185,000	151,000	66,000	158,000	809,000
	%	<1%	<1%	<1%	<1%	<1%
Total	kg	81,221,000	97,214,000	103,182,000	97,001,000	81,137,000⁵⁵



2019 WOMEN'S WORLD CUP

For the 2019 Women's World Cup, team kits featured 100% recycled polyester – at least 12 discarded plastic bottles were used in each NIKE federation kit. Overall, we sponsored 14 of the 24 teams playing in the tournament. In FY19, our jersey sales surged 200% compared with the last tournament held four years ago, offering consumers a more sustainable option for cheering on their home teams.

⁵³ FY18 has been restated due to a reporting variance identified through NIKE's data governance process.

⁵⁴ In FY19, part of our business shifted the data source used for reporting polyester volumes, hence the inconsistency in FY19 compared to previous reported years.

⁵⁵ The drop in total EVA foam kilograms in FY19 is due to shifts in product mix (pure EVA to React mixes). While NIKE acknowledges the increase in recycled EVA kilograms in FY19, which may be due to a shift in reporting approaches, the percentage of recycled EVA foam remains consistent in FY19 compared to previous years.

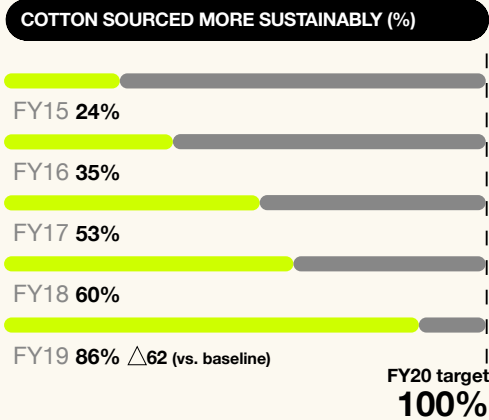


MATERIALS



Measure

Source 100% of our cotton more sustainably across NIKE



Conventional cotton farming can involve extraordinary environmental impact due to water and pesticide use. In FY19, NIKE used over 80% more cotton than in the FY15 baseline year. To stay on track for this goal, we had to grow our use of sustainable cotton 6.5-fold, from 14 million kilograms in FY15 to 92 million kilograms of sustainable cotton, reaching 86% of NIKE’s overall cotton use.

Most important are the environmental benefits of our global sustainable cotton efforts. In FY19, NIKE’s sustainable cotton use saved over 53 billion liters of water, up from over 32 billion in FY18.

200K

fewer kilograms of pesticide

Our cotton production used over 200,000 fewer kilograms of pesticide than traditional methods would have required, nearly double FY18’s estimated reductions.

As an industry leader in sustainable cotton, we are leading the way with apparel and socks converting over 90% of their FY19 cotton to organic, recycled, or Better Cotton. In addition, Converse footwear had a threefold increase in sustainable cotton sourcing and doubled its use of organic cotton in FY19 compared to FY18, thanks to the success of the Chuck 70’s with organic cotton uppers. These efforts brought NIKE closer to our 100% sustainable cotton target.

INNOVATING WITH LEATHER

An example of sustainable innovation is Flyleather, an engineered leather material made with at least 50% recycled leather fiber by binding reclaimed leather fibers together with an innovative water-powered process. Flyleather diverts leather that would otherwise be lost in the manufacturing process to produce a material with a lower carbon footprint than conventional leather. This material also offers performance and durability advantages.



Nike Sportswear crop top: made with at least 75% organic cotton



STEVEN HARRINGTON'S EARTH DAY COLLECTION

For Earth Day 2019, we teamed up with California-based artist Steven Harrington to pair his optimistic and captivating style with one of our most sustainable materials to inspire love for the planet. This collaboration featured three iconic styles – the Air Force 1, Blazer Low, and Cortez – in Flyleather, NIKE’s most sustainable engineered leather made with at least 50% recycled leather fiber. Inspired by California’s mystique, vastly diverse landscape, and thriving mix of cultures, we hoped to spur people to sustain their Earth Day commitments every day of the year.



ENERGY AND CARBON



From marathon start times moving into pre-dawn hours to players and fans suffering heat exhaustion due to extreme weather conditions, climate change is already affecting the athletes we serve and poses challenges to the future of sport.

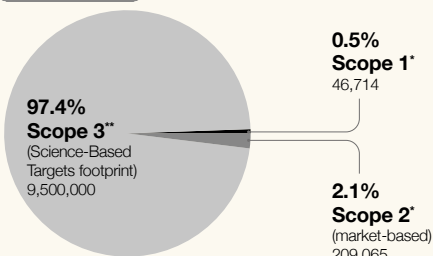
This understanding drives Move to Zero, our journey toward a zero carbon, zero waste future.

We have undertaken extensive research to understand the greatest sources of greenhouse gas (GHG) emissions in our supply chain. We found that 25% of NIKE's carbon footprint comes from the raw material phase of five materials: polyester, EVA, rubber, leather, and cotton. NIKE will continue to focus on the procurement of renewable energy for our owned or operated facilities, and work with our suppliers to increase energy efficiency and move toward renewable energy in their facilities.

NIKE and its competitors face shared dilemmas. Our entire industry must transform how it uses energy and what types of energy it uses – from traditional energy sources to renewable energy. However, we all employ vast and complex supply chains. The deeper you look into any complex supply chain, the harder it gets to trace energy usage and emissions. To achieve the level of transformation that is necessary, we're building meaningful and long-lasting relationships to create significant change. We believe collaboration on these issues transcends competition.

FY19 EMISSIONS SUMMARY (METRIC TONS CO₂e)

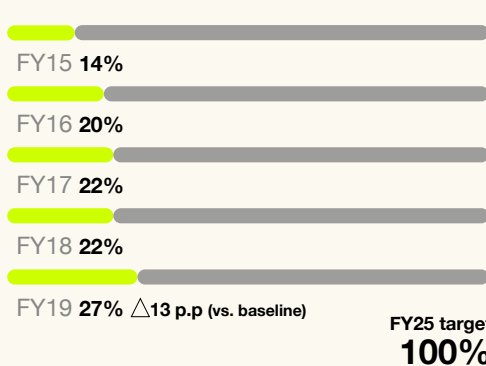
SCOPE 1, 2, AND 3**



Target

Reach 100% 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

RENEWABLE ENERGY OWNED OR OPERATED (%)



These large-scale PPAs build on NIKE's longstanding onsite renewables successes at its European Logistics Campus in Laakdal, Belgium, where electricity is powered by 100% renewable energy, with 97% of electricity via onsite wind and solar, and its China Logistics Center in Taicang, China, where onsite solar generates over 25% of the facility's electricity. In FY19, NIKE continued to pursue additional cost-effective onsite solutions, making progress toward powering distribution centers in Brazil, U.S., and Mexico with solar energy, and exploring opportunities as Air Manufacturing Innovation (Air MI) grows its footprint.

RENEWABLE ENERGY BUYERS ALLIANCE

We are proud to be founding members of the new Renewable Energy Buyers Alliance, a coalition of large clean energy buyers unlocking the marketplace for all nonresidential energy buyers leading a rapid transition to a cleaner, more prosperous, zero-carbon energy future.



RENEWABLE ENERGY IN NIKE-OWNED OR OPERATED FACILITIES

As a *Fortune 100* company and globally recognized brand, we understand our opportunity to drive increased renewable energy production and access globally. We are making significant progress toward our renewable energy commitment. In FY19, NIKE signed a power purchase agreement (PPA) with Iberdrola Renewables in Spain that will produce renewable energy equivalent to 100% of our European electricity consumption when the project goes live in 2020.

Combined with earlier agreements with Avangrid in the U.S. that covers our entire footprint in North America, NIKE has contracted for nearly 600,000 megawatt hours of renewable energy per year – more than 75% of our global electricity load. This is equal to roughly the annual electricity use of more than 60,000 U.S. homes. This reflects a corporate commitment of more than \$200 million in renewable energy over the contracts' duration, each with a positive expected financial return.



56 Scope 1: Direct emissions from owned or controlled sources. Scope 2: Indirect emissions from the generation of purchased energy. Scope 3: All indirect emissions (both upstream and downstream emissions that are not included in Scope 2) that occur in the value chain. * This metric is part of Management's Assertion on select sustainability metrics, which PwC has performed limited assurance over for the period from June 1, 2018, to May 31, 2019, as indicated in the Report of Independent Accountants. ** The Commercial Travel emissions component of this metric is part of Management's Assertion on select sustainability metrics, which PwC has performed limited assurance over for the period from June 1, 2018, to May 31, 2019, as indicated in the Report of Independent Accountants.



ENERGY AND CARBON



As NIKE continues to drive toward 100% renewable energy for its owned or operated footprint, challenges remain. Some regions are still developing the regulations and approaches that would allow companies to acquire renewable energy cost-effectively and at scale; we have to find solutions at very different sites, spread all over the world. We will continue to look for opportunities and engage in advocacy efforts to open these markets for our participation and that of our broader supply chain and industry.

EMBRACING RENEWABLES ACROSS THE SUPPLY CHAIN

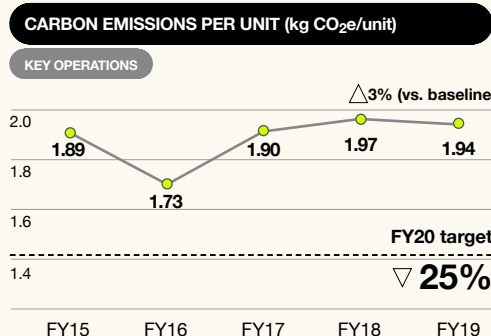
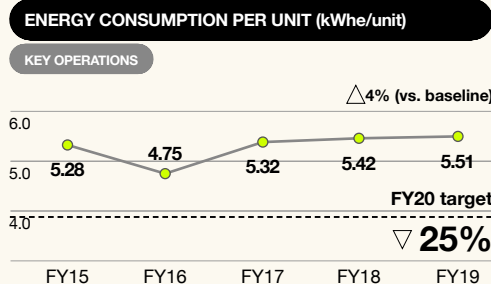
FY19 was a foundational year for expanding our engagement with suppliers beyond energy efficiency efforts to helping catalyze renewable energy use at scale. NIKE launched a new factory rooftop solar photovoltaic (PV) deployment program, with particular focus on China, Vietnam and Indonesia. By the end of FY19, NIKE suppliers had over 10 megawatt of solar PV capacity installed globally and a pipeline of future projects in development.

Onsite solar PV programs are typically only able to cover a small portion of a factory's total load requirements. In order to tackle a factory's entire power requirements, NIKE is also focused on unlocking opportunities that enable suppliers to purchase power from renewable energy providers that generate power at their own sites and transfer it onto local grids. A significant portion of electricity used by NIKE footwear suppliers in India and Brazil is currently covered by renewable energy power purchasing agreements. In Vietnam, we are working with USAID and its Vietnam Low Emission Energy Program (V-LEEP) to help the Vietnamese Government to develop the regulations and programs necessary to encourage renewable energy development and PPAs. In China and Indonesia, we continue to explore the policy frameworks that shape renewable PPAs in each country. As we head into FY20, we plan to work with V-LEEP and other collaborations in key markets in which we operate.

The reason total renewable energy use across Tier 1 and 2 manufacturing went down in FY19 was a result of centralized biomass boilers being removed as part of energy reduction efforts aimed at electrifying Tier 1 footwear operations and tighter boiler regulations in China impacting Tier 2 dyeing and finishing operations. To achieve that goal, we will tackle challenges posed by complex, far-flung systems that affect every stage in our value chain. This reality only means that NIKE must harness the full power of our collective determination and ability to innovate.

Measure

Decrease energy use and CO₂e emissions 25% per unit in key operations⁵⁷



RENEWABLE ENERGY (MWh)

	FY15	FY16	FY17	FY18	FY19
Footwear Manufacturing (Tier 1) and Textile Dyeing and Finishing (Tier 2)					
Renewable Energy	550,000	571,000	602,000	621,000	582,000
% of Total	14	13	13	14	12
Owned or Operated					
Renewable Energy	66,717	108,755	125,494	135,971	160,224
% of Total	14	20	22	22	27

To understand our work to reduce carbon emissions and energy use, it's important to recognize the fundamental challenge at the most basic level: manufacturing and shipping products to market requires energy. NIKE's target calls for a 25% reduction in energy use, and associated carbon emissions, per unit of product made in key operations.

SCIENCE-BASED TARGETS

We recently committed to the 2030 Science-Based Targets⁵⁸ adopted by hundreds of other companies around the world. These targets are grounded in insights from leading science on action we all must take to mitigate the effects of climate change on our one planet. This action includes an absolute reduction of Scope 1 and 2 emissions by 65% and Scope 3 emissions by 30% by 2030.



In general, manufacturing often takes place in contexts where energy use is intensive: manufacturing processes and logistical settings that require significant power. For example, some areas in Southeast Asia that serve as key sources of finished goods manufacturing have recently seen increases in coal-fired electricity generation. Approximately half of our footwear manufacturing occurs in Vietnam, and because of the recent startup of coal-fired power plants in the country, the carbon intensity of the Vietnamese power grid increased over 25% since FY15, when we set our FY20 targets. Grid has emissions intensity coupled with higher complexity of products as well as new platforms that are less energy efficient have also had a material impact on this target's FY19 performance results.

LEADING THE WAY

NIKE joined 75 other companies at the Lawmaker Education and Advocacy Days (LEAD) in May 2019 in Washington, D.C. This event included meetings with 84 congressional offices, expressing corporate support for climate action and urging Congress to move forward with a policy that creates a meaningful price on carbon to meet the severity of this threat.

⁵⁷ Key operations represent finished goods manufacturing, inbound and outbound logistics, DCs, HQs, and NIKE-owned retail. Historical performance data for this target has been restated due to a shift in NIKE's logistics' emissions data source (FY15-18) and to enhancements in NIKE's PPA tracking processes (FY18) that have resulted in more comprehensive and accurate reporting.

⁵⁸ <https://sciencebasedtargets.org/>



ENERGY AND CARBON



OPTIMIZING INBOUND LOGISTICS

NIKE's Global Operations and Logistics Team implemented a new cloud-based carbon reporting solution in FY19. It allows more accurate, automated, real-time reporting of transportation emissions. We can now dive deep into that data to identify root causes of emissions increase and take specific action to address them. We also have a more comprehensive view of our finished goods Scope 3 transportation carbon emissions. As a result, we've restated our progress toward our targets in this area.

The most significant driver of carbon emissions for logistics continues to be shipping product from origin to destination by air. On the inbound leg, i.e. origin to destination geography, air freight is 42 times more carbon-intensive than ocean freight. So we are optimizing air freight, making sure we use it efficiently and effectively, and only when warranted.

In FY19, we continued work to improve processes and streamline decision-making. Our Marketplace Operations and Inbound Logistics teams made significant strides toward using air freight to increase the effectiveness of shipping directly from factories to customers. Those teams now leverage marketplace-informed signals to be more selective about using air freight, limiting it to the most critical products. Teams now also focus their decisions to be more exception-based to eliminate unnecessary air freight, with requests being carefully reviewed to assess the potential marketplace impact.

COLLABORATION

To drive continuous improvements and transparency in data within the air freight industry, NIKE was a founding member of the Sustainable Air Freight Alliance, a newly formed group in 2019. The Alliance is a buyer-supplier collaboration between shippers, freight forwarders, and air freight carriers to track and reduce carbon dioxide emissions from air freight and promote responsible transport.

NIKE also continues to be an active member (as well as a founding member) of Clean Cargo, a business-to-business leadership initiative that involves major brands, cargo carriers, and freight forwarders dedicated to reducing the environmental impacts of global goods transportation and promoting responsible shipping.

ARCTIC SHIPPING PLEDGE

Because of climate change, Arctic sea ice is melting and new shipping routes may soon become available. These routes can be faster than traditional shipping routes but can cause major environmental impacts to one of the world's most fragile regions. In October 2019, NIKE committed to not intentionally allow our products to be shipped on vessels via any Arctic sea route. We partnered with Ocean Conservancy to encourage all companies and industries to make the same commitment through the Arctic Shipping Corporate Pledge.⁵⁹



By implementing an exception-based process, our Europe, Middle East, and Africa (EMEA) geographies reduced air freight volume by 25% year over year. To support these new processes, North America and Greater China use new analytical tools, which we hope to scale globally.

FY19 was the third year for our Supply Chain Sustainability Index (SCSI), which sets clear and consistent minimum sustainability requirements for NIKE logistics service providers, including inbound ocean and air freight. We continued to see positive improvement from the first submissions; for example, thanks to SCSI-based discussions, we have increased our use of biofuels. The SCSI is now also integrated into our process for evaluating new inbound logistics service providers to ensure they are aligned with our requirements prior to doing business with NIKE.

In FY19, our Global Operations and Logistics Team began using an "internal carbon shadow price" as it evaluated bids for FY20 ocean freight services. Essentially, that means assigning a theoretical dollar price to carbon emissions, and adding that figure to actual hard costs as we decide which supplier to work with on particular trade lanes. (Clean Cargo currently provides information on individual providers' carbon intensity on specific ocean trade-lane routes; similar information should soon become available for air-freight operations.) In FY21, we will adopt lessons from the project's first phase to take full advantage of the concept.

EMBRACING CHALLENGES AND INNOVATING FOR THE FUTURE

Outbound logistics, i.e. transportation from a NIKE distribution center to point of sale or consumer, is a challenging area. In the era of e-commerce, speed of delivery is more important than ever to the success of our business – but to move fast without sacrificing sustainability goals requires relentless, focused innovation.

In FY19, we worked to understand the value of sustainable fulfillment services to our consumer. Starting with four of our key cities – London, Paris, New York City, and Los Angeles – we conducted focus groups through which we learned that consumers would like to better understand their sustainable shipping and packaging options at the point of purchase. In FY20, we will use findings to create pilot projects. We will also look to expand focus groups to other key cities.

Outbound alternatives, such as electric vehicles for last-mile deliveries, are slowly becoming viable, but are not yet widely available. As with inbound transportation, we continued using and deploying our SCSI for outbound logistics services. That spurs innovation.

- In EMEA, we now require our line-haul contractors to use an alternative fuel mix⁶⁰ containing at least 10% alternative fuels. One of our providers now uses hydro-treated vegetable oil to power more than 95% of its transport for NIKE. We also use electric vehicles to deliver to some stores.
- In Greater China, we take advantage of logistic service providers that use electric vehicles and liquid natural gas. We have been using liquefied natural gas for long-haul transportation in China on about 30% of cross-province routes. Continuous efforts have also been placed on electric vans for in-city deliveries such as in Zhengzhou, where e-van deliveries have successfully reached 100%.
- In certain regions, such as North America, where we have limited ability to take advantage of alternative fuels due to infrastructure limitations, we are exploring collaborations with other brands to encourage partnership and innovation in sustainable transportation.

