

*purpose<sup>25</sup>*



FY20 NIKE, Inc. Impact Report

# BREAKING BARRIERS

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## About This Report

This NIKE Impact Report represents our final performance update on our 2020 targets and measures, which together form an aggregated view of our long-term goals and public commitments to meet stakeholder<sup>1</sup> expectations and align with NIKE's business priorities. Different from previous reports, we have included performance information that falls outside of the fiscal year (FY20), to provide more detail on our five-year journey for each target. In this report, we also announce the launch of our next set of long-term purpose targets and share the insights that set the foundation of the next part of this journey.

Building on NIKE's reporting tradition since 2001, we expect to continue reporting annual progress toward our social and environmental targets and priority issues.

When we reference NIKE, Inc., unless otherwise stated, we are referencing our portfolio of brands including the Nike, Jordan and Converse brands. NIKE divested of Hurley in the third quarter of FY20. Hurley is included in performance results up to the divestiture in most cases (and included slightly after the divestiture in owned or operated energy and emissions due to transition agreements). Due to materiality, restatement of historical data was not necessary.

This report covers NIKE's fiscal year 2020 (June 1, 2019, through May 31, 2020), with the notable exception of calendar year 2020 data for the Employee and Occupational Health & Safety sections. We will refer to the fiscal year as FY20 and the calendar year as CY20 in the report, and, unless otherwise stated, the baseline for our 2020 targets is FY15.

We have obtained external assurance on select reported metrics including Scope 1 and 2 energy consumption and emissions, Scope 3 commercial air travel emissions and outbound logistics, and select diversity and inclusion data. More information can be found in the [Appendix](#).

For news, updates, and more details about NIKE, please visit [purpose.nike.com](http://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.

<sup>1</sup> Stakeholders are broadly defined as customers, consumers, shareholders, employees, communities, NGOs, and academia.

### *Featured Athlete (Cover)*

#### **Marielle Hall**

Marielle Hall is a long-distance runner from the United States and a 2016 Olympian, four-time World Championship team member and three-time All-American.

"Running is empowering," says Hall. "It's more than my livelihood or a way to stay healthy. I lean heavily on the running community and the lessons I've learned from the sport and my fellow athletes. Every day you have to line-up, put in your best effort and strive to do a little bit better today than you did yesterday."

Hall also believes in using the platform sport provides to help create a better world.

"Through sport, I have learned to stretch the limits of discomfort to unlock my potential. And I'm using those same lessons to raise my voice for the things that truly matter. Social justice. A healthy planet.

These are the greatest issues of our time, and we all need to raise our voices and do more."

### *Featured Artist*

#### **Jade Purple Brown**

This report contains several original works by artist Jade Purple Brown. Her work uses strong figures, vibrant colors, and messages of optimism to create new, dynamic worlds of individuality and empowerment.

Learn more about her work at [jadepurplebrown.com](http://jadepurplebrown.com).



# INTRODUCTION



# PURPOSE GUIDES US, BECAUSE WE BELIEVE THAT PROGRESS IS POSSIBLE.

We believe in the power of sport to move the world forward and bring out the best in people – and the potential of people to bring out the best in our world.

We're focused on breaking barriers that prevent us all from reaching our full potential. Barriers that get in the way of accessing sport – especially for youth who are our future leaders. Barriers in the fight against climate change. Barriers to realizing a more equal, inclusive world.

We believe these issues are interconnected. If we can address one, we impact another. Together, through sport, we can build a movement.

At NIKE, our purpose guides our culture and strategy. It inspires us to think bigger and challenges us to work harder.

Leading with purpose means always striving for better – whether it's the role we play, the change we lead, or the future we shape.

In setting our 2025 targets, our focus has been on how well we map the journey. Like in training, we know the hard miles are worth it, and a game plan is required. It's impact we're after, and we've set the targets that push us to look inside and outside our business for the strategies and commitments to help us achieve as much as possible. In doing so, we also hope to inspire and activate others to join us on the journey, and be part of the change.



# WELCOME TO THE FY20 NIKE IMPACT REPORT

This is the 11th report we have published since we first began reporting our progress toward our environmental, social, and governance goals in 2001.

Our report this year is special in three ways:

Firstly, the unprecedented events of this past year have made clear that we need to take collective action to shape a better future.

Secondly, we have come to the end of our reporting cycle for the corporate targets we set in 2015. Which means we want to share how we've done with those ambitions, walking readers point-by-point through how we performed in the 34 targets and measures we had set against our efforts in sustainability, equality and inclusion, and our investments in getting kids active and building community.

Our aim, as we close out these targets, is to share with readers: 1) transparency to the work and strategies, 2) the inspiration we feel, across all our teams and business functions, from the action we've led, as well as progress we've made, and 3) the learnings we have from the challenges we met.

Lastly, we have developed new corporate targets to get us to 2025. They reflect the ambitious work that we, at NIKE, intend to lead over the next five years. We'll bring our purpose to life with a focus on people, planet, and play.

How to read this report:

- We open with a [letter from our CEO](#).
- In our [2020 Targets section](#), we report on progress over the last five years.
- To learn our areas of focus for the next five years, please read our [2025 Targets section](#).
- To understand how we determined the most important issues to cover, see our [Issue Prioritization section](#).
- Finally, our Appendix includes information on our [human rights commitment](#), [external assurance of data](#), and the [GRI Index](#).

Thank you to the many teams across NIKE who are part of our annual reporting cycle, from our data and analytics team, to our operational functions and subject matter experts, to Communications, Legal, Brand, and all the cross-functional partners who brought this report to life. Most importantly, thank you to the multitude of teammates who help make these targets real every day.

*Purpose Communications  
and the Purpose Leadership Teams*



## Letter From Our President and CEO

NIKE's journey began in 1964, with a handshake between a runner and his coach. As our company has grown, so has our belief in NIKE's role and vision for impact in the world. Today, we're proud of our long history of helping to create a brighter future.

Our strong values have guided us through this past year. As I write this letter, we continue to navigate a global pandemic, a climate crisis, a reckoning of racial inequity and more. This has been a defining moment for our society – and a defining moment for NIKE.

NIKE is a brand of hope and inspiration. We believe in the power of sport to bring out the best in people, and the potential of people to bring out the best in our world. Ultimately, everything we do is grounded in a greater purpose: to redefine human potential – in the game and around the globe.

For our team at NIKE, FY20 proved how much our people and purpose matter. It showed the difference that our voice and our actions can make. In the face of our society's most pressing challenges, we embrace NIKE's unique opportunity to lead the way.

Our FY20 NIKE, Inc. Impact Report represents a true inflection point.

First, this past year we used NIKE's scale and influence to raise the bar for sustainability. We launched our Supplier Climate Action Program to develop pathways for carbon reduction for our material and finished goods manufacturers. And we saw real progress throughout our supply chain:

- We are currently using 100% renewable energy in the United States and Canada in our owned or operated facilities.
- Our textile dyeing and finishing suppliers reduced freshwater use by 30%, far exceeding our FY20 target.
- Our Tier 1 finished goods footwear suppliers diverted 99.9% of our manufacturing waste from landfill.

We're also investing in solutions that create lasting change in our communities around the world. Building on collaborations with partners, such as the U.S. Olympic & Paralympic Committee, we created a training module called Coaching Girls for volunteer youth coaches to help build a culture that makes sport fun and inclusive for girls.

And through Made to Play – our global commitment to get kids moving through play and sport – we engaged our own teammates in the effort: more than 6,700 of our store employees across 29 countries volunteered more than 60,000 hours in FY20 to inspire kids to be active.



At the same time, as our society continues to reckon with systemic racial injustice, we are committed to standing up for one of NIKE's core values – equality. Our brand would not be what it is today without the powerful contributions of Black athletes and Black culture. And our belief in human potential inspires us to lead in addressing equality's most persistent barriers. That's why we're taking meaningful action to support organizations focused on advancing racial equality in the U.S., including a combined \$140 million commitment from NIKE, Converse, Jordan Brand, and Michael Jordan.

We are also focused on building a diverse, inclusive team and culture, one in which all voices are welcomed and heard. This culture of belonging reflects the diversity of the athletes we honor, the people who love our products, and the communities we serve.

Our efforts have increased representation of women globally across the enterprise to 49.5% and representation of racial and ethnic minorities to 29% of our VP Leadership Team in the United States.

We're proud of the successes we've seen, but we know the work is still just beginning. We will continue to strive to lower emissions across our key operations, to shrink our product carbon footprint, to accelerate diversity and inclusion across our teams, to enable kids to have access to play and sport. We will always challenge ourselves to do better. Always.

Our progress to date is measured against five-year targets we set for ourselves. As we've closed out these FY20 targets, we undertook a rigorous companywide effort to establish NIKE's new five-year roadmap for global impact – our Purpose 2025 Targets.

Today, as we close one set of targets, we begin our next journey. Our Purpose 2025 Targets are not just aspirations. They are a call to action – with clear goals, strategies, and accountabilities. We are also redefining what responsible leadership looks like. For the first time, we will tie executive compensation to NIKE's progress in deepening diversity and inclusion, protecting the planet, and advancing ethical manufacturing.

Our goal is, and always will be, for NIKE's people and purpose to come together for good. At NIKE, we'll never stop striving for better. Our purpose will always guide us, and our values will always push us forward – toward that better future we believe in.

*John Donahoe*  
President and CEO  
NIKE, Inc.

In 2020, we witnessed a series of world events that shaped our company, our culture, and the communities where we live and work. From the COVID-19 pandemic to a global reckoning with systematic racial inequity, this was a year that changed our world – and changed NIKE.

## COVID-19

NIKE is committed to using the power of sport to support our employees, communities and athletes\* all over the world impacted by the coronavirus (COVID-19) pandemic.<sup>2</sup> There are moments that an athlete can't anticipate when training. But when they come, you fall back on what you know, and you are clear on what matters.

### Giving Back to Our Communities

Our people and our communities have always been at the core of who we are and what we do. On behalf of our portfolio of brands, NIKE's leaders, employees, the Nike Foundation, and NIKE have committed more than \$30 million to COVID-19 response efforts around the world. We're supporting local organizations in our global key cities as they work to meet immediate needs such as food assistance and medical care. This included funding efforts by the World Health Organization (WHO) and partners, as well as support for local response efforts. In China, we committed \$2 million to the China Youth Development Foundation and program partners in Hubei province to support frontline health and medical workers with needed supplies and equipment as well as to aid overall community relief efforts. In Europe, the COVID-19 Community Youth Fund donated \$1.1 million to 44 youth sports organizations.

We know that employees want to help too. That's why we teamed up with our employees to provide a two-to-one match for all employee donations to community organizations providing COVID relief and support anywhere in the world.

### Keeping Our Teammates Healthy

Beginning in March 2020, NIKE offered its employees paid COVID-19 sick leave in addition to existing paid time off benefits and legally mandated sick leave programs. This coverage expanded in November beyond physical health to include mental and emotional wellbeing. Additionally, we offered free virtual counseling sessions through NIKE's Employee Assistance Program (EAP), enabling our employees to access trained counselors.

### Using Innovation to Help

Working closely with health professionals at Oregon Health & Science University (OHSU), NIKE's Innovation, Manufacturing, and Product teams came together to provide for an urgent need: personal protective equipment (PPE) in the form of full-face shields and powered, air-purifying respirator (PAPR) lenses to protect against the spread of COVID-19.

NIKE's teams have produced and shipped more than 360,000 units of PPE to approximately 30 hospitals and healthcare providers across the United States

(U.S.). In addition, Converse led an effort to source and donate PPE, including more than 470,000 face masks total to Massachusetts General Hospital and Boston Medical Center as well as area hospitals, and 50,000 masks for use in India created as a result of technical assistance from Converse to third-party Beyond Retro.

### Donating Product to the Athletes\* Who Need It Most

In FY20, NIKE donated over 32,000 pairs of Air Zoom Pulse to hospitals and health systems in the U.S. and Europe. This shoe, which launched in FY19, was designed specifically to meet the needs of healthcare professionals, and given to the doctors, nurses, and other frontline healthcare workers responding to the COVID-19 pandemic.

In addition to the Air Zoom Pulse shoes, NIKE also donated products that help meet the needs of healthcare workers, such as Dri-FIT t-shirts and soccer socks with mild compression. In all, we've donated more than 140,000 pieces of footwear, apparel and equipment globally, worth more than \$5.7 million.

### Helping Athletes\* Stay Active

We offered NTC Premium, the NIKE Training Club's subscription-based service, for free in the U.S. The platform includes a library of more than 185 online workouts for all fitness levels, ranging in length, type and equipment needs. As part of our holistic approach to support all athletes in their indoor wellness journey, we launched The Living Room Cup, a digital workout series offering a new space for NTC app users to compete against NIKE pro athletes through weekly fitness challenges.

NIKE also collaborated with the World Federation of the Sporting Goods Industry and other member companies to launch a physical activity guide supporting the WHO's promotion of physical activity at home.

### Working Closely With Our Suppliers

We support our suppliers in their responses to the dynamic and unprecedented nature of COVID-19. We have continued to place orders, taking into account marketplace dynamics and paying in full for finished product from all suppliers globally, while honoring previously agreed payment terms for product in production. In the case of canceled orders, our policies and agreements with suppliers are, and have always been, that NIKE will pay the appropriate amount of the order, depending on the stage of production as communicated by our supplier, to enable the supplier to recover costs associated with the canceled order.

We have also been working to support our suppliers as they implement health and safety practices and processes in line with applicable local laws and research-based best practices.

<sup>2</sup> <https://purpose.nike.com/covid-19-response-efforts>



## Standing Up for Equality

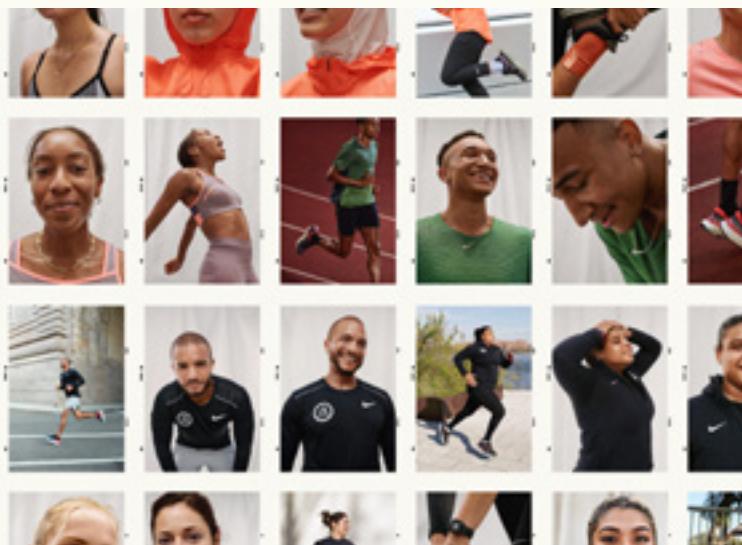
The resilience of people and communities around the world has proved that no matter what separates us, we are one human race. We're dedicated to fostering an inclusive culture of belonging and creating an environment in which every voice matters – from supporting civic engagement to embedding diversity and inclusion education throughout every employee journey.