⁵⁹ <https://oceanconservancy.org/protecting-the-arctic/take-the-pledge/>
⁶⁰ A mix of alternative fuels with traditional fuels, e.g. diesel and gasoline.



ENERGY AND CARBON



LESSONS LEARNED

Demystifying Alternative Fuels

Not all fuels are created equally in terms of GHG benefit, timeline for availability, technical applicability, and cost. To help us have a better understanding of the landscape, we contracted a third-party consulting group to develop an alternative fuels manual. In addition to providing an overview of key alternative fuels in the market, the manual also outlines key questions to raise with our logistic service providers to have better informed conversations.



DHL solar installation – Louveira, Brazil

GREENING THE DISTRIBUTION CENTERS

Energy use in our distribution centers continues to trend higher than our target, as more extreme temperatures require increased use of air conditioning and heating. In FY19, we continued to make our distribution centers more energy efficient. For example, we are retrofitting several buildings across our global network with LED lighting. Our operations in North America assessed their distribution centers in FY19 to set baseline and benchmark standards for their footprint across all key impact areas. This assessment gave us increased visibility into the centers' sustainability performance and allowed visibility of best practices such as integration of waste management into employee onboarding and training, conveyor belt and lighting motion sensors, and no idle trucking policies. Moving into FY20, these findings will form the basis of performance plans and center-specific KPIs.

In FY19, we also achieved several key certification milestones in multiple distribution centers.

- In **Laakdal, Belgium**, we opened our newest distribution center, the COURT (approximately 1.4 million sq. ft.) The COURT leveraged and improved upon features included in WINGS, our LEED Gold-certified center, located next to the COURT, which opened in FY16. The COURT uses a racking structure (which reduced waste and materials used in construction), an abundance of natural light, and automated LED lighting. The COURT's heating, ventilation, and air conditioning (HVAC) is governed by climate panels, which create both energy efficiency and comfort using heated/cooled water flows in lieu of traditional air. Most importantly, the COURT is the first NIKE-owned distribution center designed to be fossil-

fuel-free. This means that, in addition to 100% renewable electricity, no fossil fuels are needed for onsite container moving equipment (yard hogs), as they use a 100% hydro-treated vegetable oil; natural gas needed for peak heating periods has been replaced with biogas.

- In **Taicang, China**, our China Logistics Center opened a third building (approximately 670,000 sq. ft.) on its campus, which received LEED Gold certification. This building includes 1MW rooftop solar panels; rainwater collection system and water reuse for toilet; vacuum toilet system; 100% LED lighting; solar water heating system; auto packing system to reduce tapping; and a suspension pouch sorting system using Shirt-to-Bag recycled fabric.
- In **Louveira, Brazil**, in cooperation with our third-party operator, our distribution center received LEED Gold certification for Operations and Maintenance, the first to achieve any certification in that category. The facility upgraded to LED lighting, installed water flow restrictors, conducted a waste audit, implemented waste composting, and implemented an onsite solar array.
- In **Melbourne, Australia**, in cooperation with our third-party operator, our distribution center became the first industrial building in Australia to be certified carbon neutral under the National Carbon Offset Standard.⁶¹ Through the work to achieve this certification, the center realized a 40% reduction in absolute electricity consumption from FY15 to FY19.

HELPING OUR SUPPLIERS CUT CARBON

We achieved nearly an 8% reduction in energy consumption per pair since our FY15 baseline at our

suppliers' facilities, mainly driven by the elimination and optimization of boilers, the implementation of more efficient motors, and by continuing fundamental energy management through the Energy Minimum Program. By the end of FY19, NIKE and Converse's largest finished goods footwear factories in China, Vietnam, and Indonesia – representing over 90% of our footwear production – continue to collaborate with NIKE to reduce our overall carbon footprint.

Moving forward, we are helping factories to pursue large-scale solar projects and implementing a thermal solar program so factories can heat water needed in washing stages of the manufacturing process. Our footwear finished goods suppliers have committed to eliminate almost a dozen boilers from their operations, and to retrofit several dozen motors with more efficient ones.

Even though we are making progress, our FY19 carbon footprint was flat compared to the FY15 baseline. This was mainly due to Vietnam's electricity grid becoming significantly more carbon-intensive since the baseline year, which offsets part of our progress, as well as delays in energy efficiency implementation at some of our factory partners. We will continue working with our suppliers to expedite this process, but we anticipate the energy efficiency programs will not be fully executed until early FY21.

We are moving our focus from energy efficiency work into renewable energy as it has the highest potential carbon impact. From FY15 to FY20, our focus has been on moving our factory partners away from boilers to "electrification." Now that factories have implemented over 40 boiler projects, we are working on shifting that electrical energy into renewable sources such as solar PV systems and, where available, offsite PPAs.

⁶¹ <https://www.tollgroup.com/news-and-media/media-releases/toll-nike-and-stockland-team-earn-australias-first-whole-building>



ENERGY AND CARBON



FUEL CONSUMPTION (MWh) AND SCOPE 1 EMISSIONS (METRIC TONS CO₂e)

	FY15		FY16		FY17		FY18		FY19	
	Fuel Consumed	Scope 1	Fuel Consumed	Scope 1	Fuel Consumed	Scope 1	Fuel Consumed	Scope 1	Fuel Consumed	Scope 1
Air MI	580	126	525	114	679	145	2,399	496	6,019	1,229
Car Emissions	1,616	406	2,130	535	2,653	666	2,496	627	2,210	555
Corporate Jets	12,411	3,576	16,972	4,392	13,105	3,391	14,586	3,773	12,223	3,162
Distribution Centers	40,970	8,084	34,026	6,698	39,872	7,861	52,377	10,048	51,863	10,408
HQs	22,292	4,448	28,379	5,678	33,859	6,815	30,955	6,401	30,060	6,054
Other Offices and Building Construction	27,456	5,561	29,347	5,945	31,471	6,353	23,513	4,574	37,315	7,558
Retail	66,269	13,423	68,935	13,963	73,593	14,907	79,098	16,022	87,614	17,747
TOTAL: NIKE, INC.	171,594	35,624	180,314	37,325	195,232	40,138	205,424	41,941	227,304	46,714*

MOVE TO ZERO

If there is no planet, there is no sport. To understand how this affects all of us, we're working with expert researchers at the Climate Impact Lab to show the connection between a stable climate and athletic performance and the future of our playing field: planet Earth.



Learn more:
[Move to Zero](#)



NIKE's COURT distribution center powered entirely by renewable energy – Ham, Belgium

* This metric is part of Management's Assertion on select sustainability metrics, which PwC has performed limited assurance over for the period from June 1, 2018, to May 31, 2019, as indicated in the Report of Independent Accountants.



ENERGY AND CARBON



A MORE EFFICIENT HEADQUARTERS

At our headquarters globally, in addition to making great progress toward our 100% renewable energy commitment, we are reducing overall energy usage dramatically through the following programs:

- We analyze workspaces to ensure that we're making the most efficient use of space possible. This includes evaluating needs for new space, reuse, and multi-use space strategies
- We're designing new buildings to be more energy-efficient, featuring high-efficiency HVAC systems, LED lighting, maximizing natural light, and assessing SMART building systems that allow for better energy management
- We practice energy-efficient maintenance by modernizing building controls, and upgrading fixtures and equipment with high-efficiency models

In FY19, we made great progress toward our energy targets in our global headquarters. We reduced

15%
energy reduction
per square foot

energy consumption per square foot by 15% and have cut carbon emissions per square foot by 64% compared to the FY15 baseline.

This improvement in energy performance was driven by the following:

- At WHQ, we fully renovated the Dan Fouts building and opened two new parking garage facilities, all of which leveraged our energy-efficient building design standards
- In November 2019, at our European Headquarters, we opened the fully renovated Jackie Joyner Kersee building which leverages energy-efficient features such as LED lighting and high-efficiency HVAC systems, resulting in average energy savings equivalent to 500 average Dutch households per year
- Following an energy audit, our Converse Headquarters will prioritize several areas in 2020, namely the installation of occupancy sensors and lighting controls to optimize and automate lighting based on occupancy and the amount of natural light in the room, while also reconfiguring office storage to allow for better airflow through the building, reducing the energy demand for heating and cooling

ELECTRICITY CONSUMPTION (MWh) AND SCOPE 2 EMISSIONS (METRIC TONS CO₂e)

	FY15	FY16	FY17	FY18	FY19
Electricity					
Air MI					
Grid Electricity	39,121	40,647	50,249	66,508	86,879
Distribution Centers					
Grid Electricity	128,408	153,671	165,004	165,422	169,410
Onsite Solar	1,639	1,467	3,530	4,623	6,241
Onsite Wind	-	-	-	4,814	10,205
HQs					
Grid Electricity	77,437	86,001	89,359	95,563	98,518
Onsite Solar	81	7	-	158	578
Other Offices and Building Construction					
Grid Electricity	52,113	54,557	56,907	53,487	25,521⁶²
Retail					
Grid Electricity	185,280	199,352	209,300	216,982	206,199⁶²
Steam	1,007	614	865	764	0
NIKE, Inc.	485,086	536,316	575,214	608,321	603,551
Grid Electricity	482,359	534,228	570,819	597,962	586,526
Onsite Solar	1,720	1,474	3,530	4,781	6,820
Onsite Wind	-	-	-	4,814	10,205
Steam	1,007	614	865	764	0
Scope 2 Emissions					
Air MI					
Location-Based	25,792	25,028	33,737	34,839	41,989
Market-Based	18,099	14,873	18,156	29,237	33,849
Distribution Centers					
Location-Based	66,515	79,462	83,028	77,945	81,258
Market-Based	58,241	67,832	61,142	55,304	60,603
HQs					
Location-Based	33,457	31,481	39,139	33,200	33,158
Market-Based	27,038	15,935	14,540	13,712	10,938
Other Offices and Building Construction					
Location-Based	27,046	26,795	28,158	20,170	10,405⁶²
Market-Based	27,238	27,254	27,280	20,090	11,568⁶²
Retail					
Location-Based	97,772	99,670	103,215	93,307	91,361⁶²
Market-Based	98,154	99,959	103,393	91,978	92,107⁶²
NIKE, Inc.					
Location-Based	250,582	262,436	287,277	259,461	258,171*
Market-Based	228,770	225,853	224,511	210,321	209,065*

⁶² With the integration of actual consumption data in the EU and related enhancements to the extrapolation methodology for facilities where actual data isn't available, FY19 decreased compared to previous years. We expect the accuracy of this figure to continue to improve as more actual consumption data becomes available.

* This metric is part of Management's Assertion on select sustainability metrics, which PwC has performed limited assurance over for the period from June 1, 2018, to May 31, 2019, as indicated in the Report of Independent Accountants.



ENERGY AND CARBON



In addition, we continue to invest in renewable energy transportation infrastructure at our headquarters globally, including electric vehicle charging stations, free public transit passes to employees, ride-sharing programs, increased bike storage, shower facilities, and other amenities that support more sustainable commutes.

In FY19, we experienced a 60% increase in employee participation in our electric vehicle program. In FY20, we aim to complete an electric-assist bike pilot program to increase bike commuting to our WHQ campus. At our Greater China Headquarters, over 40% of employees used our NIKE-provided electric commuter bus to get to work in FY19. GCHQ employees traveled over 500,000 electric miles through this ride-sharing program last year.

CUTTING ENERGY IN OUR RETAIL STORES

In FY19, NIKE Direct stores, i.e. retail, saw continued improvement in overall energy efficiency through construction with LEED certification (or higher, i.e. Silver, Gold, or Platinum) and other energy reduction initiatives. In FY19, over 30% of NIKE global stores were LEED certified.

In addition, lighting and HVAC upgrades are included for locations undergoing full renovation, which further improves the overall fleet energy footprint.

Across North America and other locations, energy management systems (EMS) are also in place. EMS improves energy performance through centralized control and automation. We continue to look for EMS investment opportunities outside of North America to drive further reduction in energy consumption across NIKE stores.



ENERGY CONSUMPTION OUTSIDE OF THE ORGANIZATION (MWh)

	FY15	FY16	FY17	FY18	FY19
Inbound Logistics ⁶³	2,949,174	2,403,000	3,213,799	3,547,651	3,844,630
Outbound Logistics ⁶³	308,904	335,361	338,343	366,376	373,202
Footwear Manufacturing	2,154,045	2,209,104	2,226,619	2,205,108	2,350,514
Apparel Manufacturing (Estimated)	283,000	292,000	311,000	329,000	347,000
Equipment Manufacturing (Estimated)	205,000	206,000	176,000	186,000	190,000
Textile Dyeing and Finishing	1,800,730	2,100,084	2,313,869	2,304,448	2,356,329

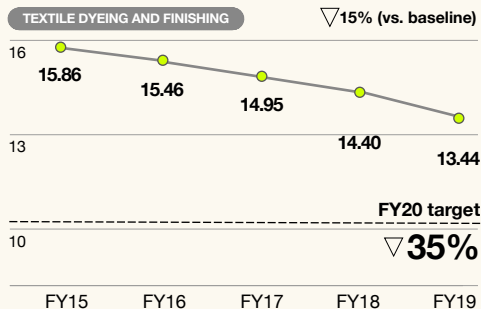
SCOPE 3 EMISSIONS (METRIC TONS CO₂e)

	FY15	FY16	FY17	FY18	FY19
Inbound Logistics ⁶³	750,235	611,295	817,553	903,836	979,382
Outbound Logistics ⁶³	82,304	89,353	90,148	96,507	98,250
Footwear Manufacturing	962,300	986,749	1,041,646	1,138,282	1,139,554
Apparel Manufacturing (Estimated)	176,000	181,000	193,000	205,000	216,000
Equipment Manufacturing (Estimated)	114,000	114,000	98,000	103,000	106,000
Textile Dyeing and Finishing	542,089	635,676	703,731	693,518	711,558

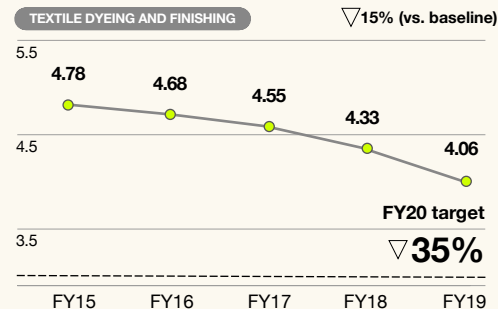
Measure

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

ENERGY CONSUMPTION PER KG (kWh/kg)



EMISSIONS PER KG (kg CO₂e/unit)



The dyeing and finishing of textiles is one of the most energy-intensive processes in our supply chain.

We've made significant progress toward our energy efficiency and carbon footprint targets with our footwear and apparel material vendors through a range of projects, such as leak elimination (steam and water), condensate recovery to boilers, and optimizing the fabric manufacturing process. This, coupled with

textile mills in Greater China moving away from coal to cleaner natural gas, has led to significant progress in energy efficiency and reduction in CO₂ emissions.

Still, we realize we have plenty of work to do to achieve our target. As we move into FY20, we will continue to reinforce the importance of foundational programs with our key suppliers, and work with them to improve their manufacturing processes.

⁶³ Due to a shift in data source that provides more comprehensive and accurate transportation emissions data, FY15-18 inbound and outbound energy and emissions data has been restated to enable comparability over time.



WASTE



NIKE's 2020 targets commit us to working aggressively to reduce waste. Across the company and our value chain, we are innovating to achieve that ambitious goal.

We continue to develop a deeper understanding of the complexities and challenges of reducing waste for any company that makes consumer products. As physical waste is generated across our value chain, cause and effect can be difficult to specify. Every aspect of design, manufacturing, distribution, marketing, and operations has the potential to drive waste generation. Different products, made in different factories, create very different waste streams, each raising a distinct set of waste-mitigation problems to solve. The physical and operational growth of our headquarters locations can expand our waste footprint, offering opportunities to innovate, refine best practices, and adopt less wasteful materials and technologies. At each headquarter, factory, and distribution center, any local shift – for example, a change to a municipal recycling ordinance – can affect our ability to reduce waste.

The current consumer context has also affected our work on this goal. Demand for quick delivery and increased product customization is raising new waste-reduction challenges, as are trends towards heavier, larger footwear and garments.

These factors are among the reasons NIKE is not on track to meet its defined 2020 target on waste; we generated more waste per unit in FY19 than we did in previous years since we set our baselines. But in the years since we set those 2020 targets we have also learned more about the complexities of managing waste across a complicated supply, manufacturing, and delivery chain. Looking forward to our next phase of innovation around this issue, our understanding of how to make progress has evolved.

In short, we understand better than ever before that it's all connected: product design, marketing, materials supply, manufacturing, and product delivery. Waste can result from decisions and processes at every step. So, to generate less waste overall, we need interconnected efforts across the company: a circular approach that considers waste from initial product design to product take-back at end-of-life and multiple stages in between. This is not an issue limited to NIKE – the entire world is grappling with this challenge. We're committed to working with others while we also drive toward zero waste across NIKE.

Across the company and value chain, we are innovating significantly on recycling and reusing materials, creating efficiencies, and reducing waste at source by adopting better practices at factories, distribution centers, and headquarters. We also work to scale those solutions.

Through this report, we aim to capture both the complexity of the challenges around waste and our notable wins. Taken together, these contrasting dimensions of our work on waste point to a path forward.

Target

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

WASTE TO LANDFILL – FW MANUFACTURING (%)

FY16 6.6%

FY17 3.9%

FY18 1.8%

FY19 0.1% ▽6.5 p.p. (vs. FY16 baseline)

FY20 target
0%

We have almost eliminated manufacturing waste going to landfills or incineration. In FY19, 99.9% of footwear manufacturing waste was recycled by contract factories or converted to energy.⁶⁴ The only factory still sending footwear waste to landfill is working to develop an alternative.



Recycling facility – Putian, China

⁶⁴ Energy recovery is a process in which all or a part of solid waste is processed to use the heat content, or other forms of energy, of or from the material.



WASTE



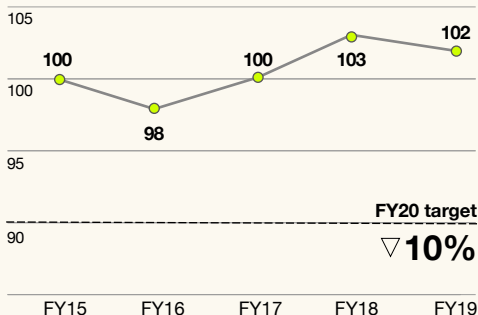
Measure

Reduce waste index by 10% in footwear manufacturing, distribution centers (DCs), and headquarter locations (HQs)

WASTE INDEX

FW MANUFACTURING, DCs AND HQs

△2 p.p. (vs. baseline)



This measurement uses a baseline indexed at 100, which represents waste generated per unit across footwear factories, DCs, and HQs, and targets 90 in FY20. In FY19, NIKE's waste index was at 102 – off target, and while showing a slight improvement compared to FY18, still trending in the wrong direction compared to the baseline. A number of factors play into this result, both internal and external as described below.

For strategic reasons not related to sustainability, NIKE divested from three factories that generated less waste than average for all of our footwear factories. Meanwhile, we manufactured more shoes with larger rubber outsoles, increasing rubber flashing⁶⁵ waste and the weight of defective rubber components. Manufacturing more multicolored midsoles and outsoles likewise increased defects and flashing. These developments highlight the need for nimble innovation across our whole value chain. Meanwhile, waste mitigation efforts in FY19 prevented the increase in waste generation from being greater, creating an estimated \$18.5 million in value to our suppliers.

We aim to continue improving our understanding and awareness of how product design decisions drive waste from the beginning of the product-creation cycle. With this understanding, we can consider how design decisions affect waste on a larger scale and better inform as well as address the impact of our cumulative footprint.

TAKING ON CHALLENGES IN FOOTWEAR WASTE

Overall, footwear manufacturing waste per unit has increased 8% from the baseline. More complex, larger footwear sole designs are the biggest root cause.

Material used to make shoe midsoles (EVA and phylon) and outsoles (rubber) accounts for nearly 30% of footwear manufacturing waste. NIKE works with suppliers to scale initiatives to use these materials more efficiently. In FY19, NIKE issued new design guidelines for injection phylon molds that will reduce waste by 1 gram per pair once fully deployed. Three factories also piloted a new phylon midsole defect tracking and reduction system in FY19. Phylon defect waste per pair decreased an average of 11% at these factories after implementing these systems.

New SmartScale tracking systems improve how waste is tracked and monitored, allowing factory teams to identify and remedy root causes. These systems add two tracking improvements: the automated transfer of scale weights from scales into waste tracking databases; and the tracking of waste by type at the model level, as opposed to the factory level (without linkage to individual models). Across our value chain, 38 factories now track waste by line, which enables faster and more effective detection of abnormally high waste generation.

2M
kilograms of waste prevented per year

suppliers to install more modernized cutting machines that reduce gaps between parts cut from leather, synthetic leather, textiles, and foam. In FY19, suppliers deployed 275 modernized cutting machines. Since FY17, factories in our value chain have installed over 1,000 machines, preventing an

Textile, leather, and synthetic leather used to make footwear uppers account for another 27% of footwear manufacturing waste. NIKE works with

estimated 2 million kilograms of waste per year – roughly what 750,000 people in the U.S. generate in a day. This cutting program is expected to deliver a cumulative waste-reduction impact of more than three grams per pair by end of FY20.

Those steps continued progress we've made since FY15 in setting standards; communicating and coordinating internally and with contract suppliers; investigating and agreeing on some of the most significant causes of waste; establishing continuous improvement management systems at factories; improving waste tracking and accountability; and adopting more efficient technology.

Looking forward, we are working to transform NIKE's approach to manufacturing waste by creating an integrated strategy that considers how decisions lead to waste – from design through manufacturing. We are developing new waste-reduction metrics that will distinguish NIKE's internal responsibility for design decisions from factories' efficiency in producing those designs. We are also working with NIKE Engineering and Quality teams to improve factory productivity and waste reductions, and with Air Manufacturing Innovation (Air MI) to scale carton reduction initiatives, which account for 5% of footwear manufacturing waste.

INNOVATING TOWARD MORE EFFICIENT DISTRIBUTION CENTERS

Corrugated cardboard cartons account for about 85% of waste generated at our distribution centers. Customers are ordering a greater variety of product and are placing smaller orders, which means distribution centers must remove factory shipments from inbound cartons and repack them as customized orders – a process that inherently creates more waste.

In spite of these external factors, we continue to make positive strides wherever we can, exploring innovations that could potentially scale.

In FY19, we continued to improve our existing Re-Use-A-Box programs, which reuses corrugated cardboard carton waste for outbound shipments, and continued to explore and pilot alternative packaging solutions. In our Japan distribution center, we switched to delivering all shipments to NIKE retail stores in a reusable tote, known as ReBox. Several other centers are exploring a similar option.

⁶⁵ "Flashing" is the material that is pushed out the sides of the molds and is left behind in the channels used to inject the melted material into the cavities containing the molded components.



WASTE



We also focused on waste sent downstream to customers and consumers. In North America, we engaged with wholesale accounts to pilot removing plastic air pillows in wholesale shipments, debunking a long-held myth that air pillows or dunnage is required to protect the product. We will introduce this program across all wholesale accounts in FY20. We also conducted a shoe box analysis to assess the opportunity to further right-size our shoe boxes and eliminate excess volume.



Re-Use-A-Box: packaging that uses cardboard waste for outbound shipments

In Europe, Middle East, and Africa (EMEA), we implemented a new outer box design for our footwear e-commerce shipments. This shipping box picks up the pace in our journey toward a zero waste future. We've redesigned our packaging to reduce air from being shipped; the new design uses only water-based ink and removes the need for excessive tape. This shipping box has a 15% better fill rate, packing items more efficiently, with much-lighter cardboard sourced from FSC-certified material. The box has a CO₂ footprint 50% smaller than the one we used in the previous year, while also using better materials. Across our other geographies, we are working to leverage learnings and best practices from this new box design.

In addition, we explored new ideas for transforming product at the end of its life cycle. In Greater China, our Shirt-to-Bag program, which repurposes end-of-life apparel into bags, was used to interact with consumers and vendors at key events to help spread NIKE's sustainability message. In EMEA, the Shirt-to-Bag program came to life as an option for our consumers to purchase on Nike.com. In cooperation with our innovation vendor, the yarn developed uses 100% of apparel that would otherwise be discarded. The bag is also made from 100% polyester and can itself be recycled.

In North America, we launched a Sustainability Culture Initiative, with the aim of educating and inspiring our supply chain employees on sustainability and shared responsibility. In its first year, this initiative led to quarterly themes of General Operations, Waste, Transportation, and Energy. Additionally, North America launched a Sustainable Innovation Fund to inspire and support employee ideas. The first grant went to our Canada distribution center, to support it in removing all single-use cups from the facility. This project will result in the elimination of 2.7 metric tons of paper and plastic from its waste stream annually.

AIMING FOR ZERO WASTE AT HEADQUARTERS

At our headquarters globally, we continue to focus primarily on eliminating waste from our operations. We are tackling the waste sources through several programs:

- Adopting reusable dishware, cutlery, and cups for employee dining and campus catering services
- Installing direct-line water machines to encourage reusable water bottles
- Sourcing single-use food and drink items in recyclable containers – or without containers
- Tailoring food production to demand to reduce waste
- Creating awareness and educating employees

These efforts show significant promise. In FY19, waste per occupant at World Headquarters (WHQ) was down 7% compared to the baseline year. At our headquarters (HQs) globally we have eliminated many single-use plastic products from our operations. We eliminated single-use plastic water bottles at HQs globally and in most office spaces of our key cities, including Los Angeles, New York City, and London, reducing consumption by around 300,000 bottles a year. We have also eliminated the use of 2 million styrofoam cups and replaced them with a more sustainable alternative made out of sugar cane at our European Logistics Campus.

In addition, at WHQ, all catering operations transitioned to reusable dishware, and we managed the largest employee event to date (10,000+ employees) entirely with reusables.

Looking forward, our teams will pilot ideas and solutions to eliminate more single-use items. In FY20, we aim to complete a zero waste audit of our WHQ campus, which will give us access to more robust data on waste contaminations, reduction, and diversion.



Shirt-to-Bag: recyclable bags made from apparel

LEANPATH – REDUCING FOOD WASTE

We have continued to optimize food production and minimize waste for our WHQ campus services through the use of Leanpath. This year we expanded its use to also include all food services under campus catering, child development centers, and our Beaverton based Air MI facility. Using this software and methodology to measure and analyze café food waste, culinary teams use real-time data to alter their production and recipes for efficiency to reduce food waste levels. Since implementation in 2017 we have eliminated over 200,000 pounds of food waste from our operations.



WASTE



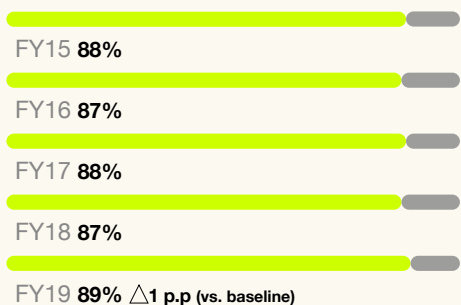
WASTE (METRIC TONS)

	FY15	FY16	FY17	FY18	FY19
Distribution Centers (DCs)					
Landfilled	2,719	3,117	3,270	3,507	2,895
Recycled	29,391	29,593	32,687	34,183	35,690
Composted	247	274	197	219	99
Waste to Energy Incineration	560	715	1,022	1,040	1,374
TOTAL	32,917	33,698	37,176	38,949	40,058
HQs					
Landfilled	1,626	1,816	1,807	2,105	1,983
Recycled	2,063	1,708	1,927	2,325	2,345
Composted	707	1,042	1,157	868	904
TOTAL	4,396	4,566	4,891	5,298	5,232
FW MANUFACTURING⁶⁶					
Reused and Recycled	-	49,800	48,055	45,887	48,037
Energy Recovery	-	30,356	38,335	45,389	52,049
Landfilled and Incinerated	-	5,639	3,550	1,702	58
TOTAL	-	85,795	89,940	92,978	100,144

Measure

Increase landfill diversion at DCs and HQs

LANDFILL DIVERSION DCs AND HQs (%)



MAKING PROGRESS AND SPARING LANDFILLS

The waste diverted from landfills by our distribution centers is trending positively, from 91% in FY18 to almost 93% in FY19. Our European Logistics Campus, Japan distribution center, China Logistics Center, and Converse Ontario distribution center all achieved 100% landfill diversion. Our China Logistics Center was able to achieve 100% landfill diversion, with a local company collecting food waste to produce biogas.

An FY18 audit identified key areas of opportunity, such as process, signage, training, infrastructure, and procurement changes, at five of our largest North America distribution centers in Memphis, Tennessee. Throughout FY19, and continuing into FY20, we implemented recommendations from the audit.

In FY19, the North America team installed a new, upgraded Nike Grind machine. Located at its reverse logistics distribution center in Indiana, this one-of-a-kind system processes end-of-life footwear back into rubber, foam, and textile materials that can then be recycled as feedstock in new products. With this elevated grinding installations, we are continuing to pioneer sustainable innovations that deliver high-performance, low-impact solutions.

HEADQUARTERS: GIVING AND INNOVATING


At our HQs globally, we continue to focus first on eliminating waste from our operations and then second on diverting waste from landfill, with the aspiration/intention of achieving zero waste compliance across our global HQ campuses. We continue to focus on increasing diversion globally through the following programs:

- Composting food waste from campus services and employee dining
- Recycling for paper/corrugate, glass, plastic, wood, and construction activity waste
- Addressing the types of waste in our operations so we can increase the amount of recyclable materials

In FY19, our global HQ landfill diversion rate increased 3 p.p. compared to FY18, highlighting the need to complete zero-waste audits to give us access to more robust data and identify opportunities to increase diversion across HQ operations.

Our global construction teams continue to strive for 100% waste diversion for construction activities and have donated, repurposed, or recycled millions of tons of furniture, material, and debris. We have already achieved high diversion rates from our global construction activities and continue to strive for even higher diversion rates.

In FY19, our WHQ team repurposed or donated over 115 thousand metric tons of furniture into the community, and successfully diverted over 85% of the construction debris from landfill for the renovated Alberto Salazar and John McEnroe buildings, including a new local engagement to recycle drywall debris. At our European HQ, the new Jackie Joyner-Kersey building which opened this past fall features an array of furniture, wall coverings, and floorings made from Nike Grind and other recycled materials.

 **Learn more:**
[Nike Grind](#)
[Circular Systems Design](#)



Earth Day 2019 at WHQ: eliminating single-use plastic water bottles

66 Scope represents the majority of finished goods production for NIKE and Converse footwear. Footwear manufacturing waste baseline is FY16.



WATER



Ramatex facility – Suzhou, China

The story of NIKE’s freshwater use shows what we can achieve when we tackle an ambitious target through collaboration, innovation, and efficient strategy.

We set foundational expectations early, and have worked to help suppliers master these fundamental techniques and technologies.

In FY17, we deployed the NIKE Water Minimum Program to every key supplier making fabric for NIKE, setting several important performance expectations. It requires suppliers to create site-water balance, a management tool that allows facilities to understand where their water is going. Facilities must also collect operational data from their wastewater treatment systems, which leads to improved operations. The program then mandates that facilities identify their exposure to water-scarcity and flooding risks and develop mitigation plans in high-risk regions.

Once we deployed the NIKE Water Minimum Program, we provided additional support. We invited suppliers to attend global and regional

water meetings, to join learning communities, and to visit peer facilities. Through these connections, suppliers share lessons learned and best practices. When NIKE observes similar capability gaps among suppliers, we sponsor outside consultants to offer specific technical training.

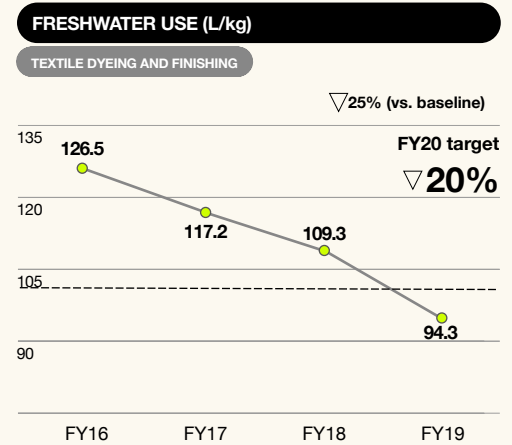
Beyond the NIKE Water Minimum Program, we also require each supplier facility to submit freshwater withdrawal and production data each month. We use this data to create a monthly dashboard we share and discuss with suppliers, showing not only their progress over time but how their progress compares with their regional and global peers.

We leveraged the momentum of the most water-efficient suppliers to influence their peers. Once suppliers saw how their water efficiency stacked up against their peers, some realized they could do better. Those who were water inefficient took the initiative to install more water-efficient dyeing equipment or wastewater recycling to reduce their freshwater footprint. As more suppliers adopted these water-efficiency strategies, we began to see rapid progress.

The fundamental challenge remains: though NIKE now uses less water than we once did, manufacturing textiles requires a lot of water. We will continue to build upon our success as we continue to drive our freshwater footprint as close to zero as possible.

Target

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



We achieved our 2020 commitment to reduce freshwater use 20% (liters used per kilogram of product made) in textile dyeing and finishing 18 months early, and closed FY19 125% ahead of target.



WATER



To achieve this, we teamed up with our key textile dyeing and finishing manufacturing facilities to attack the challenge from multiple angles. While manufacturing efficiencies played a major role, NIKE also championed wastewater recycling. For example, several years ago, the Ramatex facility in Suzhou, China, installed state-of-the-art wastewater treatment technology. That made the plant's treated wastewater significantly cleaner than discharge regulations required, so it was relatively easy and cost-effective to install a wastewater recycling system.

60%
reduction in
freshwater use

By the end of FY19, that commercially available recycling system helped Ramatex reduce its freshwater withdrawals by 60% from its FY16 baseline. Ramatex also proved possible what many in the textile industry did not think was achievable: reducing water use and complying with the industry standard ZDHC Wastewater Guidelines, which set quality standards for industrial wastewater discharges in the textile industry. This is good news not only for the region around Suzhou – which the World

Resources Institute (WRI)⁶⁷ has described as a high water-stress region – but also for nearby Taihu, one of China's largest freshwater lakes and surrounding water systems long plagued by industrial pollution. Ramatex is contributing to the Chinese economy while protecting the environment, and its progress was key to NIKE achieving its water reduction target 18 months early.

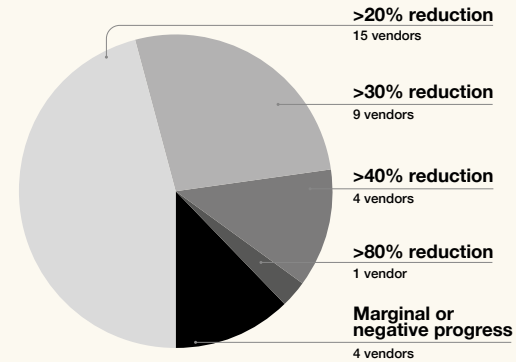
Ramatex is not an isolated success story. In FY15, just 11% of NIKE's key suppliers were building or operating treatment systems to recycle their dyehouse wastewater. By the end of FY19, 55% were either recycling or were considering recycling their wastewater. Vendors have demonstrated potential to save up to an 80% reduction through implementing recycling systems. Rapid adoption of new practices and shared progress, in fact, are the hallmarks of NIKE's work toward reducing freshwater footprint and wastewater discharges.

This commitment to the environment paid off. Since FY16, our vendors have reduced their cumulative freshwater footprint by 23 billion liters, enough to sustain approximately 136,000 Vietnamese

households for a year.⁶⁸ This represents a 270% increase in the cumulative freshwater savings we saw at the end of FY18 – of which 7.4 billion liters was the reduction of NIKE's freshwater footprint. The other 15.6 billion liters reduced the freshwater footprints of the other brands, including our competitors, who source material from these same suppliers.

FY19 VENDOR PERFORMANCE⁶⁹

At the end of FY19, our 33 key materials vendors achieved these reductions in their freshwater footprint:



Ramatex facility – Suzhou, China

67 <https://www.wri.org/aqueduct/>

68 "Vietnam's Future Water Usage Model: A Controlled Living Experiment," *Journal of Water Resources and Protection*, 2018, 10, 204-214.

69 Reductions (from FY16 baseline) in the liters of freshwater withdrawals per kg of dyed product.



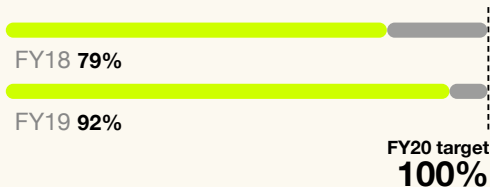
WATER



Measure

Build resilience through supplier water risk-mitigation plans with materials processors

FOCUS FACTORIES WITH RISK-MITIGATION PLANS (%)



NIKE requires suppliers to assess their risks for flooding, drought, and other water-related challenges – and to plan solutions when risk exists.