We strive to create an advanced society, focused on inclusion and equality for not just Black athletes\* but all people. Addressing systemic racism and supremacy will require more than a few actions. NIKE is committed to doing the long-term work in making a positive impact locally and globally.

### Helping Dismantle Systematic Injustices

In 2020, NIKE, Inc. announced \$140 million commitment on behalf of the Nike and Jordan brands and Michael Jordan to advance a more just and equal society for Black Americans.

Part of this commitment was \$40 million over the next four years, on behalf of the NIKE, Jordan and Converse brands collectively, to invest in and support organizations focused on addressing systemic inequity.



Spring 2021 NIKE Running Campaign



Nike Air Zoom Pulse

The first four national recipients are the NAACP Empowerment Programs,<sup>3</sup> the NAACP Legal Defense and Educational Fund, Inc. (LDF),<sup>4</sup> Black Girls CODE<sup>5</sup> and Black Girl Ventures,<sup>6</sup> each of which will receive funding ranging from \$500,000 to \$1 million.

Converse provided additional funding of \$100,000 each to the Equal Justice Initiative<sup>7</sup> and the NAACP LDF.

In addition, Michael Jordan and Jordan Brand committed \$100 million over the next 10 years to directly fight systemic racism. Support will focus on three priority areas: social justice, economic justice, and education and awareness. This commitment also focuses efforts on combating voter suppression.

The initial donations from Michael Jordan and Jordan Brand of \$1 million to the NAACP LDF, \$1.1 million to the Formerly Incarcerated & Convicted People and Families Movement,<sup>8</sup> and \$500,000 to Black Voters Matter<sup>9</sup> will immediately help to drive change for Black communities today.

### Investing in Our Future

The Until We All Win grant portfolio is a direct reflection of what our eight Employee Networks, collectively known as NikeUNITED, stand for: our commitment to diversity and inclusion in the communities where we live, work, and play. Grants, totaling \$4 million per year, support nonprofits that work to advance equality in cities throughout North America. In addition, each of our eight Employee Networks donates \$25,000 annually to nonprofit organizations aligned with their goals. Intersectionality across race, gender, and orientation is a key consideration in our grantmaking, as it enables us to create more impact in each of the communities we support – individuals of all abilities; Asian American, Middle Eastern and Pacific Islander communities; the Black community; the Latinx community; our military and veterans communities; Native American and Indigenous communities; the LGBTQIA+ community; and girls and women.

3 <https://naacp.org/empowerment-programs/>

4 <https://www.naacpldf.org/>

5 <https://www.blackgirlscode.com/>

6 <https://www.blackgirlventures.org/>

7 <https://eji.org/>

8 <https://fifcpfm.org/>

9 <https://blackvotersmatterfund.org/>



## Looking Back

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# 2020 TARGETS



Dylan Alcott: Australian wheelchair tennis player

Our 2020 targets – 34 in total – focused on three areas of impact:

- **Sustainability**, both our environmental footprint and social/labor standards in our supply chain
- **Diversity and inclusion** in our corporate business
- Our **community investments** – particularly the investments we make in getting kids active

We set these targets in 2015, with an understanding of where we most wanted to drive change. We are proud of the progress we have made. We also recognize that in setting ambitious targets, our performance wasn't going to be linear. And no doubt, we will continue to face challenges in our work ahead. We remain committed to meaningful action, strategic adaptation, and continual learning in our pursuit of progress.

## 2020 Targets and Measures

Our 2020 targets and measures are both quantitative and qualitative. For the quantitative targets, we report annual data updates. Because this is the last year of the target cycle, we have included a final determination of whether or not we achieved our target. For our qualitative targets, we have provided narrative on our progress.

### Employees

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

### Community Impact

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

### Sustainable Sourcing

<b>Target</b>	Source 100% from factories that meet our definition of sustainable
<b>Measure</b>	<ul style="list-style-type: none"> <li>Eliminate excessive overtime (EOT)</li> </ul>

### Engaged Workforce

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

### Partnerships to Accelerate Industry Change

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

As you read this section, each focus area is broken up into a set of targets and measures. For each one, we provide FY20 performance and a look back at the journey of the past five years. Where available, we have included data tables to provide additional context to our progress.

### Product

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

### Materials

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

### Carbon and Energy

<b>Target</b>	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
<b>Measure</b>	<ul style="list-style-type: none"> <li>Decrease energy use and CO<sub>2</sub>e emissions 25% per unit in key operations</li> <li>Decrease energy use and CO<sub>2</sub>e emissions 35% per kg in textile dyeing and finishing processes</li> </ul>

### Waste

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

### Water

<b>Target</b>	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)
<b>Measure</b>	<ul style="list-style-type: none"> <li>Build resilience through supplier water risk-mitigation plans with material processors</li> </ul>

### Chemistry

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



## 2020 Targets Summary

Target met Substantial progress Target not met

Key	△ Increase		▽ Decrease	
	Favorable	▲	Unfavorable	▼

Metric	Unit of Measurement	FY15 Baseline	FY16	FY17	FY18	FY19	FY20	FY20 Change vs. Baseline	Final Status	Target
<strong>Community Impact</strong>										
Annual Investments as % of Pre-Tax Income	%	1.9%	1.8%	1.9%	1.8%	1.9% <sup>10</sup>	<b>1.9%</b> <sup>10</sup>	<b>N/A</b> <sup>11</sup>		1.5%
<strong>Manufacturing</strong>										
Factories Rated Bronze or Better	%	86%	87%	91%	93%	93%	<b>94%</b>	<b>▲ 45 p.p.<sup>12</sup> (VS. FY11 BASELINE)</b>		100%
Factories with Excessive Overtime	%	3.3%	3.2%	3.9%	2.4%	2.3%	<b>0.8%</b>	<b>▼ 2.5 p.p.</b>		0%
<strong>Product</strong>										
Product Scored on Sustainability Performance <sup>13</sup>	%	27%	68%	71%	73%	69%	<b>60%</b> <sup>14</sup>	<b>▲ 33 p.p.</b>		80%
Average Product Carbon Footprint <sup>15</sup>	(kg CO <sub>2</sub> e/unit)	7.33	7.19	7.15	7.45	7.33	<b>7.33</b>	<b>0%</b> <sup>16</sup>		-10%
<strong>Materials</strong>										
Sustainable Materials – Apparel (AP) <sup>17</sup>	%	19%	21%	33%	34%	41%	<b>59%</b>	<b>▲ 40 p.p.</b>		Increase
Sustainable Materials – Footwear (FW) <sup>17</sup>	%	31%	31%	32%	32%	30%	<b>29%</b>	<b>▼ 2 p.p.</b>		
Cotton Sourced More Sustainably <sup>18</sup>	%	24%	35%	53%	60%	86%	<b>100%</b>	<b>▲ 76 p.p.</b>		100%
<strong>Carbon and Energy</strong>										
Renewable Energy – Owned or Operated <sup>19</sup>	%	14%	20%	22%	22%	27%	<b>48%</b>	<b>▲ 34 p.p.</b>		100%
Energy Consumption Per Unit – Key Operations <sup>20</sup>	(kWhe/unit)	5.79	5.05	5.76	5.42	5.51	<b>5.62</b>	<b>▼ 3%</b>		-25%
Carbon Emissions Per Unit – Key Operations <sup>20</sup>	(kg CO <sub>2</sub> e/unit)	2.02	1.81	2.01	1.97	1.94	<b>1.91</b>	<b>▼ 5%</b>		-25%
Energy Consumption Per kg – Textile Dyeing and Finishing <sup>21</sup>	(kWhe/kg)	15.86	15.46	14.95	14.40	13.44	<b>13.30</b>	<b>▼ 16%</b>		-35%
Carbon Emissions Per kg – Textile Dyeing and Finishing <sup>21</sup>	(kg CO <sub>2</sub> e/kg)	4.78	4.68	4.55	4.33	4.06	<b>4.05</b>	<b>▼ 15%</b>		-35%



## 2020 Targets Summary

✓ Target met    ⚡ Substantial progress    ✗ Target not met

Key	△ Increase	▽ Decrease
Favorable	▲	▼
Unfavorable	▲	▼

Metric	Unit of Measurement	FY15 Baseline	FY16	FY17	FY18	FY19	FY20	FY20 Change vs. Baseline	Final Status	Target
<strong>Waste</strong>										
Waste to Landfill – FW Manufacturing <sup>22</sup>	%	–	6.6%	3.9%	1.8%	0.1%	0.1%	▼ 6.5 p.p.	✓	0%
Waste Index – FW Manufacturing, Distribution Centers (DCs), and Headquarters (HQs) <sup>23</sup>	–	100	98	100	103	102	97	▼ 3%	✗	-10%
Landfill Diversion DCs and HQs <sup>24</sup>	%	88%	87%	88%	87%	89%	88%	0 p.p.	✗	Increase
<strong>Water</strong>										
Freshwater Use Per kg – Textile Dyeing and Finishing <sup>21</sup>	L/kg	–	126.5	117.2	109.3	94.3	88.2	▼ 30%	✓	-20%
<strong>Chemistry</strong>										
Tested Material in Compliance with NIKE Restricted Substance List	%	95%	99%	98%	99%	98%	98%	N/A <sup>25</sup>	✓	100%
Compliance with the ZDHC Manufacturing Restricted Substances List (MRSList)	%	–	–	–	67% <sup>26</sup>	79%	85%	▲ 18 p.p.	⌚	100%
Focus Suppliers Meeting NIKE's Wastewater Quality Requirements – Textile Dyeing and Finishing <sup>27</sup>	%	–	–	–	40%	51%	69%	▲ 29 p.p.	✗	100%

### Adjusting in Response to COVID-19

Due to the effects of COVID-19, the fourth quarter of FY20 (March 2020–May 2020) resulted in lower than normal production, impacting the final measurement year of our FY20 targets. To help enable measurement consistency and avoid the inevitable artificial reductions in performance metrics during this unprecedented time, we have adjusted Q4 performance figures for the targets that were most impacted (carbon, waste, and water). These Q4 adjustments generally reflect an FY20 Q3 trailing 12-month view of performance and provide a more conservative view of where we landed on FY20 targets than would be rendered using actual performance figures during the global shutdown.

These adjustments had the effect of inflating our footprint to resemble business as usual and were only applied to targets where we were aiming for a reduction in impact vs. baseline (“reduction targets”) and to targets where we were aiming to reach a certain percentage (“reach targets”) that share underlying data with reduction targets. None of the adjustments

resulting in meeting targets that we would not have met if we didn’t normalize our performance to minimize the impact of the COVID slowdown on our FY20 targets target year and FY25 targets baseline year.

The following targets were adjusted in response to COVID: (1) Average Product Carbon Footprint, (2) Renewable Energy, (3) 25% Energy and Carbon, Key Operations, (4) 35% Energy and Carbon, Textile Dyeing and Finishing, (5) Waste to Landfill, (6) Waste Index, (7) Landfill Diversion, and (8) Freshwater Use.

This approach will carry through to measuring performance toward our FY25 targets.

### Learn More →

Methodology and scope of adjustments can be found in the [GRI Index](#).



# 2020 Targets Summary

## Footnotes

- 10 Number is community investment as a percentage of previous year pre-tax income.
- 11 This is an annual target. Baseline and change vs. baseline are not relevant to this target.
- 12 p.p. = percentage points.
- 13 Product scope includes all product engines across NIKE brand, Converse, and Hurley and NIKE brand licensees.
- 14 Overall percent product scored on sustainability performance dropped in FY20 due to two factors: a strategic shift away from Footwear Sustainability Index (FSI) product scoring to the Higg Materials Sustainability Index (MSI), and licensee product (which is not in scope for index scoring) volumes outpacing our FY20 projections.
- 15 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 CO<sub>2</sub>e emissions as a proxy for other environmental impacts (e.g., energy, other air emissions).
- 16 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).
- 17 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.
- 18 Certified organic, Better Cotton (cotton grown according to the Better Cotton Standard System), or recycled.
- 19 The target scope includes electricity only, where we make energy purchase decisions on strategic assets. Equivalent to absolute reductions in Scope 1 and 2 CO<sub>2</sub>e emissions of at least 50% by FY25. Target year to achieve 100% is FY25, not FY20.
- 20 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 complexities in managing a shift in NIKE's logistics emissions data source leading to an error in backcasting.
- 21 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.
- 22 Target covers waste to both landfill and incineration. Incineration does not include waste to energy recovery unless otherwise noted.
- 23 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.
- 24 Baseline is FY15 except for Converse HQ, which is FY16 and included in Inc.-wide baseline for comparability across years.
- 25 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.
- 26 FY18 was NIKE's first year tracking this metric.
- 27 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.



*Focus Area*

# EMPLOYEES

## Looking Back: Five Years of Our Employees

*"To support our growth model, NIKE will ensure our culture of innovation, competition and excellence remains front and center of all we do. We want all people who join our team to realize their full potential. We know the best ideas often come from unexpected places and our individual differences bring new perspectives to the table – so we are committed to fostering a workplace that is increasingly diverse and inclusive. NIKE will accomplish this through recruitment, development and retention of diverse talent, with a specific focus on women and on people of color to start, with the goal of expanding representation across all dimensions of diversity over the long term."*

FY14/15 Sustainable Business Report

### Qualitative Target

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

NIKE's approach to employee and business growth is fueled by the belief that diversity – in all its forms – fosters creativity and accelerates innovation. Leveraging and celebrating different perspectives, experiences, and backgrounds generates unique ideas. We've stepped up our efforts to foster an environment focused on equality, inclusion, empowerment, and respect, while attracting a more diverse workforce – one that's more representative of the consumers we serve, and the communities where we live and work.

While we value the employee experience we have created at NIKE, it can always be improved. NIKE is focused on its workforce representation, starting with women globally and racial and ethnic minorities in the United States,<sup>28</sup> and maintaining its equitable pay goals. We launched a number of programs across the company, which we continue to learn from and evolve, including training programs for future leaders, mentoring programs and unconscious bias awareness training for all employees. The section that follows provides more detail into these and other initiatives focused on maintaining a creative and inclusive culture where all dimensions of diversity are amplified.

<sup>28</sup> As defined by EE01 racial and ethnic categories. Previous iterations of the NIKE Impact Report refer to this group as underrepresented groups (URGs).

### Qualitative Measure

## Provide visibility to our diversity and inclusion progress

Diversity & Inclusion (D&I) is a top priority for NIKE and we are committed to having a diverse team and culture. It is important for our brand, and our aspiration is to lead in this space.

In 2020, we witnessed a series of events that brought to the forefront systemic social and racial injustices. While not new, these events put a spotlight on the systemic racism that prevails in the U.S. and around the world. NIKE was not unique in our learnings and response to the calls to action from consumers and employees to accelerate solutions, including in the workplace, to expand representation and promote an enhanced culture of belonging. We recognize that we alone cannot solve social and racial injustices, but we are committed to help shape a better society by empowering and inspiring our people to serve as a catalyst for change.