This analysis identified high baseline drought and flooding risk at 10 strategic finished goods factories in four countries: Brazil, India, China, and Indonesia.⁷⁰ We also identified high baseline risk at three strategic materials manufacturing facilities: two in the Greater China region and one in Indonesia. By the end of FY19, all but one (92%) of these factories completed risk-mitigation plans. The one outstanding facility, a materials manufacturer, is on track to complete its plan in early FY20, giving us line-of-sight to achieving our commitment of 100%.

In addition, since migrating to a new reporting tool, we now have two locations (one in Vietnam, one in China) consistently reporting rainwater collection. Numbers may also be impacted by climate change, which is showing a general increase in intensity and frequency of extreme weather events.⁷¹

WATER (MILLION LITERS)

	FY16	FY17	FY18	FY19
Air MI				
Total Freshwater Use	31.9	41.9	82.7	94.6 ⁷²
HQs				
Total Freshwater Use	597.8	604.7	792.5	849.5 ⁷³
Other Offices⁷⁴				
Total Freshwater Use	28.0	30.3	25.2	17.1
Textile Dyeing and Finishing⁷⁵				
Condensate Use	367.1	389.5	344.7	341.5
Ground Water	4,810.0	5,272.3	4,958.1	4,056.8
Municipal/City Water To Facility	8,480.2	9,269.7	9,887.6	10,004.3
Rainwater Collection	44.2	13.0	0.8	13.3
Surface Water	2,175.0	2,159.1	1,333.6	1,021.4
Total Freshwater Use	15,876.5	17,103.6	16,524.8	15,437.3



River Seine – Paris, France

70 The World Resources Institute's Aqueduct global water risk-mapping tool was used in this assessment.

71 "Modelling of climate change impacts on cyclone intensity and frequency conducted across the globe points to a general trend of reduced cyclone frequency and increased intensity and frequency of the most extreme events," Walsh, K., McBride, J., Klotzbach, P., Balachandran, S., Camargo, S., Holland, G., Knutson, T., Kossin, J., Lee, T., Sobel, A., Sugi, M. (2015). Tropical cyclones and climate change. *WIREs Climate Change*: 7: 65–89.

72 Water use has continued to grow in Air Manufacturing Innovation (Air MI) facilities due to an expanded footprint since FY16, which includes more landscape, more restrooms for increased population, an additional commercial kitchen, and larger systems for building infrastructure.

73 Water consumption at headquarter facilities increased in FY19 due to campus expansion and employee growth.

74 Scope includes U.S. only.

75 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.



CHEMISTRY



NIKE Plant Color Collection: footwear made with natural dye techniques, using local berries and roots to color different fabrics

When people think of NIKE, chemistry may not jump to mind. But since Bill Bowerman's early experiments unlocked our original innovations, NIKE's effective use of chemistry has elevated product performance and shaped manufacturing. Simply put, our company could not exist in its present form without ambitious chemistry programs.

Target

Enable zero discharge of hazardous chemicals (ZDHC)

Chemistry provides the foundation of our materials and products. From raw material processing to product creation to new methods of make, chemistry lets us innovate, influencing design, performance, and sustainability throughout the value chain. Every NIKE product and initiative leverages chemistry.

It is imperative chemistry is managed right because improper chemicals use could represent a risk to people, animals, and the environment. The "chemical universe" includes more than 100 million known substances. About 100,000 are used commercially; we estimate more than 3,000 chemicals are used in the footwear and apparel industry, from raw materials to finished goods.

As NIKE develops new materials, products, and processes, that chemical universe can provide new sustainable and high-performance options. Every chemistry decision comes with an opportunity to innovate. But chemical selection has to be considered and controlled.

We operate a chemistry program that manages chemicals throughout the entire product creation process – from innovation and development, to raw material and product manufacturing. We use industry-leading criteria to evaluate potential new chemistries in addition to deploying industry guidelines that we define as our minimum compliance expectation. Our end-to-end chemistry strategy and compliance expectations are clearly outlined in our [Chemistry Playbook & Restricted Substance List \(RSL\)](#) and further enforced in NIKE's [Code of Conduct](#).

Our targets (and our work in chemistry in general) all aim for compliance with regulations, industry standards, and NIKE's ambitious goals to push product performance. This section will detail our continued compliance with the NIKE Restricted Substances List (RSL) and with guidelines established by the industry-wide Zero Discharge of Hazardous Chemicals (ZDHC) Foundation. These metrics provide the specific framework for our 2020 targets and continue to support a strong foundation of compliance across our global supply base.

By combining compliance activities with actions that go beyond compliance, and by using industry-wide tools to support and measure progress, we can scale practices that move us closer toward achieving our goals.



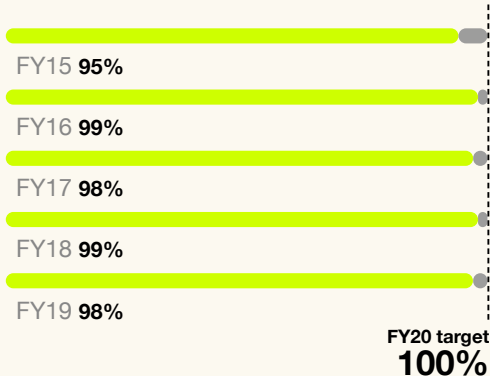
CHEMISTRY



Measure

100% compliance with NIKE Restricted Substance List (RSL)

TESTED MATERIAL IN COMPLIANCE WITH RSL (%)



For almost 20 years, NIKE has used and updated its RSL to control chemicals within our products and our approach to managing hazardous chemicals and restricted substances continues to set the benchmark in our industry. Our 2020 target is 100% compliance; measured performance for FY19 sits at 98%, based upon testing data carried out throughout the year.

To help us achieve that 100% goal within a supply base shared by many other brands, we align the NIKE RSL to guidelines established by the Apparel and Footwear International RSL Management (AFIRM) Group, an industry-wide alliance. Managing chemistry across a global supply base can be complicated, but by adopting industry guidelines, brands can reduce this complexity and collaboratively reduce the use of hazardous chemicals. In FY19, we concluded a 12-month process to overhaul our internal chemical compliance system, launching a bespoke compliance application that provides industry-leading analytics and elevates our chemical management ability.

Our vetting processes and broader scientific understanding mean that more substances are continually added to the RSL. These additions lead to a small number of failures encountered during the early stages of production as suppliers adapt to the new requirements. Notably, all such failures were kept off the market and resolved prior to production creation to enable compliance with NIKE standards.

Achieving our ambitious zero discharge of hazardous chemicals goal starts by keeping hazardous materials out of the sourcing and manufacturing process. Similar to our approach of adopting an industry-wide RSL, we also recognize the clear need and value of adopting an industry guideline that controls the chemicals used within manufacturing.



Water repellent footwear: adopting more sustainable PFC-free technology

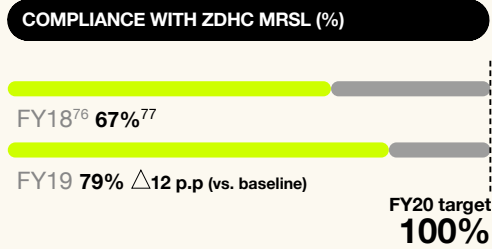


CHEMISTRY



Measure

100% compliance with ZDHC Manufacturing Restricted Substances List (MRSL)



In 2014, the ZDHC published its first Manufacturing Restricted Substances List (MRSL). By aligning our practices with the ZDHC MRSL, we built a barrier against harmful chemicals in our value chain. Just as with management of our own RSL, committed implementation by both NIKE, other brands, and our suppliers is essential.

In FY19, we focused on several key dimensions of this effort:

- We completed rollout of chemical inventory management software (CleanChain) to all suppliers in the scope of our 2020 targets; improving their ability to track MRSL compliance of chemicals used in manufacturing and also giving NIKE teams greater visibility into chemical use

- We continued to measure MRSL compliance by testing factory wastewater against guidelines established by the ZDHC. We saw progress from FY18, with compliance increasing from 67% to 79%
- To support continuous improvement, we created a robust failure-resolution process and integrated this into the CleanChain platform

Despite strong progress, some barriers remain. Many brands and companies that we share facilities with have not yet adopted ZDHC guidelines. This can lead to non-MRSL-compliant chemistry being detected in wastewater, reducing our compliance figures. We are working to resolve this challenge by supporting the growth and effectiveness of the ZDHC Foundation.

One key tool in our effort to scale more sustainable chemistry is our chemical assessment process. This system helps both internal teams and external suppliers define and identify what qualifies as sustainable chemistry. It provides a standard method to evaluate new chemistries, enabling the entry into our supply chain of new substances that support our sustainable chemistry goals.

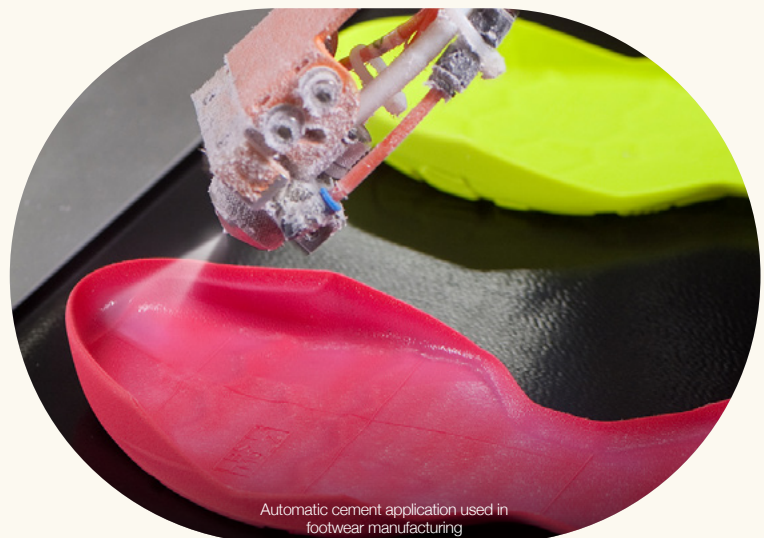
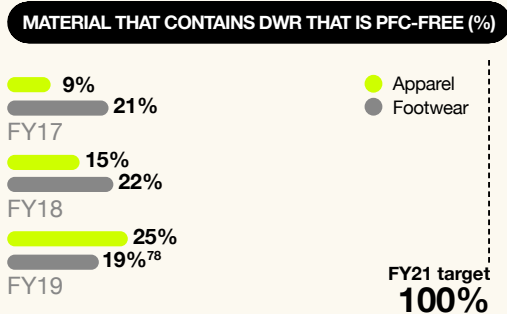
Simply put, while the NIKE RSL and industry-standard MRSL guidelines define what we don't want in our supply chain, the assessment process helps define what we do want. We work closely with innovation teams and contract manufacturers to assess chemical hazards, allowing us to reduce the use of particular chemicals – and, when possible, replace them with better alternatives.

Our assessment system's methodology aligns with those used by other brands, aiming to establish a uniform measure of sustainable chemistry across a shared supply chain. This collaboration speeds the transition toward better, more sustainable chemistries throughout the industry.

As an example of the assessment process in action, NIKE committed to eliminate all PFC-based durable water repellent (DWR) finishes by 2021. The PFC-free products that will make that goal possible must go through the chemical-assessment process and meet our criteria for sustainable chemistry before going into production. This assures these products are both PFC-free and a desirable addition to the supply chain.

Measure

Achieve better chemical input management through scaling more sustainable chemistries



⁷⁶ The baseline year for this measure is FY18 since the ZDHC Wastewater Guideline were released by the ZDHC Foundation in November 2016, and the first testing deadline was May 30, 2017.

⁷⁷ This figure was originally reported as 68% and has been adjusted to correct a data error.

⁷⁸ NIKE's PFC-Free project began its focus on footwear in mid-2018. Because product material decisions are typically made over 12 months prior to release date, we won't begin to see the impact of the PFC-Free initiative until FY20. The drop between FY18 and FY19 is likely due to material choices unrelated to the PFC finish.



CHEMISTRY



Measure

Lead industry change through collective action

NIKE recognizes that collaboration and engagement across our industry is crucial.

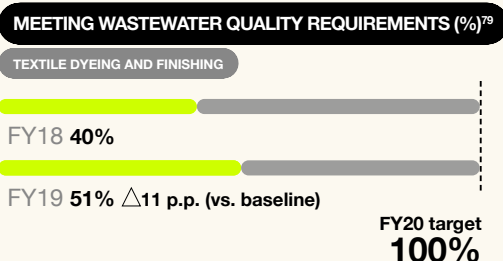
We work to further the success of two cross-industry groups that are focused on reducing the use of hazardous chemistry: the ZDHC Foundation and the AFIRM Group. Both are growing and active organizations. The ZDHC now represents more than 138 contributing companies, including 29 brands. AFIRM involves 30 member companies that represent 60 unique brands.

Collaboration around chemistry-related issues has long been a leading example of effective industry cooperation. Many companies and brands share a supply base, making agreements on common opportunities and guidelines crucial. As brands that represent a large percentage of the global supply chain work together, we can strengthen approaches that protect people, animals, and the environment.

In the context of ZDHC, NIKE led a cross-industry effort to expand the scope of the organization's key guideline, the MRSL. By collaborating with several brands, we created a new MRSL that will affect a greater proportion of the footwear supply chain. ZDHC published these new guidelines in 2019. ZDHC also activated a NIKE-led task team to develop new guidelines for chemical air emissions, with the ultimate aim of reducing environmental impact and protecting manufacturing-zone communities. Common technical guidelines are essential, but just a first step toward scaling sustainable chemistry or ensuring a foundation of compliance. Recognizing this, NIKE catalyzed a landmark effort with the AFIRM Group members to unify how individual brands implement and test against the requirements outlined in the AFIRM RSL.

Measure

100% of focus suppliers meeting NIKE's wastewater quality requirements for textile dyeing and finishing processes



In FY18, NIKE started using ZDHC Wastewater Guidelines. Previously, NIKE expected our vendors to meet a different set of industry-standard guidelines. The ZDHC guidelines are significantly more stringent, demanding cleaner wastewater from key materials vendors, on both MRSL chemistry and conventional parameters. As a result, the percentage of vendors judged compliant under our wastewater target metrics declined. While 79% of our key material vendors were free from chemicals listed on the MRSL in FY19, only 51% of those same vendors were fully compliant with the ZDHC Wastewater Guidelines. This was short of our goal of 70%, but almost double the compliance rate when we first adopted this higher standard. This 28% difference is related to vendors who struggle to treat for conventional wastewater parameters⁸⁰ that will always be present in textile wastewater even after MRSL chemistries are eliminated.

The biggest challenge with wastewater treatment in the textile industry is not a lack of technology and innovation, but a lack of capability. Often, the people operating wastewater treatment systems do not have adequate training. Our key material vendors have demonstrated to us that it is quicker and easier to reduce water use than it is to build the capabilities necessary to meet NIKE's wastewater quality requirements.

To offset this discrepancy, we are leveraging collective action. We are working with the ZDHC Foundation to set minimum qualification expectations for wastewater treatment system



Ramatex facility – Suzhou, China

operators across the textile industry. This will help focus and guide our suppliers toward the appropriate level of capability building for their employees so they, NIKE, and the rest of the textile industry, can succeed. We are also leveraging the Facilities Environment Module of the Sustainable Apparel Coalition to measure and monitor progress in capability building. In addition, we maintain a global network of wastewater engineering consultants who can provide on-demand support to our suppliers. Our primary focus in FY20 is to continue to leverage these organizations and experts to build wastewater treatment capability within our supply chain.

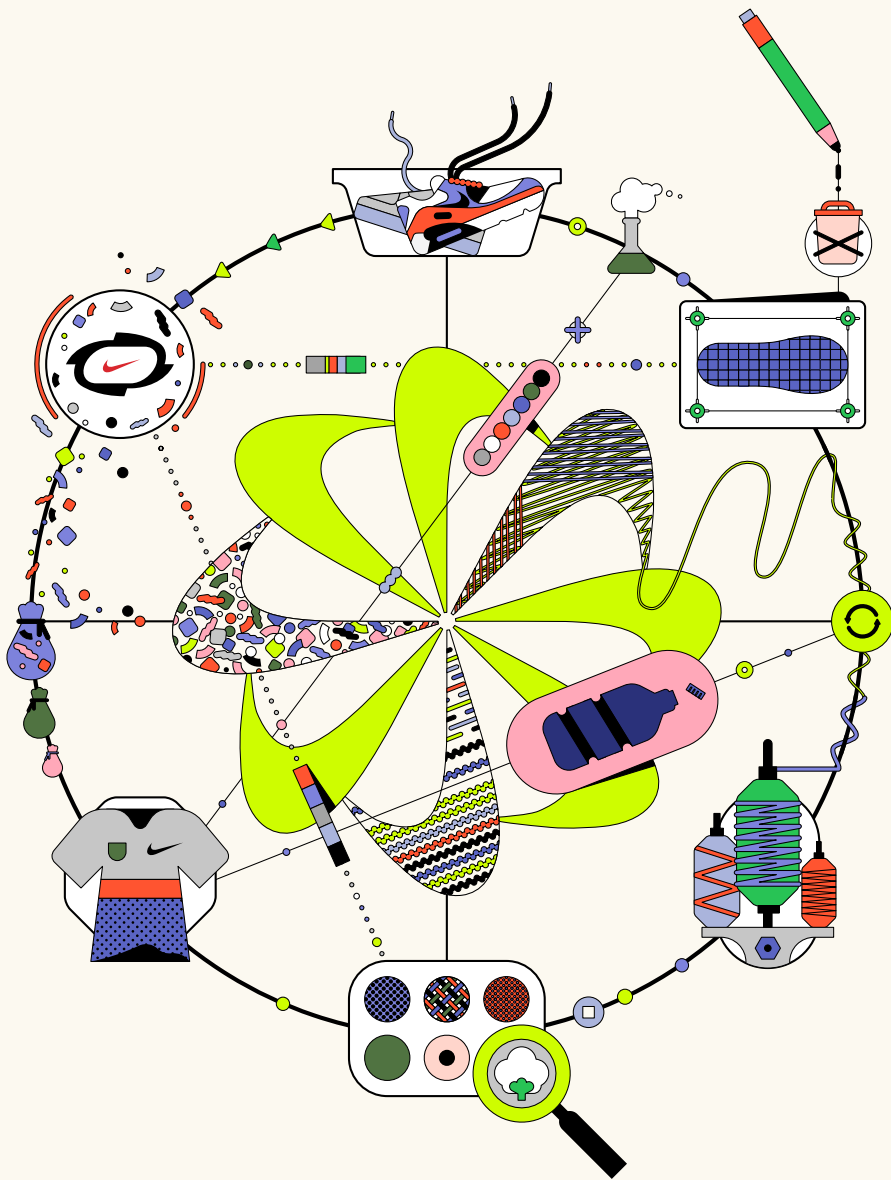
We know it's possible to achieve our water reduction targets and meet the requirements of the ZDHC Wastewater Guidelines because one of our suppliers – Ramatex, located in Suzhou, China – reduced its freshwater footprint by 60% while staying in compliance with the ZDHC Wastewater Guidelines. Based on this example, we remain optimistic that we will make progress toward our goal.