### Evolution of the D&I Function

In 2017, we increased our resources within the Global Diversity & Inclusion Team to provide strategic leadership for the function, and drive consistency for our eight Employee Networks. We have focused on creating a systemic approach to our diversity, equity, and inclusion efforts in service of our business, people strategy, and employee experience with an eye on transforming our culture. In 2018, we elevated the D&I Team to sit at the heart of NIKE's People and Culture Strategy.

In 2020, we made shifts in our internal D&I structure, combining our Talent and D&I under a single leader. When referring to Talent, we mean every aspect of the entire employee experience: from Talent Acquisition (recruiting) and Talent Management (talent and succession planning) to Talent Practices (goal setting and performance management) to Learning and Development (professional development). D&I is now integrated into the entire Talent agenda from the very beginning of the employee experience, with measurement and leadership accountability throughout each employee's career.



## Leadership Accountability

In 2018, we increased our investment in leadership training and accountability. As part of this effort, we provided our senior leaders with information, guidance, and tools to enable them to increase representation across their teams. We set D&I representation milestones for key enterprise leaders with respect to racial and ethnic minorities in the U.S. and women globally as a mechanism to drive accountability.

In 2020, we maintained this sharp focus on building diversity at the most senior levels and we continued to promote clear expectations around leadership. That includes building acumen and holding our leaders across the company accountable.

We launched Leadership Defined, a set of expectations of what great leadership at NIKE looks like, and invested in Manager Essentials, a global development program for all people managers. Looking forward, we will launch a comprehensive Inclusive Leadership training in collaboration with Northwestern University and University of Southern California, among other relationships.

In addition, last year, we launched Unconscious Bias Awareness (UBA) training and, as 2020 came to a close, over 54,000 employees, close to 70% of our global workforce, had completed the virtual training.

## Recruiting Diverse Talent

We also continued to prioritize recruiting the best and brightest talent – acquiring critical capabilities, supporting continued business growth, building our pipeline, and diversifying our workforce.

We scaled up our efforts across traditional channels like executive recruiting, campus recruiting, and sourcing, and are especially excited about the innovative programs we've launched to proactively expand our reach and diversify our talent pool.

In 2019, NIKE teamed up with Serena Williams to launch the Serena Design Crew – an eight-month apprenticeship program designed to bring diverse, talented individuals together to work on a Serena-inspired collection. The first cohort of this multi-year commitment saw 10 people from the New York City area embark on an apprenticeship from January through August 2020. Seven of the 10 participants have since joined NIKE.

In 2020, we also recruited the second cohort to our Women in Nike (W.I.N.) program. The two-year program, which launched in 2019, provides relevant and dynamic work experience for retired or retiring WNBA players – and contributes toward building the next generation of talent at NIKE. This cohort kicked off in late 2020 and 15 fellows were placed in product creation across NIKE, Converse, and Jordan. In addition to their work, fellows will have the opportunity to participate in various educational and professional development initiatives.

We also remain committed to recruiting across other key groups including Black communities, Asian/Asian American and Pacific Islander, Latinx, LGBTQIA+, Native and Indigenous, all abilities, and Military communities.

Our internship program in the U.S. also helped drive our D&I strategies. The 2020 intern class was our most diverse yet: 55% of our 310 interns were women and 49% were U.S. racial and ethnic minorities. The 2020 class also

Employees

2025

Our Approach

Appendix

stood apart by being completely virtual. We have continued to see high rates of conversion to full-time positions for interns throughout NIKE, in line with industry benchmarks, even during a pandemic.

We also shifted our recruiting focus to expanding and deepening our relationships with Historically Black Colleges and Universities (HBCUs) and Hispanic-Serving Institutions (HSIs). Through adding new diversity relationships with organizations including the National Black MBA Association and Reaching Out MBA, we broadened our presence in talent attraction, resulting in an increase in diversity relationships and HBCU hires from 8% in 2019 to 18% in 2020.

## Diverse Slates and Diversity in New Hires

In 2018, we implemented a new sourcing capability that requires diverse slates for our Director-level and above positions in the U.S. At the same time we increased our focus on women globally and U.S. racial and ethnic minorities candidates as a critical component in hiring for leadership roles, and we have expanded this practice more broadly since then. In addition, we introduced technologies and tools to build more inclusive hiring practices such as Textio for de-biasing job descriptions and standardized candidate screening questions to help remove any potential bias from the application process. We also established internal job posting and competitive hiring practices to provide employees with transparency and access to opportunities within NIKE. Starting in 2018 and held again in 2020, our recruiters went through recruitment process training, which included inclusive hiring practice training.

## Representation Milestones

From 2015 to 2020 we achieved several important representation milestones. Women, as a percentage of our employee population, increased to 49% in 2018. At the same time, diverse representation for both women globally and U.S. racial and ethnic minorities increased compared to 2016 levels. Overall, during the past five years, U.S. racial and ethnic minorities increased by 5 percentage points (p.p.), and representation of women globally increased just over 1 p.p. Representation of women globally and U.S. racial and ethnic minorities on the VP Leadership Team increased by 14 and 13 p.p. respectively since 2015.

In 2020, we increased representation of women and at the Director and above level by 2 p.p. over 2019, and women now make up 50% of our total employee base. Representation of U.S. racial and ethnic minorities at the Director and above level increased by 2 p.p., and representation of U.S. racial and ethnic minorities at the Vice President (VP) level increased 8 p.p. We have made steady progress to date and are building momentum with our consecutive years of growth. Still, we know there is more to do – and we'll continue focusing on recruitment, promotion, and retention as levers to drive further increases in representation.

We continued to broaden our diversity focus at the Manager level and above, while also supporting early-career employees in their efforts to advance. We have also maintained our strong focus on opportunities to promote internally. Retention remains high, but we know we need to stay engaged to avoid eroding our progress in hiring and promoting women globally and U.S. racial and ethnic minorities.



NIKE, Inc. Totals by Gender (Global)<sup>29</sup>

	CY15		CY16		CY17		CY18		CY19		CY20		Change From CY15–20	
<i>All Employees<sup>30</sup></i>														
<i>Gender</i>	#	%	#	%	#	%	#	%	#	%	#	%	#	% pts
Female	28,967	48%	31,338	48%	32,082	48%	31,792	49%	33,060	48.7%	<b>32,617</b>	<b>49.51%</b>	3,650	1.26 p.p.
Male	31,077	52%	33,878	52%	34,657	52%	33,559	51%	34,845	51%	<b>33,268</b>	<b>50.49%</b>	2,191	-1.26 p.p.
Total	60,044	100%	65,216	100%	66,739	100%	65,351	100%	67,905	99.7%	<b>65,885</b>	<b>100.0%</b>	5,841	0.00 p.p.
<i>Directors+<sup>31</sup></i>														
Female	1,853	36%	2,091	37%	2,146	38%	2,412	39%	2,660	40.8%	<b>2,758</b>	<b>42.5%</b>	905	6.16 p.p.
Male	3,248	64%	3,553	63%	3,513	62%	3,734	61%	3,852	59%	<b>3,733</b>	<b>57.5%</b>	485	-6.16 p.p.
Total	5,101	100%	5,644	100%	5,659	100%	6,146	100%	6,512	99.8%	<b>6,491</b>	<b>100.0%</b>	1,390	0.00 p.p.
<i>Vice Presidents (VPs)</i>														
Female	104	27%	116	28%	119	32%	145	36%	161	39%	<b>162</b>	<b>41.1%</b>	58	13.96 p.p.
Male	279	73%	299	72%	258	68%	257	64%	252	61%	<b>232</b>	<b>58.9%</b>	-47	-13.96 p.p.
Total	383	100%	415	100%	377	100%	402	100%	413	100%	<b>394</b>	<b>100.0%</b>	11	0.00 p.p.

## NIKE, Inc. Totals by Race/Ethnicity (U.S.)

	CY15		CY16		CY17		CY18		CY19		CY20		Change from CY15–20	
<i>All Employees</i>														
	#	%	#	%	#	%	#	%	#	%	#	%	#	% pts
U.S. Racial and Ethnic Minorities	17,688	52.9%	19,249	54.5%	20,513	56.5%	18,331	55.3%	19,418	56.7%	<b>19,345</b>	<b>58.1%</b>	1,657	5.16 p.p.
<i>Race/Ethnicity</i>														
American Indian or Alaskan Native (Not Hispanic/Latino)	137	0.4%	124	0.4%	121	0.3%	123	0.4%	143	0.4%	<b>128</b>	<b>0.4%</b>	-9	-0.03 p.p.
Asian (Not Hispanic/Latino)	2,566	7.7%	2,817	8.0%	2,949	8.1%	2,825	8.5%	3,079	9.0%	<b>3,097</b>	<b>9.3%</b>	531	1.62 p.p.
Black or African American (Not Hispanic/Latino)	7,267	21.7%	7,963	22.6%	8,530	23.5%	7,175	21.7%	7,425	21.7%	<b>7,953</b>	<b>23.9%</b>	686	2.14 p.p.
Hispanic/Latino	5,992	17.9%	6,399	18.1%	6,911	19.0%	6,151	18.6%	6,572	19.2%	<b>6,055</b>	<b>18.2%</b>	63	0.25 p.p.
Native Hawaiian or Other Pacific Islander (Not Hispanic/Latino)	264	0.8%	253	0.7%	275	0.8%	240	0.7%	239	0.7%	<b>213</b>	<b>0.6%</b>	-51	-0.15 p.p.
Two or More Races (Not Hispanic/Latino)	1,462	4.4%	1,693	4.8%	1,727	4.8%	1,817	5.5%	1,960	5.7%	<b>1,899</b>	<b>5.7%</b>	437	1.33 p.p.
Unknown	94	0.3%	15	0.0%	141	0.4%	209	0.6%	228	0.7%	<b>306</b>	<b>0.9%</b>	212	0.64 p.p.
White (Not Hispanic/Latino)	15,643	46.8%	16,029	45.4%	15,661	43.1%	14,595	44.0%	14,597	42.6%	<b>13,655</b>	<b>41.0%</b>	-1,988	-5.80 p.p.
Total	33,425	100%	35,293	100%	36,315	100%	33,135	100%	34,243	100%	<b>33,306</b>	<b>100.0%</b>	-119	0.00 p.p.

29 We restate immaterial historical data where data changes due to retroactive actions. This is applied to all the employee data tables in the report.

CY20 data is part of Management's Assertion on select sustainability metrics, which PwC has performed limited assurance over employees by gender and employees by race/ethnicity for "all employees" as of December 31, 2020, as indicated in the Report of Independent Accountants.

30 Data current as of 12/31/20. Reported figures exclude all temporary employees.

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



## NIKE, Inc. Totals by Race/Ethnicity (U.S.)

	CY15						CY16						CY17						CY18						CY19						Change from CY15–20	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	% pts		
<i>Directors+</i>																																
U.S. Racial and Ethnic Minorities	768	21.4%	900	22.4%	922	22.9%	1,065	24.1%	1,164	24.8%	1,259	26.9%	491	5.58 p.p.																		
<i>Race/Ethnicity</i>																																
American Indian or Alaskan Native (Not Hispanic/Latino)	12	0.3%	11	0.3%	9	0.2%	9	0.2%	9	0.2%	9	0.2%	-3	-0.14 p.p.																		
Asian (Not Hispanic/Latino)	319	8.9%	388	9.7%	417	10.4%	473	10.7%	511	10.9%	559	12.0%	240	3.09 p.p.																		
Black or African American (Not Hispanic/Latino)	176	4.9%	190	4.7%	183	4.5%	200	4.5%	225	4.8%	248	5.3%	72	0.41 p.p.																		
Hispanic/Latino	176	4.9%	204	5.1%	203	5.0%	231	5.2%	250	5.3%	264	5.6%	88	0.75 p.p.																		
Native Hawaiian or Other Pacific Islander (Not Hispanic/Latino)	5	0.1%	5	0.1%	9	0.2%	11	0.2%	11	0.2%	11	0.2%	6	0.10 p.p.																		
Two or More Races (Not Hispanic/Latino)	80	2.2%	102	2.5%	101	2.5%	141	3.2%	158	3.4%	168	3.6%	88	1.37 p.p.																		
Unknown	29	0.8%	4	0.1%	61	1.5%	99	2.2%	118	2.5%	131	2.8%	102	2.00 p.p.																		
White (Not Hispanic/Latino)	2,800	77.8%	3,112	77.5%	3,043	75.6%	3,253	73.6%	3,404	72.6%	3,285	70.3%	485	-7.58 p.p.																		
Total	3,597	99.9%	4,016	100%	4,026	99.9%	4,417	99.8%	4,686	99.9%	4,675	100%	1,078	0.00 p.p.																		
<i>VPs</i>																																
U.S. Racial and Ethnic Minorities	50	15.9%	58	16.6%	51	15.6%	64	18.6%	73	21.2%	92	29.3%	42	13.38 p.p.																		
<i>Race/Ethnicity</i>																																
American Indian or Alaskan Native (Not Hispanic/Latino)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.00 p.p.																		
Asian (Not Hispanic/Latino)	9	2.9%	16	4.6%	15	4.6%	18	5.2%	18	5.2%	26	8.3%	17	5.41 p.p.																		
Black or African American (Not Hispanic/Latino)	29	9.2%	29	8.3%	25	7.6%	28	8.1%	34	9.9%	45	14.3%	16	5.10 p.p.																		
Hispanic/Latino	8	2.5%	9	2.6%	7	2.1%	10	2.9%	11	3.2%	11	3.5%	3	0.96 p.p.																		
Native Hawaiian or Other Pacific Islander (Not Hispanic/Latino)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.00 p.p.																		
Two or More Races (Not Hispanic/Latino)	4	1.3%	4	1.1%	4	1.2%	8	2.3%	10	2.9%	10	3.2%	6	1.91 p.p.																		
Unknown	0	0.0%	1	0.3%	8	2.4%	9	2.6%	5	1.4%	9	2.9%	9	2.87 p.p.																		
White (Not Hispanic/Latino)	264	84.1%	290	83.1%	268	82.0%	271	78.8%	267	77.4%	213	67.8%	-51	-16.24 p.p.																		
Total	314	100%	349	100%	327	99.9%	344	99.9%	345	100%	314	100%	0	0.01 p.p.																		



## Board of Directors

	CY15	CY16	CY17	CY18	CY19	CY20						
Gender	#	%	#	%	#	%	#	%	#	%	#	%
Female	3	23%	3	25%	2	18%	3	23%	4	31%	4	33%
Male	10	77%	9	75%	9	82%	10	77%	9	69%	8	67%
Total	13	100%	12	100%	11	100%	13	100%	13	100%	12	100%

## Race/Ethnicity

American, Indian or Alaskan Native	-	-	-	-	-	-	-	-	-	-	-	-
Asian	1	8%	1	8%								
Black or African American	2	15%	2	17%	2	18%	3	23%	4	31%	3	25%
Hispanic/Latino	-	-	-	-	-	-	-	-	-	-	-	-
Native Hawaiian or Other Pacific Islander	-	-	-	-	-	-	-	-	-	-	-	-
Two or More Races	-	-	-	-	-	-	-	-	-	-	-	-
Unknown	-	-	-	-	-	-	-	-	-	-	-	-
White	10	77%	9	75%	9	82%	10	77%	9	69%	9	75%
Total	13	100%	12	100%	11	100%	13	100%	13	100%	12	100%

## Qualitative Measure

## Invest in our employees through growth and development, and wellbeing initiatives

### Voice of the Employee

We are deeply committed to giving our employees a voice to help shape our culture and priorities. One of the primary ways we source employee feedback is through our Engagement Survey program, which includes an All-Employee Engagement Survey and a Pulse Survey.

Each year, all employees across the globe are invited to share their confidential feedback on key areas known to drive engagement, including their feelings about their managers, the Senior Leadership Team, their work and the company. Our goal for this program has been to steadily improve participation numbers, employee engagement (measured by our Engagement Index) and perceptions of inclusion (measured by our Inclusion Index).

In early 2020, we conducted our third annual Engagement Survey, coinciding with the beginning of the global spread of COVID-19. In spite of this challenge, nearly 56,000 employees responded to the survey – more employees than ever. In total, our survey response rate was 77%, up from 73% in 2019.

NIKE monitors the pulse of the organization through two key indices: the Engagement Index<sup>32</sup> and the Inclusion Index.<sup>33</sup> The Engagement Index, which indicates our employees' emotional commitment to the company, declined slightly to 81% favorable (2019: 81.6%). The Inclusion Index increased by two percentage points to 71% following a global rollout of our Unconscious Bias Awareness (UBA) training and a reinvigorated commitment to building upon our culture of belonging.

In 2020, as COVID-19 impacted how we work and live, we also introduced additional ways to better understand our employees' needs. For example, we conducted several sensing surveys to proactively capture feedback from employees on remote working, helping us identify and create the work experience of the future.

### Development and Growth for All Employees

Over the past five years, we have continued to invest in growth and development for all employees. Knowing how important career development is to current and future employees, we offer a range of opportunities. In FY17, we launched a reimaged onboarding experience for new employees to drive inspiration and empowerment from day one. With Career Central, launched in 2018 and part of NikeU, we created a single resource to help employees navigate their careers.

The platform equips employees with tips, tools, and in-person labs for their critical career-building moments. Managers can also find tools here to better support and guide their employees in planning their careers and development. Through our NikeU platform, we offer over 1,800 courses supporting leadership, career, and skill development.

In 2019, we extended our high-potential development pathway, continuing Xcelerate for Senior Director talent and introducing E-VOLVE for Directors. Within these programs, we strengthened our commitment to diverse representation – the 2019 programs comprised over 50% female and 30% U.S. racial and ethnic minorities.

In 2020, NIKE recognized Juneteenth<sup>34</sup> as an annual paid holiday in the U.S. We offered a series of Juneteenth programming and learning opportunities to all employees on topics ranging from racial equality to the power of sport to catalyze change. We saw significant employee engagement through a wide-ranging series of online forums and guest speakers including Mellody Hobson, Ms. Opal Lee, Dr. Khalil Muhammad, and many of our elite athletes.

In 2020, we switched many of our in-person courses to virtual classrooms, enabling people to continue their development through the work-from-home restrictions. We also launched Learn Anywhere, a curated set of digital tools to support employees while working remotely. Over 13,000 people used this resource in 2020.

<sup>32</sup> This index measures the emotional commitment our team members have for NIKE, influenced by their day-to-day experiences.

<sup>33</sup> This index measures the extent that our teammates feel that NIKE supports a culture of diversity and inclusion, as well as their personal perceptions around feeling valued and included.

<sup>34</sup> Juneteenth is a holiday celebrating the emancipation of those who had been enslaved in the United States.



## Developing Leaders and Managers

It's critical that our leaders are set up for success, committed to developing their teams, and accountable for it. To achieve this, they need specific feedback tools, opportunities for personal and professional growth, and clear expectations of what great leadership looks like. The culmination of these expectations – now known as Leadership Defined – was launched in 2019 with specific behaviors for each level of leader at NIKE.

We are committed to developing leaders who model these behaviors for all NIKE employees. Our most senior leaders participated in a holistic assessment and development experience, grounded in Leadership Defined, to build self-awareness and inform development plans. Our 370+ Vice Presidents participated in a three-day virtual summit focusing on business strategy and leadership, during which leading change, inclusive leadership, and talent strategy topped the agenda. We will continue to hold these summits on a bi-annual basis as part of a comprehensive leadership development plan for our VP-level leaders.

In 2020, we continued to identify and develop a strong, diverse pipeline of future leaders, accelerating their growth and transition. We introduced an onboarding and coaching program for new Vice Presidents to support their transition and developed high-potential future leaders at Senior Director and Director level, through a combination of 360 assessment, coaching, and career experiences. Through these programs, our high-potential talent has not only been exposed to impactful learning experiences, we've seen it pull through in our promotion data as well, as 56% of the 2020 program participants were promoted to new roles.

2020 also marked the emergence of Manager Essentials, a global development program based on Leadership Defined, for all people managers. Participating people managers have access to a series of in-person or virtual sessions, tools, and custom content to help them learn and practice the skills and behaviors needed to successfully lead people at NIKE. Since the program's launch in February, we have had over 13,300 course completions.

## Wellbeing Initiatives

Over the past five years we have continued to build on our belief that encouraging people to live a healthy, active lifestyle sits at the core of NIKE culture. As stated in our FY15 report "we enable employees to make customized choices in their wellbeing benefits, while offering consistent opportunities across our business, regardless of location." In 2018, we worked with Headspace to enable employees access to its meditation and mindfulness services, and in 2019 we offered free access to our Sport Centers at our World Headquarters (WHQ) for our full-time employees and North America store employees. Through NIKE's global Employee Assistance Program (EAP), 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 to finding eldercare services.

## Our NikeUNITED Networks

Teammates across NIKE have formed several networks, collectively known as NikeUNITED. These employee-formed and -managed communities offer resources to NIKE teammates around the world, helping advance the development of its members, promote cultural awareness, and help strengthen our commitment to diversity and inclusion.

- 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 Mosaic Network, Converse Pride Network, Women of Converse, Converse Military Veterans, and Converse Abilities Network.

More information can be found at NikeUNITED.<sup>35</sup>

Supporting the emotional and mental wellbeing of our employees was a key focus for us in 2020. The COVID-19 pandemic required a large part of our global team to work from home, creating additional stressors that were magnified by the ongoing displays of racial and social injustices around the globe.

- In addition to our existing EAP, which provides free and confidential counseling to all global employees and their families, we offered virtual sessions with trained counselors to support U.S. employees on a variety of personal matters.
- NIKE also expanded our relationship with Headspace, with an offer of a free membership to all employees, as well as free access to two other apps: Sleepio for insomnia support and Daylight for anxiety support.
- Lastly, knowing the importance of daily movement for physical and mental wellbeing, we made NTC Premium available for free to our employees globally. This subscription-based service includes the best on-demand workouts and expert tips from our elite master trainers and other fitness and wellness experts.

<sup>35</sup> <https://purpose.nike.com/employee-networks>





NIKE Military Veteran X Ability Network: Yoga Class

#### Qualitative Measure

## Provide comprehensive, competitive, and equitable pay and benefits

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 rewarded for the success we create as a team.

This year, as a result of the COVID-19 pandemic, we saw many of our NIKE owned and operated stores, distribution centers, and manufacturing facilities closed at various points in time. NIKE invested approximately \$500 million to support our employees through programs like pay continuity and a Situational Incentive Pay (SIP) differential – a form of additional premium pay.

Pay continuity provided ongoing base pay and store-specific variable pay to all impacted employees at stores that were closed. This practice, which was extended through the end of June 30, 2020 and beyond as needed, was based on employees' standard or contractual hours and any applicable governmental requirements.

During government stay-at-home orders, the SIP differential was provided to hourly employees working onsite in our U.S. and Canada distribution centers and Air Manufacturing Innovation (Air MI) facilities, as well as APLA Retail employees assisting in preparations to reopen stores.

We implemented a temporary COVID-19 Sick Leave Policy, providing up to two regularly scheduled work weeks of paid sick leave for those experiencing symptoms associated with COVID-19, or who needed time off to care for their children due to school or childcare closure. This coverage expanded in November beyond physical health to include mental and emotional wellbeing.

In appreciation of our military employees for their service, NIKE's U.S. Military Leave Policy provides up to 12 weeks of paid leave every 12 months for full-time employees. In 2020, NIKE added an additional 12 weeks of paid leave for reservists called up to support the COVID-19 response.

#### Equal Pay for Equal Work

At NIKE, we define pay equity as equal compensation for women and men of all races/ethnicities who undertake the same work at the same level, location, experience, and performance. We are committed to competitive pay and to reviewing our pay and promotion practices annually, in accordance with the White House Equal Pay Pledge we signed in August 2016.

We recognize that pay can be managed and assessed in a number of ways. Each year NIKE benchmarks with other leading global companies, and uses this data to inform salary investments, and adjust the pay ranges we use to guide our pay decisions. In addition, we conduct an annual global pay equity review for our 74,000 teammates across all geographies, functions, and business units.

Our 2020 pay equity data shows that for every \$1 earned by men, women globally earned \$1, and for every \$1 earned by white employees in the U.S., racial and ethnic minority employees earned \$1.

#### Performance Sharing Plan

At the beginning of FY19, we moved to one annual bonus plan, our Performance Sharing Plan for eligible employees, to reinforce our culture and reward behaviors that support collaboration and teamwork. We know a personalized and holistic rewards system is essential to attracting, inspiring, and developing talent. Through our evolving Total Rewards program, we continue to address the diverse needs of our employees, deliver differentiated, competitive pay and benefits, and support a culture in which employees feel included and empowered.

## Supporting Our Whole Team

In FY16, we formally launched our U.S. Family Care benefit program, which provides up to eight weeks of paid time off for all eligible employees to care for a spouse, partner, or dependents. In 2019 in the U.S., we increased our fertility and adoption benefits, added a new surrogacy benefit, and introduced Rethink, a resource for families caring for children with learning, social, or behavioral challenges. At the same time, NIKE extended family care benefits at our European Headquarters. Also in 2019, we introduced a new Military Leave benefit, which provides up to 12 weeks of paid time off every 12 months.

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 continued commitment, we introduced the following new and enhanced employee programs in 2020:

- We launched a variety of support and services including additional COVID-19 leave, health coverage enhancements, telemedicine, enhanced mental health support, and apps for insomnia and anxiety.
- We updated our transgender healthcare coverage to provide employees covered on the U.S. Health Plan access to both restorative services and personalized care to support their emotional and clinical needs through their process and journey.
- We enhanced our Family Care program through additional leaves, backup care, and child/elder care assistance. Backup care and care assist in the U.S. were launched in an accelerated timeframe for COVID-19 support.
- We enhanced U.S. mental health care coverage to provide both in- and out-of-network coverage at in-network rates, worked with United Healthcare to curate a list of diverse providers, and scheduled NIKE-exclusive sessions with a diverse set of counselors.

## Employees of All Abilities in the Workplace

NIKE is focused on creating an inclusive workplace environment in which all employees are able to do their best work. We have developed new design standards to specifically increase accessibility and inclusion for employee of all abilities in our workplaces. For example, at our WHQ in Beaverton, Oregon we increased the number of mother's rooms for nursing mothers by 15% for a total of 121 spaces around campus. Signage was replaced at all these locations for better wayfinding and 21% of furniture was upgraded to provide a more accessible and improved experience. In 2021, we will be implementing an all-gender restroom signage program.

In addition to designing our workspaces to be more inclusive, we've expanded our supported employment program at our WHQ. This program, which matches candidates with intellectual and developmental disabilities with jobs across our corporate services and workplace facilities, went from a pilot in 2019 to employing 38 people prior to COVID-19. The program's success can be attributed, in part, to the heavy focus on understanding and amplifying the individual strengths of candidates through an inclusive interview model.

This model includes adding short working interviews to every verbal interview, which allows the hiring team to see a candidate's strengths in action. Leveling the playing field for qualified candidates with alternative communication styles, who are often underestimated. The Supported Employment team also supports teams across NIKE and Air MI Manufacturing to explore job opportunities, help source candidates, and provide customized training.

To support this work, a centralized fund has been created so that team members, who are blind or have low vision and persons who are deaf or hard of hearing, can have equitable access to meeting and events without impact to their manager's budget. Centralized tools include assistive listening devices, closed captioning, sign language translation, and translation assistive devices. By creating a centralized fund, meetings and events are more accessible to all employees.

## Looking Ahead

We are committed to building a diverse, inclusive team and culture. It is important for our brand, and our aspiration is to lead in this space. The 2025 People targets we developed represent the key areas of focus to achieve this vision.

We are building a diverse talent pipeline – one that reflects the diversity of the athletes we honor, the people who love our products, and the communities we serve. We're leveraging our global scale to accelerate business diversity, including investing in business training programs for women and supplier opportunities for minority-owned businesses. We're also prioritizing D&I education so that all NIKE employees and leaders have the cultural awareness and understanding needed to successfully build diverse and inclusive teams. We're continuing to offer industry-leading development programs and experiences that empower and enable employees to realize their career aspirations. Finally, we will continue to prioritize pay equity and comprehensive and equitable benefits for all employees.

## Learn More →

[2025 People Targets](#)



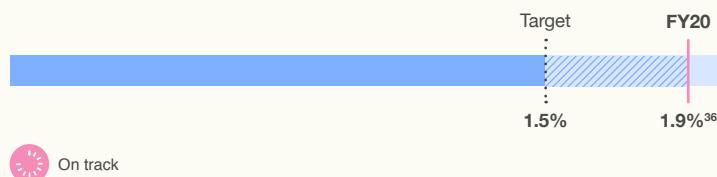
*Focus Area*

# COMMUNITY IMPACT

## Quantitative 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



Community has always been at the core of who NIKE is and what we do. Our history is rooted on the trails, courts, fields, and tracks of communities all around the globe.

In both flourishing and challenging times, NIKE has been a committed and active participant in the communities where we live, work, and play. FY20 was no exception. By harnessing the power of our brands, together with employee talents and passions, NIKE invested \$89.8 million to drive positive changes for kids and communities around the world.

## Looking Back: Five Years of Community Impact

*"Today's youth are part of the least physically active generation ever, with consequences for health, education and whole economies. NIKE is shifting this trend by fueling a movement and working with others to raise awareness about the physical inactivity epidemic. We are also committed to shifting this trend by providing kids with early positive experiences in sport and physical activity at a time when they are forming their lifelong habits. Research shows that the window between ages 7 and 12 is key to setting kids on a path to more active lives. Together with our employees, partners, consumers and athletes\* we are helping kids get active early and for life – helping them to realize their full potential."*

*FY14/15 Sustainable Business Report*

## Qualitative Measure

## Get kids moving through play and sport

## Active Schools

NIKE continues to inspire school communities from London to Shanghai to inspire kids to be active through play and sport.