79 Suppliers meeting NIKE's Wastewater Quality Requirements – Textile Dyeing and Finishing (% BSR Standards): FY16 (Baseline) 58%; FY17 73%; FY18 69%; FY19 73%; FY19 change vs. baseline +15 p.p.

80 Conventional parameters are chemical oxygen demand (COD), biological oxygen demand (BOD), pH, temperature, coliform, ammonia, nitrogen, ammonia, suspended solids, coliform, and phosphorous, among others.



MINIMIZE ENVIRONMENTAL FOOTPRINT: PRIORITY ISSUES



NIKE GRIND: MAKING THE BEST USE OF MATERIALS

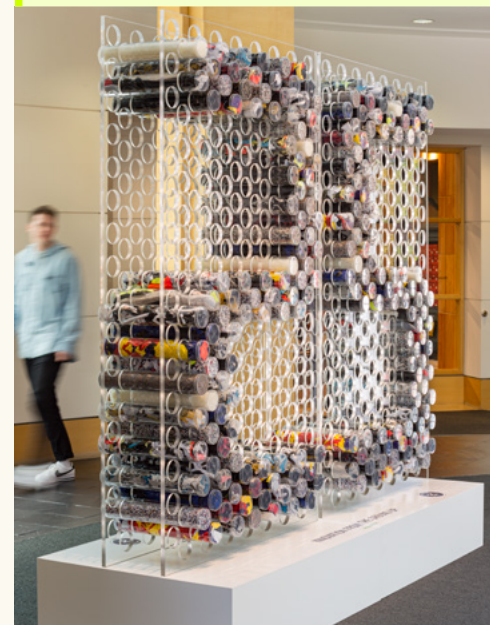
The Nike Grind program collects excess materials with recoverable value from our supply chain. The program recycles and repurposes these materials into innovative products designed with athletes in mind. End-of-life shoes and manufacturing scrap – including rubber, foam, leather, and textile blends – become new material feedstock for use in products by NIKE and other industries. To date, the program has recycled over 120 million pounds of footwear factory material, equivalent to the weight of approximately 700 jumbo jets, and transformed 30 million pairs of athletic shoes – material that

120M
pounds of footwear
factory material recycled

would otherwise have been considered “waste” – into running tracks, basketball courts, playgrounds, and other surfaces.

25 YEARS OF IMPACT

In FY19, we celebrated Nike Grind’s 25 years of impact with a public exhibit at NIKE’s WHQ, showcasing Nike Grind’s contributions to advancing a zero waste future. As a part of this celebration, the Nike Grind Makers Summit welcomed more than 100 NIKE designers and cross-industry R&D leaders to a collaborative discussion of sustainable design and material innovation.



Through our issue prioritization process, we identified a set of priority issues for NIKE in FY19, which determined the focal topics for this Impact Report. For FY19 priority issues not specifically covered by a 2020 target, we have provided additional space in this report to describe challenges faced and progress underway.

Circular Systems Design falls into this category.

Circularity in design is a powerful concept with many potential applications. At its core, it means creating systems that make the most of materials by using and reusing them at their highest potential. In aspiration, Circular Systems Design points toward an enterprise that generates little or no “waste.”

The traditional linear system of production based on a take, make, waste model puts pressure on the world’s natural resources. NIKE envisions a circular future that is regenerative and restorative by design.

To transition to a more circular economy, we’ll need new business models and collaboration across the value chain. Right now, we are pioneering the circular economy by transforming waste into value streams.

Moving toward a circular future presents an exciting opportunity for us to expand our creativity and make innovative products that last longer and are designed with the end in mind.



MINIMIZE ENVIRONMENTAL FOOTPRINT: PRIORITY ISSUES

Nike Grind showcases NIKE's larger role in catalyzing recycling by connecting the dots between excess materials and circular economy markets. In FY19, NIKE, its contract factories, and Nike Grind customer companies facilitated the recovery of approximately 87 million pounds of post-industrial footwear scrap materials from the production of NIKE products and transformed those into new products, including playgrounds, athletic surfaces, floor and carpet

underlayments, and more. In addition, over 17 million pounds of post-industrial "waste" materials were recycled right back into NIKE footwear, avoiding disposal and the need to source virgin materials.

17M
pounds
post-industrial
waste recycled
into NIKE footwear

In addition, over a 1.28 million pounds of Nike Grind textiles were given new life in NIKE and Converse fleece and tee apparel in FY19, and Nike Grind

thermoplastic polyurethane (TPU) was repurposed in over 500 apparel trim items, including zipper pulls, cord lock, buttons, grommets, and more.

We engage externally to fuel the circular economy outside of NIKE. Among many others, Mondo Sports, the track manufacturer that has supplied every Olympic track since 1976, uses Nike Grind rubber to manufacture premium tracks. Amorim, the world's largest cork products manufacturer, turns Nike Grind midsole foam waste into flooring. Yogo, the winner in NIKE's Circular Design with Grind Challenge, creates yoga mats and blocks using Nike Grind materials.

We also work to close the loop by recycling consumers' shoes and NIKE's samples and defective shoes. In FY19, more than 121 thousand pounds of shoes were recycled into Nike Grind purchasers' products. In FY19, we repurposed sneakers into Nike Grind to help build a new playground facility for the 3rd Primary School of Hongqiling County, in China's

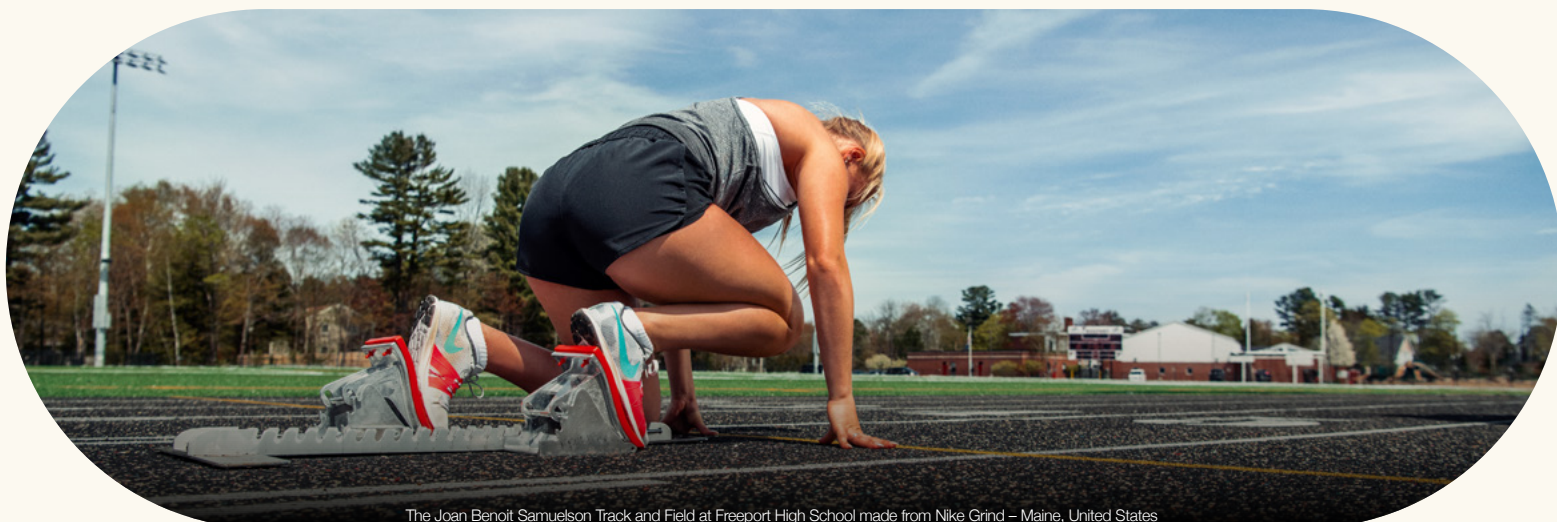
northeast Jilin province. Through this program, underprivileged kids in remote areas of China were better able to access play and sports. Post-consumer material recycled by the Nike Grind program decreased in FY19 due to U.S. grinding operations transferring to a new facility and EU grinding operations undergoing renovation.

REUSE-A-SHOE: CHANGING THE GAME FOR CONSUMER RECYCLING

NIKE's Reuse-A-Shoe is a sneaker recycling program that collects end-of-life footwear from consumers and transforms them into a type of Nike Grind. Reuse-A-Shoe makes it easy for consumers to recycle their worn-out sneakers. Since launching Reuse-A-Shoe and Nike Grind, more than 30 million pairs of shoes have been recycled. This is enough material to circumnavigate the planet more than five times.

NIKE GRIND FOOTWEAR WASTE VOLUMES RECYCLED (lb)

Waste Source	Disposition Method	FY16	FY17	FY18	FY19
Post-Industrial (Factory scrap)	Outside of NIKE: Recycled locally and by Nike Grind Global Recycling Customers	82,422,504	83,189,512	81,035,664	87,545,516
	Into NIKE Product: NIKE footwear	23,549,482	20,589,174	18,735,046	17,448,046
Post-Consumer ⁸¹ (Consumer shoes + NIKE samples and defectives)	Outside of NIKE: Recycled by Nike Grind Global Recycling Customers (playgrounds and equestrian arenas)	587,810	1,356,021	1,196,390	121,423
TOTAL FOOTWEAR MATERIALS RECYCLED		106,689,464	105,270,837	100,967,101	105,114,985



The Joan Benoit Samuelson Track and Field at Freeport High School made from Nike Grind – Maine, United States

⁸¹ Nike Grind's post-consumer footwear data includes U.S. and EU waste volume from the Reuse-A-Shoe program, samples defects, and wholesale returns. It does not account for post-consumer footwear waste data from China, which includes samples and defect shoes only.



MINIMIZE ENVIRONMENTAL FOOTPRINT: PRIORITY ISSUES

SETTING A NEW COURSE FOR A GLOBAL INDUSTRY

NIKE is part of Global Fashion Agenda’s (GFA) strategic partner group, working to mobilize the global fashion system and support industry leaders in changing the way we produce, market and consume fashion. As a strategic partner, NIKE provides leadership to support GFA’s mission, helping to shape their agenda, and develop thought leadership. NIKE has set specific targets for two areas including implementing design strategies for cyclability and increasing the volume of used garments and footwear collected.

In FY19, NIKE signed GFA’s 2020 Circular Fashion System Commitment to accelerate the transition to a circular economy by committing to action toward implementing design strategies for cyclability, increasing the volume of used garments and footwear collected.

INNOVATING TOWARD A CIRCULAR WORLD

NIKE published *Circularity: Guiding the Future of Design*, in collaboration with the students and staff of Central Saint Martins – University of the Arts London and with inspiration from Global Fashion Agenda. This open-sourced guide encompasses up-front product design innovation, best practices for reimagined waste as a source of value, and innovative ways to reclaim materials throughout the manufacturing process and at the end of a product’s life cycle.

The Circular Design Guide provides 10 key circularity principles, including material choices, cyclability, waste avoidance, disassembly, green chemistry, refurbishment, versatility, durability, circular packaging, and new models. By focusing on progress over perfection and by showing designers how they can make better choices, we are embracing the chance to reconsider our craft and inspire a groundswell of change where all products are designed with better materials, made with fewer resources, and assembled to allow for easy reuse.



Learn more:
[Nike Grind](#)
[Global Fashion Agenda](#)
[Circularity: Guiding the Future of Design](#)
[NIKE Adventure Club](#)

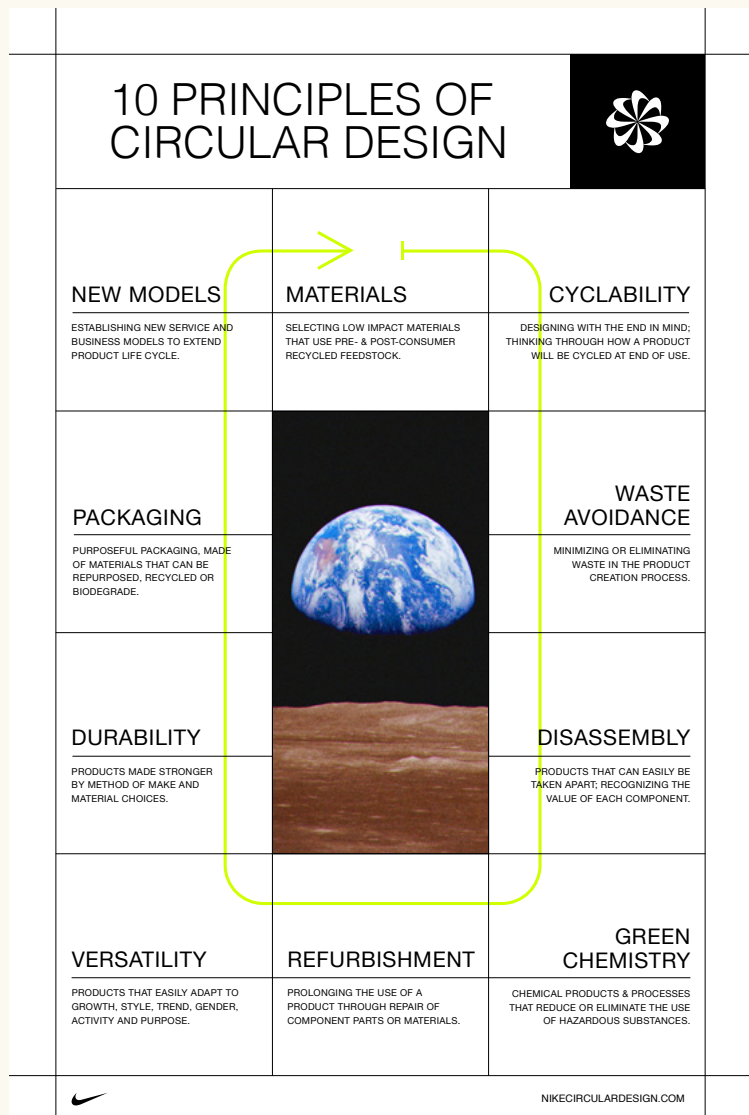
CONVERSE ONE BOX: SLASHING WASTE THROUGH INNOVATION

The Converse “One Box” is an employee-led initiative to reduce waste from packaging by shifting from using two boxes to package one product to one specially designed box. The One Box project came to market on May 9, 2019, for Converse by You in the U.S. and Western Europe with 26,200 units. By FY20, Converse had shipped 128.7 thousand units using One Box, saving about 40 cents per unit compared to prior packaging methods and decreasing cardboard use by 25%.

NIKE ADVENTURE CLUB: CONNECTING KIDS TO ACTIVITY AND FUN

Launched in August 2019, the NIKE Adventure Club is NIKE’s first footwear subscription service for children. It allows kids to regularly select NIKE and Converse shoes as their feet and tastes evolve, and makes shopping for footwear as convenient as possible for their parents.

Members can choose how often they want to receive new shoes – from once a month to four times a year – and send back worn-out shoes using a prepaid bag that will either be recycled through NIKE Grind or refurbished and donated to families in need.





DINA ASHER-SMITH

OUR APPROACH



GOVERNANCE

We believe that companies like NIKE play an important role in helping to address some of the complex challenges facing our global community today. Accordingly, we determined this report’s focal topics through a prioritization process that identifies key issues for NIKE in FY19. Most of these issues overlapped with our existing 2020 Purpose targets. In this report, we have also addressed issues that emerged as FY19 priorities, such as **Ethical Conduct**, not specifically covered by a 2020 target.

CORPORATE GOVERNANCE

NIKE’s corporate governance reflects the company’s commitment to monitor the effectiveness of policy and decision making both at the Board of Directors and senior management level.

In this context, NIKE approaches governance with a view to enhancing long-term shareholder value and corporate Purpose, including corporate responsibility, human rights, sustainability, diversity and inclusion, and global community and social impact.



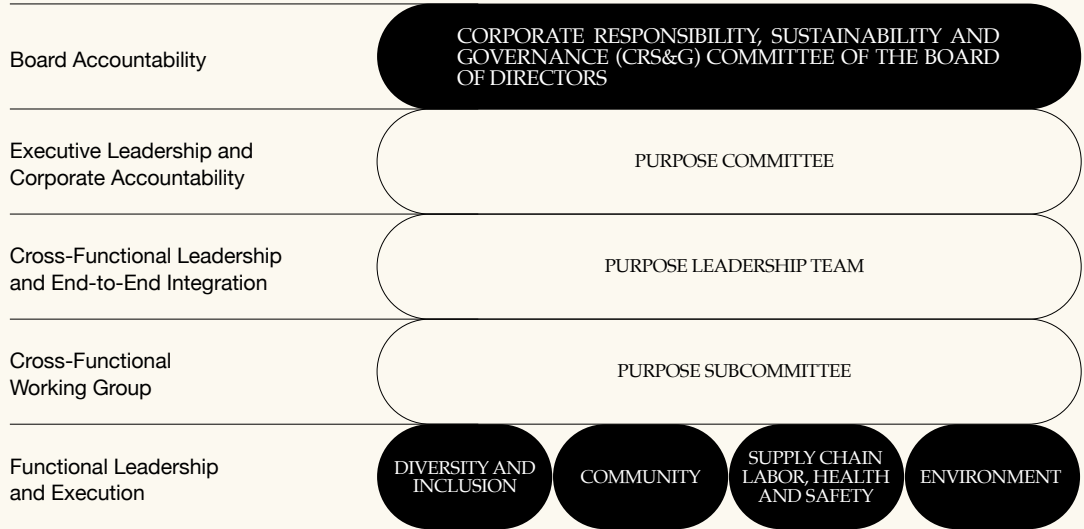
Learn more:

- [Board of Directors](#)
- [Board Charters](#)
- [Inside the Lines \(Code of Conduct\)](#)
- [NIKE, Inc. Management](#)



PURPOSE GOVERNANCE AT NIKE

The Corporate Responsibility, Sustainability and Governance (CRS&G) Committee of our Board of Directors sets the tone and pace for sustainability within NIKE’s business strategy. The Committee is responsible for reviewing NIKE’s significant strategies, activities, and policies regarding sustainability, contract manufacturer labor practices, community impact, and charitable activities, among other duties.