- Last year, NIKE and China's Ministry of Education (MOE) reached an important three-year milestone for the Active Schools China initiative. Through this relationship, we're transforming the role of play and sport for children in China. The Active Schools China initiative surpassed its original goal by engaging more than 2 million students from 7,100 schools. This initiative also trained more than 7,000 Physical Education (PE) teachers across the country. In August 2019, while hosting the country's third national Active Schools Innovation Awards ceremony, the initiative recognized 100 of the country's most creative and inspiring teachers transforming the culture of sport and physical activity in their schools across China.

<sup>36</sup> Number represents FY20 community investment as a percentage of FY19 pre-tax income.





Special Olympics Youth Games, NIKE World Headquarters

- In London, Active School Hero is an initiative jointly created by NIKE and ukactive Kids to recognize primary school staff who are making an outstanding contribution to getting kids active throughout the city. Our work to promote Active Schools included NIKE selecting its first ever Active School Hero from the borough of Hackney.
- In Mexico City, through the Juega Más Active Schools program, delivered in collaboration with local nonprofit Yo Quiero Yo Puedo, we continued to equip PE teachers in primary schools with the resources and training needed to improve the quality and quantity of students' physical education and activity levels. By the end of the 2019–2020 academic year, the program had reached more than 15,000 kids and trained 120 physical education teachers across 52 schools.
- In Johannesburg, NIKE worked with Sportstec to facilitate the Active Schools program focused on encouraging 7- to 13-year-old kids to get moving during school, and empowering and enabling teachers to deliver quality physical education. This program has reached 14,000 kids and 200 P.E. teachers across 25 Johannesburg schools.

In 2012, NIKE, the American College of Sports Medicine, the International Council of Science & Physical Education, and several other expert organizations released *Designed to Move* – a landmark study and framework for action consolidating the evidence around the growing epidemic of physical inactivity, its dire consequences for kids and communities, and a global set of actions on how to address the challenge. Stakeholders from diverse sectors, such as UNESCO, Aspen Institute and TAFISA Sport for All, leveraged the findings of *Designed to Move* to prioritize investments in positive play experiences for children around the world.

NIKE followed up the release of *Designed to Move* by focusing its community programming on a global commitment to getting kids moving, Made to Play. This evergreen commitment focuses on kids aged 7–12 because the research is clear: kids who move are more likely to have a lifetime of better physical health, higher educational attainment, professional success, greater self-esteem, positive relationships, and stronger life skills.

### Focused on Coaches and Girls

Coaches can make a difference. And when young girls in particular connect authentically with their coaches, they're more likely to keep playing. Inspired by the Aspen Institute's Project Play 2020 initiative (of which NIKE is a founding member), NIKE and the U.S. Olympic & Paralympic Committee created "Coaching Girls"<sup>37</sup> in FY20. This coach training module serves as an expansion of the How to Coach Kids training course for volunteer youth coaches, and helps them build a culture that makes sport fun and inclusive for girls.

In addition to creating free, open-source digital tools, such as Coaching Girls, NIKE is also helping to fuel the community for girls and women through relationships with organizations like Gurls Talk, a nonprofit organization that brings together young women to share, talk, and listen on issues such as mental health, body positivity, and relationships. NIKE worked with Gurls Talk and Women Win to support young women using sport as a catalyst for change in their communities, while creating spaces for girls and women to connect. Last year, we supported the journey of 27 young female leaders from around the world through funding, mentoring, coach education, and leadership training. Collectively, these young women are getting thousands of girls active every week in their communities.

<sup>37</sup> <https://www.howtocoachkids.org/girls.html>

## Qualitative Measure

## Inspire NIKE employees to engage with their communities

Over the last five years, NIKE has invested in training retail employees around the world to serve as NIKE Community Ambassadors (NCAs). The NCA program gives NIKE store employees the opportunity to share their love of sport by volunteering in local schools and their communities. NCAs are trained on inclusive coaching principles and in turn, they support and inspire kids to succeed both on and off the court. In FY20, despite the decreased opportunities for NCAs to volunteer in person due to the pandemic, more than 6,700 NCAs from 560 stores across 29 countries volunteered over 60,000 hours to get kids moving.

In FY20, NIKE employees continued to make a positive difference in their local communities by supporting 3,100 organizations around the world. In 2019, on Giving Tuesday alone, more than 1,800 employees from 16 different countries donated more than \$3.8 million to over 1,100 organizations in a single day – an 85% increase in total donations from the previous year. And, we didn't stop there. To support COVID-19 pandemic relief and racial and social justice, the Nike Foundation matched employee donations 2-to-1 in FY20. This effort resulted in more than \$5.1 million directed to 1,360 organizations providing community support and relief efforts to combat the pandemic.

As a global organization, NIKE has also found ways to connect locally with the communities where our employees live and work. Through NIKE's Community Impact Fund, we involve local employees at all levels of the organization in the grant selection process across cities in the U.S. and Europe – because no one knows their neighborhood needs better than the people who live there. From 2010 to 2020, the NIKE Community Impact Fund has engaged 530 employees to make over 900 grants totaling \$8.8 million to hundreds of organizations around the world. We also include teammates in determining the grantees for our \$4 million Until We All Win portfolio. These organizations are working to level the playing field for the communities represented by our NIKE Employee Networks (NikeUNITED).

## Qualitative Measure

## Drive sustained community impact in primary markets and sourcing backyards

Over the year, we've learned that while NIKE's commitment to change is substantial and long-term, no single company or organization can drive progress alone. More funders and collective action are critical to have impact at scale. Participating in multi-stakeholder initiatives, such as Aspen Institute Project Play 2020, TAFISA Sport for All and Let's Move Active Schools, has enabled NIKE to channel its unique resources and support for new, innovative approaches to getting kids moving.

### Changing the Game With Converse

Converse seeks to connect youth to the resources needed to make the changes they want to see in their lives and communities. We invest in organizations using positive youth development approaches to engage youth through social justice, creativity, and sport – specifically basketball and skate – in neighborhoods around the world.

In FY20, we focused on building a strong foundation in Boston. This included PRIDE associations built on several years of relationship with It Gets Better Foundation, OUT MetroWest and The Ali Forney Center. Our Black History Month relationships included The BASE, The Possible Project, Origination Cultural Arts Center, and the Museum of Fine Arts. Finally, Converse launched a new engagement with Shooting Touch, supporting young women in Boston through the power of sport. We also initiated improvements to policy and process, including a new product donations relationship with Good360 that will help extend the reach and efficiency of our product donations.

Throughout FY20, NIKE expanded its relationships and programming investments to train coaches and get kids moving globally.<sup>38</sup> Below are a few examples from our global portfolio.

In Tokyo, NIKE continued its relationship with the Foundation for the Promotion of Sound Growth in Children to expand JUMP-JAM, an innovative program that merges sport and free play to give elementary school kids the physical activity and social skills they need. JUMP-JAM is now offered at more than 90 Children's Centers across Tokyo and by 2020, nearly 60% of their coaches were female and more than half of their participants were girls.

In China, Boundless Girls is an engagement between NIKE and the China Youth Development Foundation which now covers 20 schools in Beijing and Shanghai. To date, the collaboration has provided gender-sensitive training and inclusive programs that have reached more than 20,000 girls over the last two years.

In Paris, NIKE has worked with Sport dans la Ville to help get more girls moving through play and sport. This collaboration trains female coaches, provides a gender-inclusive sports curriculum, and removes barriers to play by donating sport hijabs and sports bras to girls accessing 12 community center locations across Paris. In FY20, these investments led to a 15% annual increase in girl participation.

In Barcelona, we launched a three-year relationship with the Barça Foundation and Gasol Foundation to provide underserved children with greater access to healthy habits through play and sport. One component of this engagement powers the work of the FIVALIN project, which last year reached 324 parents, 83% of whom were mothers. Additionally, 74% of the project's 62 coaches are female, serving as role models for the participating girls. NIKE also fuels the Barça Foundation's work with seven social centers and schools across Barcelona offering after-school sport opportunities for kids who are at risk of social exclusion. Last year, of the 208 kids participating in the program, 29% were girls – and together with third-party organizations, we hope to build upon this progress to reach even more girls in need.

<sup>38</sup> [www.nike.com/madetoplay](http://www.nike.com/madetoplay)

## Athletic Space at the Obama Presidential Center

The Nike Foundation worked with the Obama Foundation to support the first-ever athletic space at any U.S. presidential center – the Obama Presidential Center located on the south side of Chicago. Made possible in part by a \$5 million contribution from the Nike Foundation, this facility will be an athletic and recreation space where the engagement hopes to inspire play, sport, and community connection. Many amenities will be open to Chicagoans, as well as visitors from around the world.

## World Federation of the Sporting Goods Industry

NIKE is a founding member of the Physical Activity Committee of the World Federation of the Sporting Goods Industry (WFSGI). Through proactive engagement with companies and multilateral organizations, such as the World Health Organization and the International Olympic Committee, we have sought to galvanize support for investing in kids and physical activity in communities around the world. Additionally, NIKE's chairmanship of the WFSGI Physical Activity Committee helped steward the organization's COVID response, including the creation of a COVID-19 Hub for members and stakeholders globally.

## Jordan Brand Wings Program

The Jordan Brand Wings Program is designed to serve underserved kids. Our 23 nonprofit Wings engagements across the U.S. nominate high-performing, committed students who are often the first generation to go on to higher education. The Jordan Wings Scholars Program specifically covers gap scholarships – including tuition, room, and board for students who qualify – and has given full-ride scholarships to over 200 students in the last six years.

In Greater China, the program provides education and mentoring programs to help students finish their high school education. More than 400 NIKE and Jordan Brand employees also support almost 2,000 underserved students as youth mentors across 16 provinces in mainland China through education, mentorship, and sports.

The Jordan Brand Wings Program also launched a new program in Paris to invest in tutors who work with young people – particularly from underserved communities – to help them overcome barriers and unlock the generational benefits of higher education.



PowerPlay – New York City, New York

## Girl Effect

In 2008, the Nike Foundation launched the Girl Effect at the World Economic Forum in Davos and sparked a movement designed to inspire the world's most influential leaders to recognize and invest in helping to unleash the full potential of adolescent girls living in poverty. Through this work, together with the support of key partners including the NoVo Foundation and United Nations Foundation, the Nike Foundation helped elevate girls on the sustainable development agenda and dramatically impacted the way development programs are created for girls around the world. In 2015, the Girl Effect embarked on a new chapter by becoming an independent organization with the aim of accelerating its goal of reaching more than 250 million adolescent girls living in poverty. The Nike Foundation has continued to champion the Girl Effect movement through investing over \$100 million between FY15 and FY20. These investments have helped the Girl Effect impact tens of millions of girls across 20 countries in Africa and Asia through media programs, digital projects, and other girl-focused programming.

## Looking Ahead

The community you call home is where we live and work, too. Investing in more equal, inclusive, and active communities isn't just the right thing to do as a business, it's also critical for helping to realize a thriving future for our kids, communities, and the planet.

Our 2025 Community targets provide an overview of where we will be focused for the next five years. We will continue our investments in getting kids moving, especially girls, and leveling the playing field for all. Our investments and engagement will seek to leverage the power of sport to move the world forward, and we'll engage our employees throughout.

### Learn More →

[2025 Community Targets](#)

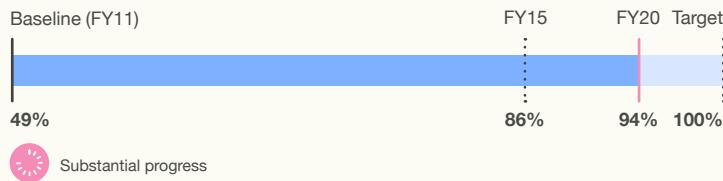
## Focus Area

# SUSTAINABLE SOURCING

## Quantitative Target

Source 100% from factories that meet our definition of sustainable (rated bronze or better)

## Factories Rated Bronze or Better



Facilities receive color-coded ratings according to our SMSI, a NIKE system designed to reflect holistic sustainability performance – combining ratings for lean manufacturing, labor and health, safety and environment – for the Tier 1 factories we work with. Those performing below NIKE's minimum compliance standards receive Yellow or Red ratings. A Bronze rating indicates foundational compliance with NIKE's Code of Conduct and Code Leadership Standards (CLS). 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.

When facilities receive a below-compliance rating (Red or Yellow), they must remediate their issues within six months, with verification by an auditor. If critical issues are found, immediate remediation of the issue is required. If a facility does not sufficiently address an issue, it is placed on probation. If a facility's problems are not mitigated, NIKE considers a responsible exit, which includes providing early notice and a clear ramp-down schedule.

After the Sourcing & Manufacturing Sustainability Index (SMSI) was launched in 2012, NIKE set the target of sourcing from 100% Bronze or better factories by 2020. At the end of FY20, 94.4% of NIKE's 518 contract factories were rated Bronze or better on the SMSI.

Consolidating our source base results in fewer contract factories means we can focus on growing with suppliers who share our commitment to sustainability. We made overall progress by improving factory compliance and reducing the number of factories we supply from. This year, we saw a 1 percentage point (p.p.) increase in foundational compliance – when a supplier is rated Bronze and doesn't have any major non-compliance with our CLS<sup>39</sup> – that brought us closer to our goal.

## Factory Ratings: NIKE, Inc.

	FY16	FY17	FY18	FY19	FY20
Gold	0	0	0	0	<b>0</b>
Silver	4	5	7	10	<b>15</b>
Bronze	570	532	499	478	<b>474</b>
Yellow	60	28	12	11	<b>12</b>
Red	27	23	23	26	<b>17</b>
No Rating	2	3	1	0	<b>0</b>
Total	663	591	542	525	<b>518</b>

## Factory Ratings: Footwear, Apparel, Equipment

## Finished Goods &amp; Select Materials and Components Suppliers

	FY16	FY17	FY18	FY19	FY20
Gold	0	0	0	0	<b>0</b>
Silver	4	5	7	10	<b>12</b>
Bronze	123	111	113	100	<b>103</b>
Yellow	10	4	0	1	<b>2</b>
Red	5	6	4	3	<b>2</b>
No Rating	0	1	0	0	<b>0</b>
FOOTWEAR Total	142	127	124	114	<b>119</b>

Gold	0	0	0	0	<b>0</b>
Silver	0	0	0	0	<b>3</b>
Bronze	335	331	305	307	<b>301</b>
Yellow	42	18	11	8	<b>7</b>
Red	15	14	11	19	<b>13</b>
No Rating	2	0	1	0	<b>0</b>
APPAREL Total	394	363	328	334	<b>324</b>

Gold	0	0	0	0	<b>0</b>
Silver	0	0	0	0	<b>0</b>
Bronze	112	90	81	71	<b>70</b>
Yellow	8	6	1	2	<b>3</b>
Red	7	3	8	4	<b>2</b>
No Rating	0	2	0	0	<b>0</b>
EQUIPMENT Total	127	101	90	77	<b>75</b>

Total	663	591	542	525	<b>518</b>
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39 <https://purpose.nike.com/code-of-conduct>



However, our FY20 audits identified persistent industry issues – such as working hours, wages, and benefits – that continue to pose challenges in reaching 100% Bronze or better. We required all non-compliant factories to remediate issues and verify corrective actions through additional onsite audits. We also encouraged contract manufacturers to improve their human resources (HR) and production planning processes, and to keep sharing information with us through organizations like Better Buying.

During FY20, through engaging with the Social & Labor Convergence Program (SLCP) and the Sustainable Apparel Coalition (SAC), we began to replace our current factory monitoring system with a holistic industry approach focused on labor, health and safety, and environmental compliance with our Tier 1 finished goods suppliers, and began scaling factory monitoring to our Tier 2 material suppliers.

#### Worker Count Results<sup>40</sup>

	FY15	FY16	FY17	FY18	FY19	FY20
Americas	87,234	71,904	77,833	72,986	70,835	<b>67,626</b>
EMEA	17,197	18,674	18,396	19,114	22,128	<b>32,782</b>
N Asia	236,142	233,561	198,877	170,724	153,645	<b>166,730</b>
S Asia	287,862	304,932	296,984	286,938	292,481	<b>322,704</b>
SE Asia	386,293	436,970	444,907	473,258	513,023	<b>563,357</b>
Total	1,014,728	1,066,041	1,036,997	1,023,020	1,052,112	<b>1,153,199</b>

#### Audit Counts<sup>41</sup>

	FY16	FY17	FY18	FY19	FY20
NIKE	538	390	415	513	<b>513</b>
Fair Labor Association	7	1	5	3	<b>3</b>
Better Work	31	15	51	44	<b>45</b>
Total	576	406	471	560	<b>561</b>

#### Audit, Non-Compliance<sup>42</sup>

	FY16	FY17	FY18	FY19	FY20
Age Standards	0	1	0	1	<b>1</b>
Discrimination	2	2	3	4	<b>4</b>
Freedom of Association and Collective Bargaining	0	0	1	2	<b>0</b>
Harassment and Abuse	4	4	3	2	<b>4</b>
Regular Employment	11	2	7	4	<b>3</b>
Voluntary Labor	0	6	5	1	<b>1</b>
Wages and Benefits	35	36	34	43	<b>40</b>
Working Hours	39	43	39	36	<b>40</b>
Other	8	5	8	8	<b>8</b>

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

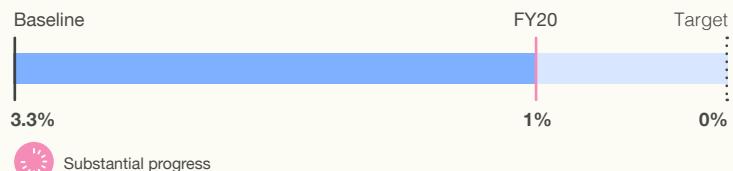
41 Audit counts were lower in FY17 and FY18 primarily due to NIKE's introduction of the Factory Compliance Ownership (FCO) program. As the next step in evolving sustainability and compliance management, NIKE introduced the FCO program in early 2016. The program provides incentive opportunities for factories 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.

42 The top findings identified in audits in FY20 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.

#### Quantitative Measure

## Eliminate excessive overtime (EOT)

#### % of Factories with EOT Event



NIKE identified some of the leading causes of excessive overtime (EOT) and set strategies to reduce and, if possible, eliminate incidents. In FY20, the number of factories that failed to meet NIKE's baseline expectations due to an EOT incident dropped to five (FY19: 13) – representing 1% of the supply base.

A remaining challenge is to predict where EOT will occur. Factories don't tend to repeat this practice after it's been detected in an audit. For example, none of the factories that had an EOT incident in FY19 were repeat offenders in FY20.

## Looking Back: Five Years of Sustainable Sourcing

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

*Compliance with our Code of Conduct is a nonnegotiable requirement for our contract factories. Our future contract factory partners must be those that go beyond the foundation of compliance to come with us on this manufacturing revolution, in pursuit of uncompromising product excellence."*

**FY14/15 Sustainable Business Report**

#### Measuring Performance Through NIKE's SMSI

We conduct regular audits, both announced and unannounced, to track the environmental and social performance of Tier 1 finished goods factories. In addition to using NIKE internal auditors 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 universities, civil society organizations, and companies together to find sustainable solutions to systemic labor issues, and Better Work, a joint program of the International Labour Organization (ILO) and the International Finance Corporation (IFC).



Even though we did not fully meet this target, we've seen considerable improvement over FY15, when 86% of 692 NIKE contract factories had a Bronze rating or better, and a 45.6% improvement over our FY11 baseline performance.

The SMSI has been an effective tool to drive supplier accountability for compliance performance with our standards. However, it was not fully aligned with our other 2020 targets. We are working to evolve the SMSI going forward to incentivize and hold our suppliers accountable for their performance against all of their in-scope 2025 targets.

### Common Industry Assessment

Through our journey, we have relied on our own proprietary assessment tools to measure performance. However, for many factories, particularly those that produce apparel and accessories for multiple buyers, the facility usually receives audits and assessments from each of their other customers. Those assessments are often duplicative and take time and resources away from improving working conditions. So, while we have seen progress in conditions across our supply base, we've also learned about the challenges our suppliers face by receiving multiple assessments from their various customers.

To address these challenges, we worked with SLCP and SAC to collaborate on a common industry assessment to measure performance. This assessment can be shared by various buyers, through a process owned by the supplier that enables deep collaboration between brands and manufacturers, and frees up resources to improve working conditions.

### Supplier Ownership & Self-Assessment Tools

NIKE also recognizes that to truly drive ownership of the Code of Conduct and CLS values, resources are needed to help our contract factories build the capabilities necessary to comply with our expectations. Over the past several years, we've identified, developed, and refined tools and assessment processes that help our suppliers evaluate their own operations so that they can strengthen their management systems. For example, our Culture of Safety Maturity Assessment (CoSMA) supplier self-assessment tool and Verité's CUMULUS Forced Labor Screen help identify gaps and find opportunities to strengthen existing supplier-management systems. Relationships with groups like the Institution of Occupational Safety and Health (IOSH) and the Issara Institute will provide further support to help suppliers evaluate the effectiveness of their systems.



Chang Shin (VJ) – Dong Nai, Vietnam

Finally, we continue to work with third-party organizations to support our contract factories in building the necessary policies, processes, and culture to be compliant, as well as foster a safe and equitable workplace.

### Power of Collective Action

At NIKE, we believe in the power of collective action to tackle issues that prevent our suppliers from putting the health and wellbeing of their workers first. We also believe that our work can help level the playing field for both brands and suppliers. We support organizations – like the SLCP, FLA, Better Work and the SAC's Higg Facility Environmental Module – that streamline auditing, improve approaches to remediation, build worker capabilities and put a spotlight on worker wellbeing and environmental protection.

Through this journey, we have also learned that we are dealing with complex issues – for example, forced labor and responsible recruitment. To drive real change, we need engagements that align stakeholders across sectors, support government engagement, and provide expertise and resources to suppliers. Organizations like the Issara Institute, the Leadership Group for Responsible Recruitment and the Responsible Labor Initiative enable us to work together to drive positive change in the international foreign worker recruitment industry. Here, we can advocate to governments and organizations and provide the necessary tools and expertise to support our suppliers and the workers they employ.



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## Excessive Overtime

During the past five years, we have seen the prevalence of EOT throughout our industry resulting from volatile production forecasts, product volume fluctuations, material delays, and lack of government and buyer enforcement of legal working hours requirements. In addition, given the seasonality of apparel and footwear production, it is more likely that EOT will occur in heavier production months. These circumstances create challenges for suppliers to properly plan and optimize their workforce to deliver products on time without requiring additional working hours.

EOT is an issue for workers, suppliers, and buyers alike. It affects worker health and wellbeing, which can result in errors in product quality. Studies also show that workers who work excessive hours can be less productive than those working a standard work week. NIKE requires fair working conditions from our contract manufacturers including eliminating EOT. To comply with NIKE's CLS, workers at supplier factories must not work more than 60 hours a week and must have at least 24 consecutive hours off in every seven-day period.

We have also applied measures to prevent EOT incidents which have yielded positive results. Examples include:

- Engaging with Better Buying, an initiative that receives input from suppliers on how our purchasing practices impact suppliers' EOT performance
- Supporting improvements in the enforcement of local laws that are focused on eliminating EOT
- Training of factory management through Lean and other enhanced management practices
- Evolving demand and production planning with our suppliers to smooth volume fluctuations and enhance predictability

## Looking Ahead

Moving forward, NIKE will continue to monitor performance against working hours requirements, seek ways to improve communication with our suppliers, and create an environment that enables them to succeed. We will also continue to track critical non-compliance findings through a "below Bronze" rating of Red or Zero Tolerance based on severity.

NIKE's Code of Conduct and CLS outline expectations for our suppliers, prohibiting behaviors that negatively impact workers and the communities where they operate, as well as serving as a template to build internal business practices toward a safe and equitable workplace. NIKE is evolving this approach to encourage suppliers to not only meet our baseline expectations but go beyond our standards and be recognized as leaders in this space.

To do this, we are evolving how we recognize our most sustainable contract factories that achieve Silver and Gold ratings in our SMSI index, such as rewarding these ratings in alignment with our 2025 targets in Environment, Human Resource Management, and Health & Safety. Factories that make significant progress toward our 2025 targets will be rated Silver, while factories that meet or exceed our targets will be awarded a Gold rating.

## Learn More →

[2025 Foundational Expectation Target](#)  
[Engaged Workforce](#)  
[Occupational Health & Safety](#)

*Focus Area*

# ENGAGED WORKFORCE

## Looking Back: Five Years of an Engaged Workforce

*"We have set out to demonstrate to contract factories the importance of a valued and engaged workforce. These traits are key to our ability to achieve future growth that increasingly relies on well-trained people learning new skills and using new technologies. Toward this end, we are sharing and deploying our learning from pilot research programs to effect positive change inside factories, including regular worker voice surveys and management-worker communication, supervisor and management behavior and capability training, enhanced compensation and benefit systems, and worker-led problem-solving on self-identified operational and wellbeing topics."*

*FY14/15 Sustainable Business Report*

In 2015, we began a journey to show how investing in suppliers who engage and value their workforce is beneficial to all. We set our engaged workforce targets, which shows us that our suppliers listened and responded to their workers' needs, as well as invested in strengthening their HR capabilities. We were able to build an ecosystem of relationships to support the needs of workers both inside and outside the factories.

During the target period, we developed and scaled innovative ways of measuring worker engagement and wellbeing. For example, NIKE explored the important connection between engagement levels and key business indicators, including turnover and unplanned absenteeism, and saw marked improvement. We also conducted research on compensation and benefit, kicking off a process of facilitating more structured shared learning between our strategic suppliers,<sup>43</sup> some of which have been investing in innovative compensation approaches for years.

*Qualitative Target*

## Ensure contract factory workers share in productivity gains

We support our suppliers in developing predictive, agile, resilient, and integrated Human Resources Management (HRM) capabilities. This work has come together for NIKE and our suppliers in a comprehensive view of best-in-class HRM practices in footwear and apparel factories. By investing in competent and skilled HR professionals as well as systems and processes, our suppliers are able to have the right people, with the right skills, in the right roles, engaged, empowered, and invested in driving their business success. After several years of exploring and testing different approaches with our suppliers, we are now building and implementing the right tools and services to support them as they drive their workforce strategies.

Over the past five years, it has become clear that there's no "one size fits all" approach on how suppliers can engage with and value their workers, particularly given differences in size, scale, and geographic distribution. During this time, we have leaned in more to our core philosophy of supplier ownership, increasing our focus on working with experts in developing best practices, setting standards, and creating data-driven tools to help them understand their own journey.

We also learned the value of sharing and elevating supplier experiences to build their HRM capabilities, including through local learning communities and supplier-capability-building workshops. For our suppliers, seeing how their peers are investing in their own workforces and advancing common areas of impact can be a powerful tool. We work with experts to develop a core set of principles and metrics on a given topic, and we then look to our suppliers on how those principles best apply to their business. Looking ahead, NIKE will continue to equip suppliers with the right resources to improve their own operations and share learnings and best practices with others on the journey to be employers of choice in their communities.

<sup>43</sup> Strategic suppliers are defined as suppliers that represent approximately 80% of total footwear and apparel production.



#### Qualitative Measure

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

Every employee in our supply chain has the right to a standard of living that adequately supports them and their families. NIKE is committed to working with our suppliers as they seek to ensure wage and benefits progressively meet employees' basic needs, including some discretionary income.

Since we started engaging with our strategic suppliers on new compensation and benefit models five years ago, we have transitioned from testing new ideas to exploring opportunities for scale. We started with a hands-on pilot with a contract factory in Thailand and synthesized our learnings with the University of California at Berkeley's Institute for Research on Labor and Employment. This pilot was critical for us to understand the elements of a strategic approach to compensation in the apparel and footwear manufacturing industry.

In the past, there has been a lack of hands-on research. As we engaged more deeply with other suppliers, we also learned that what works in one factory, may not work in another. Instead of scaling the pilot approach across our supply base, we examined the elements of a strategic, best-practice compensation approach, which we then highlighted to our suppliers in parallel with our broader supplier engagement on HRM. By creating forums to share best practices across strategic suppliers, we explored common challenges in ensuring consistent, competitive pay, helping suppliers assess what was missing in their pay strategy.

We further strengthened this work by enhancing our visibility into worker take-home pay and factory compensation structures through our relationship with the FLA. We've used the FLA's Wage Data Collection Tool, which by the end of FY20 had been completed by 13 of our suppliers' facilities in six different countries (China, Vietnam, Indonesia, Malaysia, Honduras, and El Salvador). This tool allows our suppliers to evaluate their wage data relative to external benchmarks such as legal minimum wage, national poverty lines, and where available, estimates of living wages and other benchmarks. To supplement the FLA data, we worked with an external organization to secure data on local apparel and footwear manufacturing wages in key countries. This data collection also helps inform our understanding of wages in our supply chain and how and where to focus our support of suppliers in developing their compensation systems.

In the future, we will seek to expand the scope of our wage data collection to support suppliers in evaluating wage levels for their facilities and for us to get a more comprehensive understanding of pay packages and compensation structures. Overall, worker compensation is a key priority that we articulate to our suppliers, and in doing so, we emphasize two important elements – supporting workers' livelihoods and remaining competitive employers of choice in local labor markets. We will continue to support our suppliers in developing their strategic compensation capabilities as part of our broader work on HRM.