PURPOSE COMMITTEE

The Purpose Committee directs and oversees the end-to-end integration of NIKE’s work in diversity and inclusion, community, labor, and environmental impact. It challenges our business to better understand our social and sustainability impacts, to set ambitious targets for improvement, and overcome obstacles in achieving progress, and helps to shape NIKE’s evolving approach to transparency.

The Purpose Committee meets regularly to review these targets, performance, and disclosures.

This Committee includes:

- | | |
|--|--|
| EVP, Chief Financial Officer
Andy Champion | President of Nike Direct
Heidi O’Neill |
| Chief Marketing Officer
Dirk-Jan van Hameren | EVP, Chief Communications Officer
Nigel Powell |
| President of Consumer and Marketplace
Elliott Hill | President of Categories and Product
Michael Spillane |
| EVP, Chief Administrative Officer and General Counsel
Hilary Krane | Chief Operating Officer
Eric Sprunk |
| EVP, Global Human Resources
Monique Matheson | President of Jordan Brand
Craig Williams |
| VP/GM of Global Categories
Amy Montagne | |



ISSUE PRIORITIZATION

NIKE’s purpose is to unite the world through sport to help create a healthy planet, active communities, and an equal playing field for all. To do this, we must clearly understand the most pressing issues confronting our stakeholders, the global community, and our industry.

We learn, grow, and refresh our perspective by considering the global view of our internal and external stakeholders. As we did last year, in FY19 we surveyed employees, non governmental organizations (NGOs), academics, suppliers, and corporate peers to determine the most relevant issues at each stage of our value chain and the impacts most directly linked to those issues.

This year, we combined this survey information with peer disclosure benchmarking, government regulations, and analysis of online news and social trends to create a more nuanced understanding of priority issues. We did this through *Datamaran*, a digital tool that uses real-time data and artificial intelligence (AI) to track issue relevance over time and integrate results into strategic discussions. The combination of stakeholder responses and *Datamaran* insights produced our FY19 list of priority issues.

Learn more:
[Ethical Conduct](#)
[Circular Systems Design](#)
[Forced Labor](#)

NEW PRIORITY ISSUES

Many of last year’s priority issues remain vitally important. Three new issues – **Ethical Conduct**, **Circular Systems Design**, and **Forced Labor** – have also emerged as priority issues.

Historically, our surveys used the term Corruption for issues relating to a company’s conduct. This year, we broadened this issue’s defined scope to include many aspects of a company’s behavior and changed its name to **Ethical Conduct**. There was a significant increase in relevance of this issue according to both internal and external survey respondents.

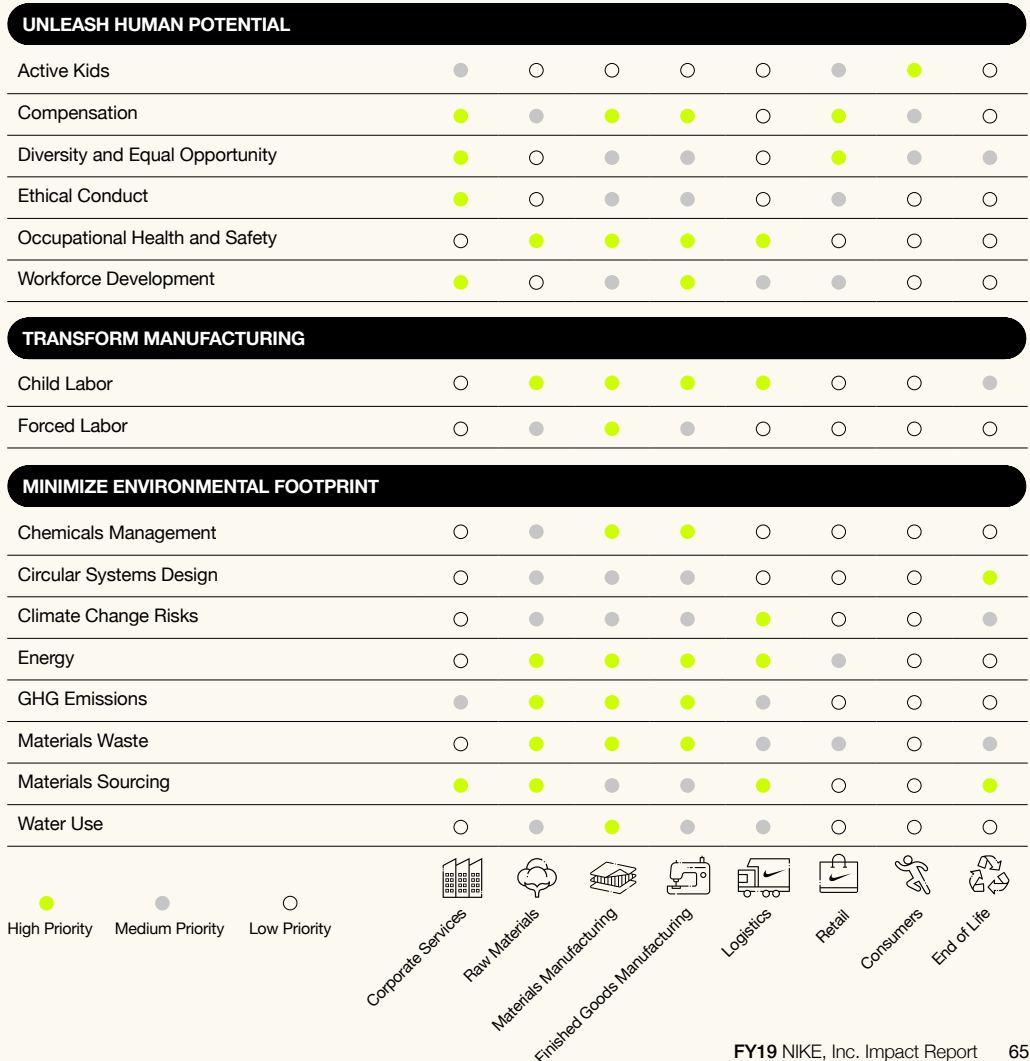
Circular Systems Design, a process that we’ve embraced across our enterprise for some time and is not unfamiliar to NIKE, but new to our survey this year, emerged as one of the highest-scoring issues. NIKE envisions a circular future, restorative and regenerative by design, where materials can be used

and reused to their highest potential. We are working across our business, and externally with industry coalitions, suppliers, and stakeholders, to transition to a more circular economy and collaborate across the value chain.










Forced Labor was an issue that saw increased focus in our FY19 analysis. The apparel and footwear industry recognize the importance of addressing potential forced labor risks for migrant workers at all levels of manufacturing. At NIKE, we’re committed to conducting our business ethically. We expect the same from our suppliers; we work with long-term, strategic suppliers, who commit to engaging their workers, providing safe working conditions and advancing environmental responsibility. This includes combating the risks of forced labor, modern slavery, and human trafficking.

FY19 PRIORITY ISSUES

This chart details the high priority issues for each stage in the value chain.



PRIORITY ISSUE DEFINITIONS

Priority Issue	Definition	Location	
UNLEASH HUMAN POTENTIAL			
Active Kids	Helping kids reach their full potential through play and sport.	Community Impact	
Compensation	Ensuring fair compensation at all levels across the business and value chain.	Employees	
Diversity and Equal Opportunity	Fairness of treatment for women and men; female and minority employees in workforce and management positions representative of the consumers and communities we serve.	Employees	
Ethical Conduct	Ethical corporate behavior by combating dishonest or fraudulent conduct by those in power, typically involving bribery, corruption and intellectual property infringement.	Governance	
Occupational Health and Safety	Worker health and safety practices throughout the value chain.	Unleash Human Potential: Priority Issues	
Workforce Development	Attracting and retaining talent; offering training and development for workers to build capability and career opportunities.	Employees	
TRANSFORM MANUFACTURING			
Child Labor	Operations and suppliers identified as having significant risk for incidents of child labor.	Transform Manufacturing: Priority Issues	
Forced Labor	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor; migrant worker rights.	Transform Manufacturing: Priority Issues	
MINIMIZE ENVIRONMENTAL FOOTPRINT			
Chemicals Management	Chemicals used in making materials, products, and substances released to the environment (air and water) that are toxic to humans and ecosystems.	Chemistry	
Circular Systems Design	Designing products, packaging, and processes for durability, reuse, recycling, and circularity.	Minimize Environmental Footprint: Priority Issues	
Climate Change Risks	Financial risks to NIKE due to operations exposed to changing climate impacts throughout the value chain.	Energy and Carbon	
Energy	Energy used for electricity; use of fossil fuels and renewable energy sources.	Energy and Carbon	
GHG Emissions	Greenhouse gas (GHG) emissions from energy use in material sourcing, manufacturing, transportation, and other business activities.	Energy and Carbon	
Material Waste	Waste generated throughout NIKE's value chain; activities to reduce, reuse, or recycle and responsibly manage/dispose of waste.	Waste	
Material Sourcing	Sourcing non-renewable and renewable materials; consideration of social and environmental impacts associated with material sourcing; prioritizing less impactful options and third third-party certifications.	Materials	
Water Use	Water consumed throughout our value chain; monitoring and/or mitigating our impacts in water-scarce regions.	Water	



ELISSA STEINER

APPENDIX



PWC ASSURANCE REPORT



Report of Independent Accountants

To the Board of Directors of NIKE, Inc.

We have reviewed the accompanying NIKE, Inc. (“NIKE”) Management Assertion, that the sustainability metrics identified below, for the year ended May 31, 2019, are presented in conformity with the assessment criteria set forth in management’s assertion (the “assessment criteria”).

- Total energy consumption (MWh)
- Scope 1 (Direct) Emissions (Metric tons CO₂e)
- Scope 2 (Indirect) Location-Based Emissions (Metric tons CO₂e)
- Scope 2 (Indirect) Market-Based Emissions (Metric tons CO₂e)
- Scope 3 (Indirect) Emissions from Commercial Air Travel (Metric tons CO₂e)

NIKE’s management is responsible for its assertion and for the selection of the criteria, which management believes provide an objective basis for measuring and reporting on the sustainability metrics. Our responsibility is to express a conclusion on management’s assertion based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (“AICPA”) in AT-C section 105, *Concepts Common to All Attestation Engagements*, and AT-C section 210, *Review Engagements*. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to management’s assertion in order to be fairly stated. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether management’s assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

In performing our review, we have complied with the independence and other ethical requirements of the Code of Professional Conduct issued by the AICPA.

We applied the Statements on Quality Control Standards established by the AICPA and, accordingly, maintain a comprehensive system of quality control.

GHG emissions quantification is subject to inherent measurement uncertainty because of such things as GHG emission factors that are used in mathematical models to calculate GHG emissions and the inability of those models, due to incomplete scientific knowledge and other factors, to accurately measure under all circumstances the relationship between various inputs and the resultant GHG emissions. Environmental and energy use data used in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for measuring such data. The selection by management of different but acceptable measurement techniques could result in materially different amounts or metrics being reported.

Data related to total energy consumed is subject to inherent limitations given the nature and the methods used for determining such data. The selection by management of different but acceptable measurement techniques could result in materially different amounts or metrics being reported.

As discussed in the accompanying NIKE, Inc. Management Assertion, NIKE has estimated GHG emissions for certain emission sources for which no primary usage data is available.

Based on our review, we are not aware of any material modifications that should be made to the accompanying NIKE, Inc. Management Assertion in order for it to be fairly stated.

February 6, 2020

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
805 SW Broadway, Suite 800 Portland, OR 97205

www.pwc.com



NIKE, INC. MANAGEMENT ASSERTION

Fiscal Year ended May 31, 2019 Scope 1, 2 and 3 (Commercial Air Travel) Energy Consumption and Greenhouse Gas (GHG) Emissions

SELECTED SUSTAINABILITY METRICS ("FY19")

Fiscal Year ended
May 31, 2019

Total Energy Consumption (MWh)	830,854
Scope 1 (Direct) Emissions (Metric tons CO ₂ e)	46,714
Scope 2 (Indirect) Location-Based Emissions (Metric tons CO ₂ e)	258,171
Scope 2 (Indirect) Market-Based Emissions (Metric tons CO ₂ e)	209,065
Scope 3 Emissions from Commercial Air Travel (Metric tons CO ₂ e)	89,464

Prior to conversion to CO₂e, metric tons of GHG emissions by gas are 254,095, 17, and 3 of CO₂, CH₄, and N₂O, respectively.

OVERVIEW

NIKE, Inc. ("NIKE") captures, calculates, and reports direct and indirect GHG emissions data in accordance with the principles and guidance of the World Resources Institute (WRI) and the World Business Council for Sustainable Development's (WBCSD) *Greenhouse Gas Protocol Initiative's Corporate GHG Accounting and Reporting Standard (Revised Edition)* ("GHG Protocol") and the *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*, which are recognized external standards.

NIKE management is responsible for selecting or developing, and upholding, the assessment criteria, which management believes provide an objective foundation for measuring and reporting on the selected sustainability metrics (the "metrics") presented in the table above. NIKE management is also responsible for the assessment, collection, quantification, and reporting of energy and emissions data, and for the completeness, accuracy, and validity of the GHG emissions calculations for the Fiscal Year ended May 31, 2019.

ORGANIZATIONAL BOUNDARY

NIKE uses the operational control approach in conformance with the GHG Protocol to report energy consumption and direct and indirect GHG emissions for 100% of the facilities where NIKE has operational control.

SCOPE

NIKE's Scope 1 and 2 reporting is outlined below. Scope 3 (commercial air travel only) is also shown.

Emissions source	Scope description
Retail	<ul style="list-style-type: none"> Includes NIKE owned or operated Nike Brand, Converse, and Hurley¹ stores globally. Energy consumed includes natural gas and electricity. Natural gas usage outside of the U.S. and Canada (and for landlord-managed sites in the U.S. and Canada), and electricity usage outside of the U.S., Canada, and EU (and for landlord-managed sites in the U.S., Canada, and EU), is estimated. Our estimation methodology is described below. Refrigerant leakage from HVAC units are not included in reporting at this time.
Distribution Centres (DCs)	<ul style="list-style-type: none"> Includes top 31 NIKE owned or operated Distribution Centers ("DCs") globally as of May 31, 2019, which represent about 88% of shipped units. Energy consumed includes natural gas, hi-sene, diesel, propane, electricity, onsite solar, and onsite wind. Diesel is used in backup generators. Propane is used in at least two DCs for scrubbers/floor sweepers. A portion of propane usage is estimated leveraging known propane usage. Our estimation methodology is described below. In addition, emissions include fugitive emissions from refrigerant gas loss.
Headquarters (HQs)	<ul style="list-style-type: none"> Includes emissions from building facilities at 5 HQs: World Headquarters U.S. ("WHQ"), European HQ, Greater China HQ, Converse HQ, and Hurley¹ HQ. This covers over 8 million ft². Emissions from new construction at HQ locations are reported separately under Other Offices & WHQ Building Construction discussed below until buildings become operational. There weren't any facilities that made this shift in FY19. Energy consumed includes natural gas, diesel, propane, electricity, and onsite solar. Diesel is used in backup generators. Propane is used in food services, vendor landscaping services, and some forklifts. Refrigerant leakage from HVAC units are not included in reporting at this time.
Air Manufacturing Innovation	<ul style="list-style-type: none"> Includes NIKE-owned manufacturing facilities and related facilities that are the primary producers of NIKE air units. Energy consumed includes natural gas, diesel, propane, and electricity. Diesel is used in backup generators. Propane is used in a single limited application in one Air Manufacturing Innovation ("Air MI") facility. Refrigerant leakage from HVAC units are not included in reporting at this time.
Other (NON-HQ) Offices and HQ Building Construction	<ul style="list-style-type: none"> Includes non-HQ office facilities (such as regional sales offices) and new building construction at WHQ prior to newly constructed sites becoming operational. Once new construction becomes operational, in alignment with NIKE's financial reporting approach, new construction is reclassified to HQ scope. In FY19, no facilities transitioned into HQ scope. Energy consumed includes natural gas and electricity. Natural gas usage outside of the U.S. and Canada (and for landlord-managed sites in the U.S. and Canada), and electricity usage outside of the U.S., Canada, and EU (as well as for landlord-managed sites in the U.S., Canada, and EU), is estimated. Our estimation methodology is described below.
Vehicles	<ul style="list-style-type: none"> Vehicles include service vehicles at WHQ. Company-leased vehicles for use by employees in other geographies are not included in reporting at this time.
Jets	<ul style="list-style-type: none"> Includes jet aviation fuel from our business travel using NIKE's two corporate jets, operated from the U.S.
Commercial Travel	<ul style="list-style-type: none"> Data represents commercial business air travel across 47 countries. Commercial air travel emissions are estimated based on mileage calculated from number and route distance of trips.

¹ NIKE divested of Hurley in FY20. Hurley is included in reported FY19 figures.



NIKE, INC. MANAGEMENT ASSERTION

EXCLUSIONS

Each year, we aim to increase the quality of the data reported. As tenants of leased facilities, we do not yet have access to complete refrigerant sources and certain energy sources for shared building common spaces.

GHG BASE DATA

FY15 is used as the base year in alignment with FY20 targets baseline year. Activity data used to calculate Scope 1 (direct) emissions is sourced from direct measurements or third-party invoices (e.g., diesel, jet fuel and natural gas). Activity data used to calculate Scope 2 (indirect) emissions is sourced from third-party invoices (e.g., electricity) wherever possible and is collected across the business via a variety of internal processes and systems. Scope 3 (commercial air travel) data used to report GHG emissions from transporting our employees is obtained from reports provided by third parties which includes number of flights and distance data.

As described in this assertion, activity data for Scope 1 and Scope 2 is sourced from estimates where actual consumption data is not available. NIKE continues to work on obtaining systematic access to more actual consumption data – in FY19, actual consumption data for retail and non-HQ offices in the EU was integrated into reported figures. Estimates are described in more detail below. Reported data has been rounded to the nearest whole number.

ESTIMATION METHODOLOGY

Estimation methodologies employ reasonable assumptions to avoid understating NIKE's emissions footprint and are described below.

Estimated data	Estimation methodology
Natural Gas (retail and non-HQ offices outside of the U.S. and Canada)	Natural gas usage is estimated for sites outside of the U.S. and Canada, and for landlord-managed sites in the U.S. and Canada where visibility on energy consumption is low. Square footage of retail and non-HQ offices per country is used, along with country-level climate assumptions and CBECS energy use intensity (kWh per square foot) based on climate region. In the U.S. and Canada, where some sites are landlord-managed and visibility on energy consumption is low, our internal known average country-level energy use intensity is used instead of the external CBECS benchmark. Approximately 90% of retail scope 1 emissions in FY19 were estimated, and approximately 50% of non-HQ scope 1 emissions in FY19 were estimated.
Electricity (retail and non-HQ offices outside of the U.S., Canada, and EU)	Electricity usage is estimated for sites outside of the U.S., Canada, and EU and for landlord-managed sites in the U.S., Canada, and EU where visibility on energy consumption is low. Square footage of retail and non-HQ offices per country is used, leveraging actual FY19 square footage data, along with electricity intensity (kWh per square foot of known FY19 NIKE electricity usage in retail or offices). About 63% of retail scope 2 market-based emissions in FY19 were estimated. About 65% of non-HQ scope 2 market-based emissions in FY19 were estimated.
Propane (DC)	Propane usage at one DC is estimated leveraging propane consumption intensity at a comparable DC based on relative square footage.
Fugitive emissions from refrigerant gas loss	Refrigerant leakage from HVAC units was calculated by applying an operating emissions factor (i.e. leak rate) of 10% (sourced from EPA's <i>Direct Fugitive Emissions from Refrigeration, Air Conditioning, Fire Suppression, and Industrial Gases</i>) to the total system capacity across all units. The Global Warming Potential ("GWP") of R410a was sourced from the <i>Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report</i> published in 2014.



NIKE, INC. MANAGEMENT ASSERTION

EMISSIONS FACTORS

Emissions are reported in metric tons of carbon dioxide equivalent and include CO₂, CH₄, and N₂O.

Exceptions to reporting CH₄ and N₂O are as follows:

- Facilities' emissions are reported in CO₂e, however, within a limited subset of consumption data, emissions factors for other gases (CH₄, N₂O) are not provided. These exceptions include AIB/ EU Residual Mix Emissions factors, Green-E/ US Residual Mix, and certain supplier-specific emissions factors. In these cases, CH₄ and N₂O emissions are sourced from the next available step in the market-based emissions factors hierarchy.

- Commercial Travel emissions are in CO₂ due to data availability. The emissions from other gases are not material to NIKE's reported GHG emissions.

Carbon dioxide emissions and equivalents resulting from the activities and business units described above have been determined on the basis of measured or estimated fuel and electricity usage, multiplied by relevant, published carbon emission factors, which are updated annually according to an internal policy to use the most recent emissions factors available before the annual internal cutoff date, which is 15 days after the fiscal year end. Carbon dioxide equivalent emissions utilize GWPs

primarily sourced from the Intergovernmental Panel on Climate Change Fifth Assessment Report (Assessment Report 5 – 100 year), and EPA emissions factor sources use Assessment Report 4.

In quantifying market-based electricity GHG emissions, GHG Protocol Scope 2 Guidance defines a hierarchy of factors for quantifying market-based emissions, in order from highest to lowest precision

The table below describes the hierarchy and the relevance to NIKE for the current year reporting.

EMISSION SOURCE TYPE	EMISSION FACTOR EMPLOYED
Direct Line Connection	Not applicable
Energy Attribute Certificates	NIKE applies a zero emission factor for onsite solar and wind generation where Renewable Energy Credits (or Guarantees of Origin) generated are retained by NIKE; and for purchased renewable energy attribute certificates applied to NIKE's operations. Biomass renewable energy credits employ a zero emission factor for CO ₂ ; however, biomass source-specific emissions factors are applied for CH ₄ and N ₂ O.
Electricity Contracts	NIKE applies a zero emission factor for all sites in scope of its power purchase agreement.
Energy Supplier-Specific Emissions Factors	U.S., Canada, and EU: NIKE applies publicly available supplier-specific emission factors where available.
Residual Mix	U.S. and Canada: NIKE applies residual mix emission factors from Green-e Energy U.S. Residual Mix Emissions Rates. EU: NIKE applies country emission factors from the AIB.
Location-Based Factors	If none of the above options are available, NIKE uses location-based factors as described in the table below.



NIKE, INC. MANAGEMENT ASSERTION

The table below outlines the emissions factor sources used in FY19 emissions calculations.

EMISSION SOURCE	EMISSION SOURCE TYPE	EMISSION FACTOR EMPLOYED
Scope 1	Natural Gas	GHG Protocol Emissions Factors from Cross-Sector Tools March 2017
Scope 1	Hi-sene	GHG Protocol Emissions Factors from Cross-Sector Tools March 2017
Scope 1	Diesel	GHG Protocol Emissions Factors from Cross-Sector Tools March 2017
Scope 1	Propane	EPA Center for Corporate Climate Leadership's Emission Factors for Greenhouse Gas Inventories
Scope 1	Gasoline	GHG Protocol Emissions Factors from Cross-Sector Tools March 2017
Scope 1	Refrigerants	<i>Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report; EPA's Direct Fugitive Emissions from Refrigeration, Air Conditioning, Fire Suppression, and Industrial Gases</i>
Scope 2	Electricity (U.S. and EU)	Contractual instruments (Power purchase agreements [PPA]; energy attribute certificates [EAC]) <i>In FY19, we employed a zero emissions factor for facilities at NIKE facilities in Oregon, U.S. that are in scope of NIKE's PPA with Avangrid. Similarly, we used a zero emissions factor for facilities in Europe that purchase GOs/EACs.</i>
Scope 2	Electricity (U.S., Canada, and EU)	Supplier-specific emission factors (various sources) <i>In the absence of a contractual instrument (or electricity consumption that exceeds onsite renewables and contractual instruments), we apply supplier-specific emission factors where they are available and meet a third-party quality criteria review. In FY19, supplier-specific emission factors covered 78% of NIKE's electricity consumption in the U.S. and Canada and 4% of consumption in EMEA.</i>
Scope 2	Electricity (U.S. and Canada)	Green-e Energy US Residual Mix Emissions Rates <i>For facilities in the U.S. that do not have contractual instruments or supplier-specific emissions factors available, NIKE uses residual mix factors.</i>
Scope 2	Electricity (U.S.)	eGRID (location-based) <i>In the absence of contractual instruments, supplier-specific emissions factors, and residual mix factors, NIKE applies a regional/national grid mix factor. This only applies to landlord-managed facilities in the U.S.</i>
Scope 2	Electricity (EU)	AIB European Residual Mixes <i>For facilities in the EU that do not have contractual instruments or supplier-specific emissions factors available, NIKE uses residual mix factors.</i>
Scope 2	Electricity (Global)	IEA World Electricity CO ₂ Emissions Factors <i>In the absence of contractual instruments, supplier-specific emissions factors, residual mix factors, and a regional/national grid mix factor, NIKE applies a protocol that covers all countries globally. This global protocol serves as a catch-all for any sites that haven't obtained an emission factor from a more granular step in the market-based hierarchy.</i>
Scope 2	Biomass	2006 IPCC Guidelines for National Greenhouse Gas Inventories <i>NIKE purchases biomass RECs at one distribution center.</i>
Scope 3 (Commercial Travel only)	Air travel	GHG Protocol Emissions Factors from Cross-Sector Tools March 2017

UNCERTAINTY

GHG emissions quantification is subject to inherent measurement uncertainty because of such things as GHG emissions factors that are used in mathematical models to calculate GHG emissions and the inability of these models, due to incomplete scientific knowledge and other factors, to accurately measure under all circumstances the relationship between various inputs and the resultant GHG emissions. Environmental and energy

use data used in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for measuring such data. The selection by management of different but acceptable measurement techniques could result in materially different amounts of metrics being reported.

Data related to total energy consumed is subject to inherent limitations given the nature and the methods used for determining such data. The selection by management of different but acceptable

measurement techniques could result in materially different amounts or metrics being reported.

NIKE recognizes that commercial air travel remains an estimate since unforeseen circumstances can occur (e.g., different routes due to adverse weather or unforeseen aircraft fleet changes), however the figure presented is considered to be a reasonable estimate of NIKE's commercial air travel emissions.



GLOBAL REPORTING INITIATIVE (GRI) INDEX

This report is aligned with the GRI Standards at the **Core level**.

GENERAL DISCLOSURES

GRI Standard	Number	GRI Disclosure	Location and Notes	Omission	UNGC Principle
Organization Profile	102-1	Name of the organization	NIKE, Inc.		
	102-2	Activities, brands, products, and services	FY19 10-K: Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: <i>page 92</i> (Annual Report)		
	102-3	Location of headquarters	One Bowerman Dr, Beaverton, OR 97005		
	102-4	Location of operations	FY19 10-K: Item 1. Business: <i>pages 69–75</i> and Item 2. Properties: <i>page 87</i> (Annual Report) NIKE Manufacturing Map		
	102-5	Ownership and legal form	FY19 Proxy Statement Company Bylaws FY19 10-K: Item 1. Business: <i>page 69</i> (Annual Report)		
	102-6	Markets served	FY19 10-K: Item 1. Business: <i>pages 69–75</i> (Annual Report)		
	102-7	Scale of the organization	FY19 10-K: Item 1. Business: <i>pages 69–75</i> (Annual Report)		
	102-8	Information on employees and other workers	Unleash Human Potential: Employees: <i>page 12</i> FY19 10-K: Item 1. Business: <i>page 69</i> (Annual Report) 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)

	CY19	
	Female	Male
Regular Full-Time	24,689	26,033
Regular Part-Time	8,331	8,770
TOTAL REGULAR	33,020	34,803
Full-Time	75%	75%

¹ Temporary employees excluded.

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

	ALL EMPLOYEES	DIRECTORS+	VPs
	CY19	CY19	CY19
URG	56.3%	24.6%	21.2%
Unknown	1.1%	2.7%	1.7%
White (Not Hispanic/Latino)	42.6%	72.7%	77.1%

Note: 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	Transform Manufacturing: Sustainable Sourcing: <i>page 27</i> FY19 10-K: Item 1. Business: <i>pages 71–74</i> (Annual Report) Stages of our Value Chain Measuring our Value Chain Footprint		
	102-10	Significant changes to the organization and its supply chain	FY19 10-K: Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: <i>pages 92–93</i> (Annual Report) FY19 10-K: Item 2. Properties: <i>page 87</i> (Annual Report)		
	102-11	Precautionary Principle or approach	Issue Prioritization: <i>page 65</i> Targets Summary: <i>page 7</i> Minimize Environmental Footprint: <i>pages 35–62</i>		
	102-12	External initiatives	Sustainability Commitments Industry Standards & Assessment Tools We also mention external initiatives throughout the report.		
	102-13	Membership of associations	Partnerships & Collaborations We also mention memberships throughout the report.		



GLOBAL REPORTING INITIATIVE (GRI) INDEX

GENERAL DISCLOSURES

GRI Standard	Number	GRI Disclosure	Location and Notes	Omission	UNGC Principle
Strategy	102-14	Statement from senior decision-maker	Letter from Our CEO: <i>page 5</i> Purpose Committee: <i>page 64</i>		
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	Letter from Our CEO: <i>page 5</i> NIKE Code of Conduct NIKE Code Leadership Standards NIKE Code of Ethics Sustainability Policies		
Governance	102-18	Governance structure	FY19 Proxy Statement: Corporate Governance: <i>pages 5–26</i> Purpose Committee: <i>page 64</i> Governance		

Additional Information

Corporate Responsibility, Sustainability and Governance Committee

The purpose of the Corporate Responsibility, Sustainability and Governance Committee of the Board of Directors of NIKE, Inc. is to review NIKE's significant strategies, activities, and policies regarding sustainability (including labor practices), and community impact and charitable activities, and make recommendations to the Board. [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.

	102-29	Identifying and managing economic, environmental, and social impacts	FY19 10-K: Item 1A. Risk Factors: <i>pages 76–86</i> (Annual Report) FY19 10-K: Risk Management and Derivatives: <i>pages 143–146</i> (Annual Report) Minimize Environmental Footprint: Energy and Carbon: <i>pages 40–48</i>		
	102-30	Effectiveness of risk management processes	Minimize Environmental Footprint: Energy and Carbon: <i>pages 40–48</i>		
Stakeholder Engagement	102-40	List of stakeholder groups	Issue Prioritization: <i>page 65</i> Partnerships & Collaborations		
	102-41	Collective bargaining agreements	FY19 10-K: Item 1. Employees: <i>page 74</i>		
	102-42	Identifying and selecting stakeholders	Partnerships & Collaborations		
	102-43	Approach to stakeholder engagement	Partnerships & Collaborations Governance		
	102-44	Key topics and concerns raised	Issue Prioritization: <i>page 65</i>		
Reporting Practice	102-45	Entities included in the consolidated financial statements	About This Report: <i>page 3</i> FY19 10-K: Item 1. Business: <i>page 69</i> (Annual Report)		
	102-46	Defining report content and topic Boundaries	Issue Prioritization: <i>page 65</i>		
	102-47	List of material topics	Issue Prioritization: <i>page 65</i>		
	102-48	Restatements of information	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. Details are provided below.		



GLOBAL REPORTING INITIATIVE (GRI) INDEX

GENERAL DISCLOSURES

Data	Page	Reason
Occupational Health & Safety Industry Rates	24	CY18 Industry Rates were adjusted to align with CY18 BLS rates, as at the time of the FY18 NIKE Impact Report publication, CY18 BLS rates hadn't yet been published and CY17 BLS rates were used instead.
Materials Target: Increase use of more sustainable materials in footwear and apparel	10, 38, 39, 40	FY16 & FY18 footwear EPM percentages were restated due to a rounding error discovered through NIKE's data governance processes.
Materials Measure: Source 100% of our cotton more sustainably		FY18 was restated due to a reporting variance identified through NIKE's data governance processes.
Energy & Carbon Target: Reach 100% 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		FY18 performance data for this target has been restated due to enhancements in NIKE's PPA tracking processes (FY18) that have resulted in more comprehensive and accurate reporting.
Energy and Carbon Measure: Decrease energy use and CO ₂ e emissions 25% per unit in key operations (inbound and outbound logistics, distribution centers, headquarter locations, finished goods manufacturing, and NIKE-owned retail)	10, 42, 43, 45, 46	Historical performance data for this target has been restated due to a shift in NIKE's logistics' emissions data source (FY15-18) and to enhancements in NIKE's PPA tracking processes (FY18) that have resulted in more comprehensive and accurate reporting.
Chemistry Measure: 100% compliance with ZDHC Manufacturing Restricted Substances List (MRSL)		FY18 has been restated due to a reporting variance identified through NIKE's data governance processes.

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. We continue to focus on the internal controls in our sustainability data processes and systems.

We have obtained external assurance on select reported metrics (Scope 1 and 2 energy consumption and emissions, and Scope 3 commercial air travel emissions). More information can be found in the appendix.

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 in the Restatements section of the Appendix. The data presented in this report has been collected through a variety of processes, reviewed, and internally validated 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.

Organization Profile	102-49	Changes in reporting	Issue Prioritization: page 65 About This Report: page 3
	102-50	Reporting period	About This Report: page 3
	102-51	Date of most recent report	We published the FY18 Impact Report in May 2019.
	102-52	Reporting cycle	NIKE reports on an annual reporting cycle.
	102-53	Contact point for questions regarding the report	purpose@nike.com
	102-54	Claims of reporting in accordance with the GRI Standards	About This Report: page 3
	102-55	GRI content index	GRI Index: pages 74-89
	102-56	External assurance	PwC Assurance Letter: page 68 NIKE, Inc. Management Assertion: pages 69-72

ECONOMIC

GRI Standard	Number	GRI Disclosure	Location and Notes	Omission	UNGC Principle
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ECONOMIC PERFORMANCE

MATERIAL ASPECTS: Climate Change Risks

GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: page 65 Minimize Environmental Footprint: Energy and Carbon: pages 42-48 Energy & Emissions		
	103-2	The management approach and its components	Minimize Environmental Footprint: Energy and Carbon: pages 42-48 Energy & Emissions		
	103-3	Evaluation of the management approach	Minimize Environmental Footprint: Energy and Carbon: pages 42-48		
GRI 201: Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	Minimize Environmental Footprint: Energy and Carbon: pages 42-48 Minimize Environmental Footprint: Water: pages 53-55 Energy & Emissions		7

MATERIAL ASPECTS: Ethical Conduct

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: page 65		
	103-2	The management approach and its components	NIKE Code of Conduct		
	103-3	Evaluation of the management approach	Governance: page 64		10



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ENVIRONMENT

GRI Standard	Number	GRI Disclosure	Location and Notes	Omission	UNGC Principle
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MATERIALS

MATERIAL ASPECTS: CIRCULAR SYSTEMS DESIGN

GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: page 65 Minimize Environmental Footprint: Materials: pages 39–41		
	103-2	The management approach and its components	Minimize Environmental Footprint: Materials: pages 39–41 Materials		
	103-3	Evaluation of the management approach	Minimize Environmental Footprint: Materials: pages 39–41		
GRI 301: Materials	301-1	Materials used by weight or volume	Minimize Environmental Footprint: Materials: pages 39–41		8

Additional Information

NIKE reports its top five material volumes, which 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 average packaging material used for each product group. The majority of cotton and polyester volume data is sourced using direct measurements, though product creation data is used to estimate material volumes for certain parts of the business. In FY19, Nike brand apparel shifted the data source used for reporting polyester volumes.

ENERGY

MATERIAL ASPECTS: Energy

GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: page 65 Minimize Environmental Footprint: Energy and Carbon: pages 42–48 Energy & Emissions		
	103-2	The management approach and its components	Minimize Environmental Footprint: Energy and Carbon: pages 42–48 Energy & Emissions		
	103-3	Evaluation of the management approach	Minimize Environmental Footprint: Energy and Carbon: pages 42–48		
GRI 302: Energy	302-1	Energy consumption within the organization	Minimize Environmental Footprint: Energy and Carbon: pages 42–48		8
	302-2	Energy consumption outside of the organization	Minimize Environmental Footprint: Energy and Carbon: pages 42–48		8
	302-3	Energy intensity	Minimize Environmental Footprint: Energy and Carbon: pages 42–48 Targets Summary: page 7		8

WATER

MATERIAL ASPECTS: Water Use

GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: page 65 Minimize Environmental Footprint: Water: pages 53–55 Water		
	103-2	The management approach and its components	Minimize Environmental Footprint: Water: pages 53–55 Water		
	103-3	Evaluation of the management approach	Minimize Environmental Footprint: Water: pages 53–55		
GRI 303: Water 2016	303-1	Water withdrawal by source	Minimize Environmental Footprint: Water: pages 53–55		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 use.