#### Qualitative Measure

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

Turnover and unplanned absenteeism levels indicate a supplier's ability to meet their workforce's needs and help them understand and retain talent. Based on comparisons with industry peers, NIKE suppliers have relatively low rates of unplanned absenteeism and turnover. Since 2016, NIKE has worked closely with suppliers to drive continuous improvement with new approaches to understanding and improving the employee experience.

For example, we have focused our efforts on outlier factories with higher rates of turnover and unplanned absenteeism than their peers. This approach has proven effective in building supplier capabilities, allowing NIKE to meet our 2020 target in delivering improvements. When comparing 2019 to 2016, NIKE has seen an overall decrease in the average of both metrics across apparel, footwear, and equipment. This success is rooted in our supplier relationships, working together to develop improvement plans based on a holistic view of their facility and their HRM systems.

NIKE will continue to monitor these performance indicators and collaborate with suppliers on a case-by-case basis to ensure effectiveness, including supporting our suppliers to use data to improve their HR systems.

#### Data-Driven Insights

To improve in-factory worker engagement, NIKE developed the Engagement & Wellbeing (EWB) Survey, a comprehensive and anonymous tool that captures the voice of the worker and provides actionable data for our suppliers.

By the end of FY20, we increased the reach of the EWB Survey to 64 factories in 13 countries. In total, the EWB Survey featured factories employing 385,000 workers. During FY20, NIKE rolled out an EWB Toolkit for suppliers to connect survey insights, root causes, and countermeasures with potential improvements in their HR management systems, and advance engagement and wellbeing in their long-term strategies.

We have been scaling the EWB Survey since FY17, driven by expanding access to new service providers. By increasing the number of EWB providers, suppliers have more choice on how they survey workers to help identify opportunities and inform progress. During FY20, NIKE approved a new service provider, MOMENTUM, to facilitate the EWB Survey across the supply chain. This addition brings our total of approved EWB vendors to: MicroBenefits, Labor Solutions, Highfive, ELEVATE, Ulula, CIENCE and MOMENTUM.



We have advanced factory worker engagement by supporting suppliers' development of technological solutions that help improve communication between workers and management. In FY20, 10 suppliers deployed these types of solutions through MicroBenefits and Labor Solutions, and 17 other suppliers had developed these capabilities in-house.

We've learned a lot on this journey to measure workers' experiences and support our contract factories in incorporating these experiences for a more engaged and valued workforce. When we started, we were brokering their relationships and dictating the process for deploying the survey with suppliers. While this process helped us define what worked, it didn't put the decision making and ownership into the hands of suppliers. We found that, if suppliers owned and embedded engagement and wellbeing as part of their approach to managing their workforce, the changes they made were longer term and embedded within their processes and systems.

Today, we have evolved to make our suppliers the owners of the surveying process while we play a supportive role by sharing best practices, identifying and vetting surveying vendors, implementing a consistent set of guidelines, and ensuring accountability. While this approach takes longer to scale, it is more beneficial in the long run since suppliers can choose an approach that best suits them, which increases support and buy-in. Secondly, we have found that framing this approach as a learning and development tool (rather than a compliance tool) helps factories better listen to workers and integrate the feedback into their operations. By removing a total score from the survey and centering conversations on understanding the root causes behind responses and taking action on the insights, factories are better able to focus on areas of improvement rather than chasing scores.

Finally, we used survey insights to help us prioritize and develop a more data-driven approach to our work with our suppliers, determining key trends. For example, social connection, safety awareness, and skills building were consistently the top-scoring questions across geographies and demographic groups. Management support, stress, and financial wellbeing concerns were the lowest-scoring areas.

We did not see significant differences in response rates between men and women. However, another key learning is that while women make up the vast majority of production workers, there is less representation of women in initial supervisory roles.

In addition, survey results have helped inform our actions to implement the following:

- **Engagement & Wellbeing Toolkit:** We incorporated these insights into our Engagement & Wellbeing Toolkit to support factories in identifying how they can take the EWB Survey results and strengthen their management system, which will address low-scoring areas such as strengthening their supervisory support or grievance channels.
- **Occupational Health & Safety:** The insights from the EWB Survey are incorporated in the CoSMA tool, an important data metric for how we evaluate safety awareness and the participation level of workers solving safety-related problems. For factories who have reached a higher level of safety maturity based on their CoSMA self-assessment, we take a deeper look into workers' perception of workplace safety and validate worker involvement in developing a positive safety culture using a third-party safety perception survey.



Tuntex Garment – Tangerang, Indonesia

- **Compensation:** These insights helped us better support factories in the development of their compensation strategies. In addition, it has helped us evolve our overall strategic HRM approach to help factories think about compensation as a way to engage and retain their workforce.
- **Gender Equity:** This data guided our work on gender equity and on developing our approach to empowering more women in leadership positions.

## Looking Ahead

Looking ahead, NIKE will continue to support a factory-owned approach to measuring and improving an engaged workforce. Through our 2025 targets, we will build on the strong foundation that measuring worker experience provides and continue to support suppliers in the improvement of their engagement and wellbeing practices.<sup>44</sup>

For 2025, we will continue to advance our comprehensive HRM approach, supporting our contract factories in having robust HR capabilities to manage their workforces and invest in and value the people who make NIKE's products.

## Learn More →

[2025 People Targets](#)

44 <https://purpose.nike.com/worker-engagement>

*Focus Area*

# ACCELERATING INDUSTRY CHANGE THROUGH PARTNERSHIPS

## Looking Back: Five Years of Accelerating Industry Change Through Partnerships

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

*FY14/15 Sustainable Business Report*

Over the past five years, cultivating and deepening relationships with key organizations has been pivotal in supporting the needs of workers both inside and outside our supply base. For example, we have seen a growing interest in our approach to engagement and wellbeing with other brands. In the deployment of the EWB Survey, we have witnessed greater alignment with our methods, as well as more survey providers serving our industry.

NIKE believes an industry approach will continue to be a critical lever to drive a positive impact. We will continue to deepen our relationships with organizations who enable supplier ownership and help build our factories' HR capabilities and scale industry change. We will also continue to evaluate our industry impact enabled by relationships with groups like the SAC and the SLCP to understand the value realized by our contract factories through the deployment of converged industry tools.

Going forward, we will continue to evaluate how our collaborations serve not only our business, but also our suppliers, their workers and the communities they live in.



Accelerating  
Industry Change  
Through  
Partnerships



Chang Shin (VJ) – Dong Nai, Vietnam

#### Qualitative Target

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

NIKE continues to work with a wide range of organizations and service providers to help improve how we support suppliers and workers, and its scalability potential throughout the industry. We also collaborate with others, both in our industry and in other sectors, to address risks and build the tools and systems that support suppliers and improve conditions for the workers who make our products.

Examples of key relationships include:

- **Fair Labor Association (FLA) and Better Work:** Evaluating supplier performance and providing resources and training to build internal business practices that drive sustainable improvement.
- **Issara Institute:** An independent non-governmental organization (NGO) that addresses issues related to human trafficking and forced labor through worker voice and strategic relationships.

- **Responsible Labor Initiative and the Leadership Group for Responsible Recruitment:** These memberships enable NIKE to collaborate with leading companies across sectors to address risks of forced labor, especially those related to the recruitment and employment of foreign migrant workers.

- **International Center for Research on Women:** A global expert research and technical advisory organization that supports NIKE and our contract factories in advancing gender equity within our supply chain. Through this relationship, we have launched the Gender Equity in Textile, Clothing, and Footwear Manufacturing Resource Hub<sup>45</sup> and specific offerings to suppliers on topics such as sexual harassment, where we've launched a cohort to explore root causes of concerns around sexual harassment and ways to address these root causes in Vietnam and Indonesia.

- **International Finance Corporation (IFC):** A trade finance program that incentivizes supplier performance by offering lower trade finance terms for facilities rated Bronze or better. At the end of FY20, 46 factories were participating, which disbursed more than \$717.7 million in FY20, representing a 65% increase in the program over FY19.

<sup>45</sup> <https://www.icrw.org/gender-equity-in-textile-clothing-and-footwear-manufacturing-resource-hub/>

*Focus Area*

# PRODUCT

**Quantitative Target**

## 10% reduction in the average product carbon footprint per unit

*Average Product Carbon Footprint (kg CO<sub>2</sub>e/unit)*

Even though we have increased adoption of sustainable materials and reduced material waste intensity, our average product carbon footprint was unchanged in FY20 compared to the FY15 baseline. The progress made in carbon reduction was offset by inbound airfreight, increased carbon intensity of electricity grids local to our some of our main manufacturing regions, and less carbon efficient footwear style and models, mainly in lifestyle products as a response to consumer and market demand.

In addition, between FY15 and FY20, we introduced a steady stream of new footwear product innovations which included new materials, methods of make, and product designs. The pace and the scale of these innovations made product development and production more complex – and therefore less efficient – which contributed to our carbon footprint per unit remaining fixed.

While we didn't achieve our overall target, there were a number of highlights and points of progress across both apparel and footwear.

Apparel achieved its ASI target in both 2019 and 2020. This helped drive a significant increase in the adoption of more sustainable materials (both fabrics and trims), an improved MSI, increased pattern efficiency, and integration of sustainable practices in our Product Creation Teams and business processes.

While we missed our footwear carbon footprint goal, we succeeded in driving awareness around material carbon impacts, as well as the impact design and manufacturing have on overall carbon and waste footprints. In footwear, there are significant overall material impacts from bottom and component-related materials (i.e., rubber, foam, adhesives, sockliners) in addition to uppers (i.e., polyester, leather). To minimize our impact, we are focused on reducing waste and carbon not only in our upper materials, but also in our materials and methods of make of our footwear bottom units, especially around midsole foam and outsole rubber.

By integrating industry-standard measures (e.g., MSI) into digital tools, we are giving designers visibility to sustainable options early and throughout the creation process. Combine this with a team that is dedicated to implementing a sustainability mindset within Product Creation and we are setting a foundation for a more sustainable future.

**Quantitative Measure**

## 80% product scored on sustainability performance

*Product Scored on Sustainability Performance (%)*

This target was created to integrate sustainable practices into NIKE's Product Creation Teams and increase awareness of how their decisions impact the company's environmental footprint. The ultimate goal was to drive greater adoption and scale of environmentally preferred materials (EPMs), reduce waste, and result in an overall carbon footprint reduction.

In FY20, the overall amount of product score on sustainability performance dropped while apparel achieved its scoring goal. This loss was driven by two factors: a strategic shift away from Footwear Sustainability Index (FSI) product scoring to the Higg Materials Sustainability Index (MSI) in FY20, and licensee product (which is not in scope for index scoring) volumes outpacing our FY20 projections.

Between FY15 and FY20, NIKE Apparel consistently scored 95% of its in-scope global product in the Apparel Sustainability Index (ASI) and added plus-sized, regional sizing, NIKE Factory Store, and Equipment/Accessories products to scoring over the target time period.

In FY20, we continued our move away from the FSI as part of a transition toward industry standards. In 2012, the MSI was created by NIKE and shared with the SAC to be used as an industry tool. The SAC further developed the Higg MSI to use data submitted from the industry and lifecycle assessment databases to calculate environmental impacts of material processes and translate them into comparable Higg MSI scores. The transition to Higg MSI meant that teams now had to move their focus from the FSI to specific



material choices that lowered our collective carbon and waste footprint by leveraging industry-standard data. This shift also enabled NIKE to systematize and scale material data in our product systems. Prioritizing MSI ensured product creation teams needed to shift their focus to impacts, but it also reduced product manufacturing and operations focus on FSI tracking, and therefore reduced our overall percentage of product scored in the last two years of FSI tracking.

The other factor that had a negative impact on our target was an overall increase in licensed product, which wasn't in scope for the FSI. During the past five years, the volume of licensed product increased as we added new licensees and existing ones increased their business with us. This had an overall negative impact on the percentage of product scored on sustainability performance.

## Looking Back: Five Years of Product

*"We've worked to embed sustainability as a core competency in NIKE product creation teams and to scale sustainability improvements across our entire product line touching every brand, every category and every product. We do this by bringing together different teams and different skill sets involved in the creative process – from design and sourcing to engineering – which drives greater innovation.*

*Decisions made in the product design phase determine a product's environmental and social impact significantly. This is why NIKE created sustainability scoring tools and indices that give our product creation teams the information they need to make better decisions about the materials they use and the processes they adopt. The NIKE Materials Sustainability Index supports our teams to choose better materials from better vendors by allowing them to compare the environmental impacts of 57,000 different materials, supplied by 741 vendors."*

### FY14/15 Sustainable Business Report

NIKE accelerated growth over the past five years, leading to a remarkable amount of new product innovation. And with that rapid growth came design and manufacturing complexity, energy increases, and shifts to more carbon-intensive materials and processes. The lack of an integrated end-to-end sustainability offense with the ability to address our growing pains exacerbated these complexities. We found that we lacked sufficient organizational alignment and integration to achieve our 2020 targets. This key insight led us to update our internal structure to have greater success with our 2025 targets.



Space Hippie

### Product Indices

Looking back on our progress since FY15, we have a lot to celebrate. In product scoring, because there was no industry standard available, we created and integrated the ASI/FSI/MSI tools into NIKE. Because of these tools, the Product Creation Engines developed new muscles to learn how to plan, design, and develop products with sustainability in mind. This played an important role in educating and increasing awareness and responsibility in our teams. The ASI, FSI, and MSI aren't perfect tools (overly complex and labor-intensive), but they worked well and set the baseline for our future efforts.

Our priority focus was on the creation of ASI/FSI/MSI business integration with a target score specifically for product, and the individual category (Running, Basketball, etc.) targets that rolled up to it. The new indices concentrated on increasing sustainable materials and waste reduction, with the assumption that achieving these targets would translate into carbon reductions.

That catch-all proxy approach worked well in apparel, but we learned that while FSI drove a certain level of awareness and waste-saving activities, it didn't necessarily drive the level of focus and specificity needed to lead us toward more sustainable footwear product creation. We learned that a single index score was insufficient. We didn't have specific carbon-reduction goals by material type or process, and targeting was somewhat siloed in product creation versus supply chain alignment. As a result, we lacked real-time product-level and aligned manufacturing data to be able to measure and understand our key carbon drivers.

*Sustainable Product Highlights***SUSTAINABILITY AT SCALE***Tempo Running Shorts*

We sell one Tempo short every six seconds. Most feature at least 75% recycled polyester.

**COMFORT AND SUSTAINABLE STYLE***Gym Vintage*

Comfortable blend of at least 75% blend of organic cotton and recycled polyester.

**PURPOSE AND PERFORMANCE***Global Football Apparel*

We have been using at least 90% recycled polyester in Global Football Kits for the top clubs and national federations in the world since 2010. It's now being used in training and team gear for everyday athletes\*.

**MATERIAL INNOVATION***Earth Day Air Force 1*

The same AF1 you love, but Flyleather has a lower impact on climate change than traditional leather.