EMISSIONS

MATERIAL ASPECTS: GHG Emissions

GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: page 65 Minimize Environmental Footprint: Energy and Carbon: pages 42–48 Energy & Emissions		
	103-2	The management approach and its components	Minimize Environmental Footprint: Energy and Carbon: pages 42–48 Energy & Emissions		
	103-3	Evaluation of the management approach	Minimize Environmental Footprint: Energy and Carbon: pages 42–48		
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	Minimize Environmental Footprint: Energy and Carbon: pages 42–48		8
	305-2	Energy indirect (Scope 2) GHG emissions	Minimize Environmental Footprint: Energy and Carbon: pages 42–48		8
	305-3	Other indirect (Scope 3) GHG emissions	Minimize Environmental Footprint: Energy and Carbon: pages 42–48		8
	305-4	GHG Emission intensity	Minimize Environmental Footprint: Energy and Carbon: pages 42–48		8



GLOBAL REPORTING INITIATIVE (GRI) INDEX

ENVIRONMENT

ADDITIONAL INFORMATION

NIKE converts all energy consumed to kWh using net calorific value of the direct fuels consumed, including transportation fuels. Emissions data for HFCs, PFCs, and SF₆ are not reported. NIKE has phased out SF₆ and therefore doesn't have SF₆ emissions. Emissions for other greenhouse gases are either not relevant, immaterial, or data is not available.

SCOPE 1 AND 2

For information on direct and indirect energy consumption, Scope 1 and 2 emissions and the Scope 3 emissions accounting standard used, see the Management Assertion letter. Additional breakdowns of Scope 1 and 2 emissions are shown below.

2019 FUEL & ELECTRICITY CONSUMPTION (MWh) & SCOPE 1 & 2 EMISSIONS (METRIC TONS CO₂e) BY COUNTRY

Country	Fuel Consumed (MWh)	Scope 1 (Metric Tons CO ₂ e)	Grid Electricity (MWh)	Onsite Solar (MWh)	Onsite Wind (MWh)	Location-Based Scope 2 (Metric Tons CO ₂ e)	Market-Based Scope 2 (Metric Tons CO ₂ e)
Argentina	937	190	2,287	-	-	862	862
Australia	1,065	216	2,744	-	-	2,090	2,090
Austria	812	165	669	-	-	102	128
Belgium	12,478	2,528	24,282	3,817	10,205	4,276	423
Brazil	2,743	558	6,255	-	-	752	752
Canada	10,643	1,931	6,290	-	-	946	605
Chile	604	122	2,466	-	-	1,096	1,096
China (Greater)	29,427	5,915	57,534	2,425	-	36,318	36,318
Croatia	52	10	230	-	-	53	129
Czech Republic	192	39	243	-	-	129	148
Denmark	412	83	381	-	-	79	192
France	4,141	839	8,302	-	-	437	430
Germany	5,370	1,088	5,858	-	-	2,630	2,481
Greece	-	-	1,011	-	-	528	462
Hong Kong	653	132	1,769	-	-	1,305	1,305
Hungary	299	61	383	-	-	105	133
India	272	57	619	-	-	452	452
Indonesia	167	34	694	-	-	508	508
Ireland	324	66	761	-	-	316	488
Israel	-	-	1,117	-	-	635	635
Italy	3,120	632	6,557	-	-	2,177	3,178
Japan	5,780	1,081	13,101	-	-	7,152	7,152
Malaysia	628	127	1,680	-	-	1,105	1,105
Mexico	3,930	796	8,338	-	-	3,884	3,884
Netherlands	1,178	239	9,782	-	-	4,561	4,690
New Zealand	98	20	353	-	-	37	37
Norway	277	56	344	-	-	3	94
Panama	22	4	49	-	-	12	12
Philippines	62	13	253	-	-	154	154
Poland	789	160	1,019	-	-	737	918
Portugal	-	-	1,030	-	-	297	319
Russia	2,757	558	3,417	-	-	1,226	1,664
Singapore	316	64	905	-	-	357	357
South Africa	777	158	2,000	-	-	1,900	1,900
South Korea	5,950	1,349	7,877	-	-	4,124	4,124
Spain	3,441	697	6,663	-	-	1,646	2,996
Sri Lanka	8	2	18	-	-	11	11
Sweden	484	98	469	-	-	6	19
Switzerland	290	59	356	-	-	10	11
Thailand	482	98	1,081	-	-	522	522
Turkey	1,214	246	2,457	-	-	1,145	1,145
United Arab Emirates	7	1	17	-	-	11	11
United Kingdom	6,429	1,302	9,416	-	-	2,637	3,008
United States of America	119,145	25,016	386,814	578	-	172,130	123,409
Uruguay	184	37	403	-	-	11	11
TOTAL	227,304	46,714	586,526	6,820	10,205	258,171	209,065



GLOBAL REPORTING INITIATIVE (GRI) INDEX

ENVIRONMENT

FY19 ENERGY CONSUMPTION (MWh)

Consumption	Heating Value	MWh from Renewable Sources	MWh from Non-Renewable Sources	Total MWh
Fuel (excluding feedstock)	LHV (lower heating value)	0	227,304	227,304
Purchased or Acquired Electricity		160,224	443,327	603,551
Total Energy Consumption		160,224	670,630	830,854

FY19 RENEWABLE MWh BY COUNTRY AND TYPE

Country	Onsite Solar	Onsite Wind	RECs: Biomass	RECs: Hydroelectric	RECs: Solar	RECs: Wind	RECs: Wind & Solar	PPA: Oregon Avangrid	TOTAL
Belgium	3,817	10,205	10,674	164	11,774	5,849	-	-	42,483
China	2,425	-	-	-	-	-	-	-	2,425
Greece	-	-	-	-	-	223	-	-	223
Netherlands	-	-	-	-	-	971	-	-	971
United Kingdom	-	-	-	-	-	-	1,561	-	1,561
United States of America	578	-	-	-	-	-	-	111,983	112,562

FY19 FUEL CONSUMPTION BY FUEL TYPE (MWh)

Natural Gas	207,631
Jet Fuel	12,223
Hi-Sene	3,349
Gasoline	2,210
Diesel	1,369
Propane	521
TOTAL	227,304

FY19 STEAM, HEAT, COOLING CONSUMPTION (MWh)

Steam	0
Heat	0
Cooling	0

FY19 BIOMASS CO₂ EMISSIONS (METRIC TONS CO₂)

	3,843
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FY19 SCOPE 1 EMISSIONS BY GAS (METRIC TONS CO₂e)

CH ₄	120
CO ₂	46,199
N ₂ O	32
Refrigerant CO ₂ e	363
TOTAL	46,714

SCOPE 3: EMISSION FACTOR SOURCES

- IEA World Electricity CO₂ Emissions Factors
- Network for Transport Measurement (NTM)
- Clean Cargo Working Group (CCWG) Nominal Trade Lane Average Port – Port
- GHG Protocol
- DIN EN 16258

CARBON TARGET SCOPE MATRIX¹

● IN SCOPE ● OUT OF SCOPE

NIKE VALUE CHAIN TERMINOLOGY	RE100	25% ENERGY AND CARBON PER UNIT REDUCTION	35% ENERGY AND CARBON PER UNIT REDUCTION	10% PRODUCT CARBON FOOTPRINT PER UNIT REDUCTION ²	SBT	FULL VALUE CHAIN IMPACTS
CORPORATE SERVICES						
HQs	●	●	●	●	●	●
Other Office Facilities and WHQ Building Construction	●	●	●	●	●	●
Air MI	●	●	●	●	●	●
Corporate Jets	●	●	●	●	●	●
Commercial Air Business Travel	●	●	●	●	●	●
RAW MATERIALS PRODUCTION						
Raw Materials Production	●	●	●	●	●	●
MATERIALS MANUFACTURING						
Materials Manufacturing	●	●	●	●	●	●
MATERIALS FINISHING						
Textile Dyeing and Finishing	●	●	●	●	●	●
FINISHED GOODS MANUFACTURING						
FW, AP, and EQ Manufacturing	●	●	●	●	●	●
LOGISTICS						
Inbound Logistics	●	●	●	●	●	●
Outbound Logistics	●	●	●	●	●	●
Distribution Centers	●	●	●	●	●	●
RETAIL						
NIKE Direct	●	●	●	●	●	●
CONSUMER USE						
Consumer Use	●	●	●	●	●	●
END OF LIFE						
End of Life	●	●	●	●	●	●

1 Only NIKE-owned Retail (NIKE Direct) and Logistics (Distribution Centers, Inbound and Outbound Logistics) are in scope of NIKE commitments where designated as in scope. Non-NIKE-owned Retail and Logistics are included in the Full Value Chain Impacts.
 2 Target covers Nike brand apparel and footwear only.



GLOBAL REPORTING INITIATIVE (GRI) INDEX

ENVIRONMENT

SCOPE 3 EMISSIONS BY CATEGORY AND OPERATIONAL BOUNDARIES

In SBT scope
 Not in SBT scope

Emissions Sources	FY19 Metric Tons CO ₂ e and/or Evaluation Status	Scope of Reported Emissions	Emissions Calculation Methodology	Percentage of Emissions Calculated Using Data Obtained from Suppliers or Value Chain Partner
UPSTREAM				
1 - Purchased Goods and Services	7,700,000	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/region the factory resides in. For onsite generation and other fuels: CO ₂ e emissions are calculated using the IPCC bottoms up calculation methodology. CO ₂ e methodologies are used for emissions estimates outside of footwear finished goods manufacturing based on lifecycle analysis data applied to product creation data, and employ conservative assumptions to avoid understating NIKE's footprint.	24%
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	N/A
3 - Fuel and Energy-Related Activities Not Included in Scope 1 or 2	15,000	Includes emissions associated with the extraction, production, and transportation of fuels and energy purchased and reported in NIKE's Scope 1 and 2 footprint.	In FY19, NIKE estimated emissions for the first time for upstream activities related to energy consumption. Emissions data is calculated using primary activity data, extrapolated consumption, and publicly available CO ₂ e emissions factors. Consumption is multiplied by the emissions factor, using an identical global factor across all countries and regions.	58%
4 - Upstream Transportation & Distribution	1,100,000	Includes ~95% of global inbound transportation and ~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 (distance traveled x cargo weight or volume x emission factor). Upstream emissions from air transport of airbag components is calculated using industry standard air freight emission factors per ton-mile and production volume.	100%
5 - Waste Generated in Operations	2,000	Emissions relative to the fate of the waste generated in our own operations including HQs and DCs.	Total HQs and DC waste not diverted from landfill multiplied by a lifecycle assessment-based emission factor for municipal waste sent to landfill.	100%
6 - Business Travel	89,000	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.	100%
7 - Employee Commuting	131,000	Emissions associated with the transportation of employees between their homes and work locations. Represents full-time employees.	Internal employee commuting survey data is used to inform the allocation of methods/modes that NIKE applies to its global employee base. Each mode is assigned an emission factor relative to fuel type. Assumptions are made about the average number of working days per year and the average distance between an employee's home and worksite.	19%
8 - Upstream Leased Assets	Not relevant	NIKE does not have significant emissions from upstream leased assets.	N/A	N/A
DOWNSTREAM				
9 - Downstream Transportation & Distribution	101,000	Includes emissions from non-NIKE paid freight. Excludes emissions from consumers traveling to stores.	Transactional data is applied to a third-party transportation carbon calculator against industry standard emissions factors (distance traveled x cargo weight or volume x emission factor). Non-NIKE paid freight is determined by subtracting NIKE-paid inbound and outbound freight from total units, separately.	0%
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	N/A
11 - Use of Sold Products	6,200,000	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 EPA's Waste Reduction Model (WARM), 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.	0%
12 - End-of-Life Treatment of Sold Products	439,000	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.	0%
13 - Downstream Leased Assets	Not relevant	NIKE does not have significant emissions from downstream leased assets	N/A	N/A
14 - Franchises	Not relevant	NIKE does not have significant emissions from franchises.	N/A	N/A
15 - Investments	Not relevant	NIKE does not have significant emissions from investments.	N/A	N/A
Total SBT S3 Emissions	9,500,000			
Total Full Footprint S3 Emissions	15,700,000			



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ENVIRONMENT

GRI Standard	Number	GRI Disclosure	Location and Notes	Omission	UNGC Principle
EFFLUENTS AND WASTE					
MATERIAL ASPECTS: Effluents and Waste					
GRI 103: MANAGEMENT APPROACH	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: <i>page 65</i> Minimize Environmental Footprint: Waste: <i>pages 49–52</i>		
	103-2	The management approach and its components	Minimize Environmental Footprint: Waste: <i>pages 49–52</i> <i>Waste</i>		
	103-3	Evaluation of the management approach	Minimize Environmental Footprint: Waste: <i>pages 49–52</i>		
GRI 306: EFFLUENTS AND WASTE	306-2	Waste by type and disposal method	Minimize Environmental Footprint: Waste: <i>pages 49–52</i>		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.

TOTAL WEIGHT OF HAZARDOUS WASTE (TONS) GENERATED IN FOOTWEAR MANUFACTURING^{1,2}

	FY19
Total Weight	9,773

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.

SOCIAL

GRI Standard	Number	GRI Disclosure	Location and Notes	Omission	UNGC Principle
OCCUPATIONAL HEALTH AND SAFETY					
MATERIAL ASPECTS: Occupational Health and Safety					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: <i>page 65</i> Transform Manufacturing: Sustainable Sourcing: <i>pages 27–29</i> Unleash Human Potential: Priority Issues: <i>pages 22–24</i>		
	103-2	The management approach and its components	Unleash Human Potential: Priority Issues: <i>pages 22–24</i> <i>Culture of Health and Safety</i>		
	103-3	Evaluation of the management approach	Unleash Human Potential: Priority Issues: <i>pages 22–24</i>		
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: Priority Issues: <i>pages 22–24</i>	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	Issue Prioritization: <i>page 65</i> Unleash Human Potential: Employees: <i>pages 11–16</i>		
	103-2	The management approach and its components	Unleash Human Potential: Employees: <i>pages 11–16</i> <i>People at Nike</i>		
	103-3	Evaluation of the management approach	Unleash Human Potential: Employees: <i>pages 11–16</i>		
GRI 404: Training and Education	404-3	Percentage of employees receiving regular performance and career development reviews	Unleash Human Potential: Employees: <i>pages 11–16</i>		

Additional Information

EMPLOYEES WHO RECEIVE PERFORMANCE REVIEW (CFE RATING)

CY19			CY19		
GENDER			EMPLOYMENT TYPE		
Female	CFE Rating	83.62%	Full-time	CFE Rating	87.64%
	No CFE Rating	16.38%		No CFE Rating	12.36%
Male	CFE Rating	82.72%	Part-time	CFE Rating	69.87%
	No CFE Rating	17.28%		No CFE Rating	30.13%
Grand Total	CFE Rating	83.16%			
	No CFE Rating	16.84%			

Notes:

- Excludes temporary workers.
- With the shift in timing to Calendar Year for this report it allows us to provide information on our Annual Performance Review processes when they are complete. Previously, our data cut-off (May 31) was in the early stages of our Performance Review cycles so we saw more employees without a performance rating. With the timing of our data being focused on later in the calendar year it allows us to provide information once our annual processes are complete which leads to the variance from previous reports.
- Employees without a CFE include "Null" or "No Rating" values.
- Employees with a "Too New to Rate" are included with employees with a rating.



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SOCIAL

GRI Standard	Number	GRI Disclosure	Location and Notes	Omission	UNGC Principle
DIVERSITY AND EQUAL OPPORTUNITY					
MATERIAL ASPECTS: Total Compensation					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: <i>page 65</i> Unleash Human Potential: Employees: <i>pages 11–16</i>		
	103-2	The management approach and its components	Unleash Human Potential: Employees: <i>pages 11–16</i> People at Nike		
	103-3	Evaluation of the management approach	Unleash Human Potential: Employees: <i>pages 11–16</i>		
GRI 405: Diversity and Equal Opportunity	405-2	Ratio of basic salary and remuneration of women to men	Unleash Human Potential: Employees: <i>pages 11–16</i>		6
CHILD LABOR					
MATERIAL ASPECTS: Child Labor					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: <i>page 65</i> Transform Manufacturing: Priority Issues: <i>page 33</i> Code of Conduct Code Leadership Standards (CLS)		
	103-2	The management approach and its components	Transform Manufacturing: Priority Issues: <i>page 33</i> Human Rights		
	103-3	Evaluation of the management approach	Transform Manufacturing: Priority Issues: <i>page 33</i>		
GRI 408: Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	Transform Manufacturing: Priority Issues: <i>page 33</i>		1, 5
FORCED OR COMPULSORY LABOR					
MATERIAL ASPECTS: Forced labor					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: <i>page 65</i> Transform Manufacturing: Priority Issues: <i>page 33</i>		
	103-2	The management approach and its components	Issue Prioritization: <i>page 65</i> Transform Manufacturing: Priority Issues: <i>page 33</i> Accelerating Industry Change Through Partnerships: <i>page 32</i> Code of Conduct Code Leadership Standards (CLS)		
	103-3	Evaluation of the management approach	Transform Manufacturing: Priority Issues: <i>page 33</i>		
GRI 409: Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Transform Manufacturing: Priority Issues: <i>page 33</i> NIKE also launched Verité's CUMULUS Forced Labor Screen™, a new due diligence tool to help identify risks related to the recruitment of foreign migrant workers by NIKE suppliers. This tool will help NIKE map our labor supply chain and more proactively identify, prioritize, and address forced labor risks. In the tool's limited release, our launch in Malaysia made NIKE one of its first adopters. In FY20, we will continue to evaluate expansion to other high-risk countries.		4
CHEMISTRY					
MATERIAL ASPECTS: Chemistry					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: <i>page 65</i> Minimize Environmental Footprint: Chemistry: <i>pages 56–59</i>		
	103-2	The management approach and its components	Minimize Environmental Footprint: Chemistry: <i>pages 56–59</i> Approach to Chemistry Chemistry Playbook		
	103-3	Evaluation of the management approach	Purpose Committee: <i>page 64</i> Minimize Environmental Footprint: Chemistry: <i>pages 56–59</i>		
Chemistry	N/A		Minimize Environmental Footprint: Chemistry: <i>pages 56–59</i>		8
ACTIVE KIDS					
MATERIAL ASPECTS: Active Kids					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: <i>page 65</i> Unleash Human Potential: Community Impact: <i>pages 17–21</i>		
	103-2	The management approach and its components	Unleash Human Potential: Community Impact: <i>pages 17–21</i> Community Impact		
	103-3	Evaluation of the management approach	Purpose Committee: <i>page 64</i> Unleash Human Potential: Community Impact: <i>pages 17–21</i>		
Active Kids	N/A		Unleash Human Potential: Community Impact: <i>pages 17–21</i>		