**SUSTAINABLE PRACTICES MEET RADICAL DESIGN***Space Hippie*

Space Hippie's **Flyknit yarn** is made from 85–90% recycled content, including plastic bottles, t-shirts, and post-industrial scraps.

**CELEBRATING CIRCULAR DESIGN***Vapormax 2020*

One of NIKE's most sustainable shoes to date, made with at least 50% recycled content by weight.



However, these learnings were applied to the 2025 target-setting process – where we have set specific goals on the key materials and processes that are the primary carbon drivers in our creation value chain. In collaboration with material and contract factories, we have better alignment and access to data to identify progress. Here, we can leverage digital tools to further educate teams and empower them to make more sustainable decisions.

Our tools have since become industry standard Higg Index. There are two Higg product tools: the Higg Materials Sustainability Index (MSI) and the Higg Product Module (PM). The Higg MSI enables NIKE to use industry data to choose better materials to create more sustainable products with lower environmental impacts. The Higg Product Module measures the environmental impacts of a product from cradle-to-gate, including materials production taken from data submitted from the industry and lifecycle assessment.

**Consumer Preference**

Another key learning was how consumer preferences can impact our product mix changes (sometimes to heavier or legacy products) and the effect this can have on the environmental impact of the product. The lack of a deep understanding of carbon and waste impacts across the enterprise – particularly within the product-creation process – meant that teams were not consistently balancing environmental considerations with product decisions, which resulted in a neutral or even negative impact on our carbon footprint.

Fortunately, consumer expectations are catching up with NIKE and, in tandem with other industry shifts, it's pushing us and other industry players to accelerate sustainable innovation, better scalability and less environmentally impactful solutions.

**Looking Ahead**

We've doubled down on sustainable design and created 2025 targets that focus on impact and an end-to-end supply chain approach. We set functional targets on the areas of greatest impact, based upon years of data and linked to our innovation roadmap. We're taking our learnings from the past five years and have embedded new product targets into our environmental impact areas of carbon, waste, water, and chemistry.

**Learn More →**

[2025 Carbon Targets](#)  
[2025 Waste Targets](#)

## Focus Area

# MATERIALS

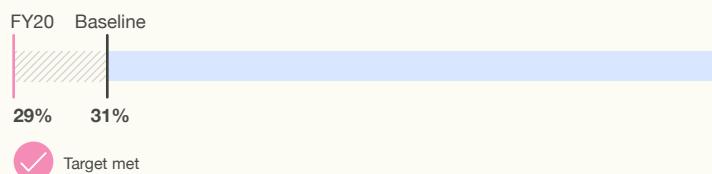
## Quantitative Target

Increase use of more sustainable materials in apparel and footwear

## Sustainable Materials – Apparel (AP) (%)



## Sustainable Materials – Footwear (FW) (%)



In FY20, NIKE's use of more sustainable materials in apparel jumped from 41% to 59%, driven by scaling recycled polyester and replacing conventional cotton with more sustainable alternatives. Footwear's use of more sustainable materials is essentially unchanged (-2 percentage points) versus FY19 due to limited options for substitutions at scale in footwear, combined with a lack of prioritization and incentive structure internally to support its adoption.

NIKE's approach to using more sustainable materials for apparel is based on two key materials – cotton and polyester – and scaling sustainable alternatives in high-volume products. Cotton improvement focused on our t-shirts and NIKE Sportswear products, while conversion to recycled polyester was driven by our Sport Performance teams. These improvements at scale require relationships and alignment across multiple NIKE teams, including Product Creation/Materials and Manufacturing, as well as with our materials suppliers. Additionally, the materials score was the most heavily weighted driver in the ASI scores, putting accountability on the product teams to adopt more sustainable materials at scale.

For footwear, our performance against this target ended up slightly down compared to FY15. One key factor that prevented us from meeting this target was the added materials complexity of footwear. Footwear production uses a variety of materials, including virgin and recycled, but lacks a specific focus on which materials are the most impactful to drive change. Because of the variety of choices, our footwear teams often did not know what was considered EPM, nor did they have visibility into material adoption or volume. These factors led to choices that didn't help our overall ambition to scale sustainable materials in footwear.

## Quantitative Measure

Source 100% of our cotton more sustainably<sup>46</sup>

## More Sustainable Cotton (%)



Starting in FY15 with 24% sustainable cotton, NIKE Apparel and Converse increased its sustainable cotton to 100% in FY20. Our cotton was 90% Better Cotton Initiative, 9% organic and 1% recycled. NIKE's achievement of sourcing 100% more sustainable cotton has been nine years in the making. This meant going deep into the supply chain, collaborating across every team who managed a function or product that involved cotton, and collaborating across the industry.



Converse's Innovation Lab – Boston, Massachusetts

<sup>46</sup> This includes using certified organic cotton and recycled cotton and partnering with the Better Cotton Initiative (BCI) to improve cotton farming globally.

## Top Five Materials by Volume

		FY15	FY16	FY17	FY18	FY19	FY20
<i>Cotton</i>							
Organic	kg	4,123,000	4,613,000	5,622,000	7,147,000	9,582,000	<b>8,601,000</b>
	%	7%	7%	8%	9%	9%	<b>9%</b>
Recycled	kg	68,000	75,000	183,000	375,000	582,000	<b>845,000</b>
	%	<1%	<1%	<1%	<1%	1%	<b>&lt;1%</b>
Better Cotton Initiative (BCI)	kg	9,879,000	17,629,000	32,487,000	42,335,000	82,170,000	<b>84,794,000</b>
	%	17%	27%	45%	51%	76%	<b>90%</b>
Total	kg	59,058,000	64,416,000	72,195,000	83,603,000	107,703,000	<b>93,743,000</b>
<i>Polyester</i>							
Recycled	kg	22,769,000	25,481,000	25,856,000	29,429,000	22,013,000	<b>38,951,000</b>
	%	16%	18%	17%	19%	20%	<b>26%</b>
Total	kg	138,494,000	144,499,000	156,492,000	157,611,000	134,668,000	<b>152,723,000</b>
<i>Corrugate/Paper</i>							
Recycled	kg	95,424,000	103,977,000	107,052,000	129,087,000	142,300,000	<b>133,300,000</b>
	%	84%	84%	84%	84%	84%	<b>84%</b>
Total	kg	113,568,000	123,622,000	127,236,000	153,425,000	169,100,000	<b>158,400,000</b>
<i>Rubber</i>							
Environmentally Preferred <sup>47</sup>	kg	63,414,000	59,460,000	65,808,000	77,653,000	92,934,000	<b>104,514,000</b>
	%	89%	91%	98%	92%	94%	<b>94%</b>
Total	kg	71,380,000	65,382,000	67,382,000	84,044,000	98,478,000	<b>111,496,000</b>
<i>Ethylene-Vinyl Acetate (EVA) Foam</i>							
Recycled	kg	185,000	151,000	66,000	158,000	809,000	<b>793,000</b>
	%	<1%	<1%	<1%	<1%	<1%	<b>1%</b>
Total	kg	81,221,000	97,214,000	103,182,000	97,001,000	81,137,000	<b>59,365,000</b>

## Looking Back: Five Years of Materials

"We focus on scaling lower-impact materials – for example, we're sourcing recycled polyester and certified Better Cotton (cotton grown according to the Better Cotton Initiative Standard System). These high-volume materials drive energy efficiency and water efficiency in our supply chain.

We are also focused on innovating a new palette of sustainable materials. We're developing innovative, low-carbon impact materials; and we're turning waste into new materials. We see this work as a critical enabler for a closed-loop future, given that the loop begins with the need for materials that can be used and reused, repeatedly."

*FY14/15 Sustainable Business Report*

## Apparel vs Footwear

Over the past five years, we were able to accelerate adoption of EPM in apparel but not footwear. Footwear products use a much wider spectrum of material types, with dozens of different materials in any given model. Apparel, by contrast, has a narrower and more focused materials base, more suitable for quick scaling certain materials. This complex combination of diverse materials, including yarn, foams, and other textile suppliers within the manufacturing process, is an additional factor within footwear's complexity. Centralization of materials management and consolidation of volumes within apparel provided a clear pathway to scale on two key materials (cotton and recycled polyester), while the relatively more diverse supply chain of footwear materials became a barrier to targeted change at scale.

Because of this wider landscape, EPM-adoption efforts in footwear were uncoordinated and unspecified, leaving teams without a clear understanding of available implementation options. It was assumed that improvements in the FSI score would go hand-in-hand with improvements in EPM usage, so more emphasis was placed on improving overall product sustainability (via the FSI) in the hopes that increased EPM usage would follow.

<sup>47</sup> Environmentally preferred designation is based on material content specification, specifically the exclusion of certain chemical formulations.



## Flyleather

We also focused on innovating a new material for footwear. The inspiration for NIKE Flyleather was born out of a challenge to develop leather into a modern performance material – like engineered mesh and Flyknit. The key was to do so while still preserving the things people love about leather: the look, feel, and even the smell.

Flyleather is made with at least 50% recycled leather fiber, combined with synthetic materials. The process uses recycled leather scraps from the tannery floor, once destined for landfill. The leather fiber scraps are combined with synthetic fibers and a fabric infrastructure via a hydro process with a force that's so strong, it fuses everything into one material. The material then goes through a finishing process, which can include things like pigmentation, and is put on a roll to be cut.

For NIKE, leather is featured across many iconic footwear styles – but it has the second-highest environmental impact on the company's carbon emissions and water usage. Flyleather can help change that. Here are the top three reasons Flyleather is more sustainable than traditional leather:

- Creating it has a lower impact on climate change compared to traditional leather manufacturing
- Because NIKE Flyleather is produced on a roll, it improves cutting efficiency and creates less waste than traditional cut-and-sew methods for full-grain leather

The mission was to reinvent the material production process to reduce waste and lower impact on climate change.

## Key Materials

In the past five years, we have made great progress in three key materials: cotton, recycled polyester, and leather.

### Cotton

Cotton is one of NIKE's top three raw materials. Yet conventional cotton farming comes with a large water footprint, high pesticide use, and pressing social challenges. In fact, more than half of NIKE's water footprint comes from cotton farming. We knew cotton could be grown more sustainably, so in 2011, we published our target to source 100% of our cotton more sustainably by 2020.

Since 1998, NIKE had been blending organic cotton into our products. Instead of marketing a few all-organic styles, nearly every Nike brand apparel fabric containing cotton is 10% organic cotton. With this blending strategy, we are consistently one of the top five buyers of certified organic cotton globally. NIKE also uses some recycled cotton. But with limited availability of organic and recycled cotton, we knew we couldn't reach our 100% target by relying

on those sources alone. We needed an innovative solution to complement these existing programs and take our sustainable cotton portfolio to scale – without negatively impacting cost or quality.

We decided on a six-step model that managed system materials change across the business: prioritize, team, decision matrix, proposal, seed, and scale. We gathered a cross-functional team, defined the scope and worked with the Better Cotton Initiative (BCI) to complement our existing organic and recycled programs and convert our remaining conventional cotton to Better Cotton. We started by piloting the project with four suppliers and eventually scaled to the remaining NIKE Apparel suppliers and other NIKE business units such as inline socks and Converse.

After years of challenges and opportunities, sustainable cotton is now the standard for NIKE. By working with other brands and nonprofits to develop the BCI and serving on the BCI Council, Growth and Innovation Fund, Buyers and Investors, and other committees, we actively helped BCI scale to train 3 million farmers and convert 20% of cotton produced globally to Better Cotton.

### Recycled Polyester

Polyester is one of the most heavily used materials in our products, across both apparel and footwear. In the FY20 target to increase our usage of EPMs, apparel specifically targeted conversions of traditional (virgin, petrochemical-based) polyester to recycled polyester versions. For the past five years, apparel's increase in recycled polyester use was focused on key performance category teams (e.g., Global Football, Running, Training, Basketball) converting to recycled polyester fabrics in many high-volume products. This sharp focus on converting a smaller number of very high-volume materials was a key factor in achieving the EPM target. Polyester usage in footwear is more fragmented by comparison, being used in multiple types of materials (such as yarns, fabrics, and hard components) and offering fewer opportunities for large-scale conversions.



48 Flyleather is made with at least 50% recycled leather fiber, combined with synthetic materials.





Nike SB Zoom Janoski Flyleather RM

Going forward, footwear has the opportunity to draw from the successful approach that apparel used by targeting conversions of high-volume fabrics across categories and models. While this category/fabric approach has been very effective in driving apparel's recycled polyester growth to 2020, increasing to a much higher percentage of recycled polyester in 2025 will require converting the remaining key, high-volume fabric families, most of them shared across multiple product teams, to recycled polyester.

#### Leather

The majority of our natural leather use is in footwear products and is a relatively small proportion of our overall material usage. Because of this, improvements in leather were not a core element of our 2020 EPM targets. Instead, we focused on waste improvements to be gained through better pattern efficiency in cutting, and in improved environmental management within our tanneries. NIKE is a longstanding member of the Leather Working Group (LWG) and requires our tanneries to comply with the standards and audit protocol of LWG.<sup>49</sup>

As we look at ways to reduce the carbon and waste impact of natural leather, we are investing in leather alternatives such as synthetic leather and recycled synthetic leather. The challenge we face is in developing solutions that meet the durability and aesthetic of leather, while also reducing our environmental footprint. Our goal is to deliver our consumers' favorite products using more sustainable materials that look, feel and last as long as their traditional leather versions.

49 <https://about.nike.com/pages/chemistry-restricted-substances-list>

#### Looking Ahead

By tapping into the insights and experience of the past five years, we can focus on improving the environmental impact of materials within our products. We're also moving from inconsistent priorities to concentrated efforts on specifically targeted material replacements.

To achieve our 2025 targets, the different functions within NIKE are focused on improving specific, high-volume material types (cotton, recycled polyester, and leather) with a particular focus on significant increases in use of recycled versions and the integrated business strategies necessary to achieve them. Innovation by focusing on new methods of recycling as well as new material types that meet our product and consumer requirements will be increasingly important.

[Learn More →](#)

[2025 Carbon Targets](#)

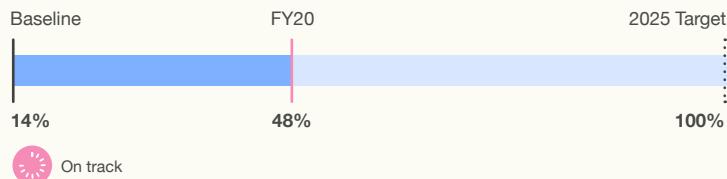
## Focus Area

# CARBON AND ENERGY

## Quantitative Target

## 100% renewable energy in owned or operated facilities (by FY25)

## Renewable Electricity (%)



In FY20, NIKE strove to achieve 100% renewable energy in NIKE owned and operated facilities through many initiatives. NIKE's footprint for owned or operated electricity in the U.S. is covered via two power purchase agreements (PPAs) with Avangrid – reflecting a corporate commitment of more than \$165 million in renewable energy over the contracts' durations, with a lower overall cost than a business-as-usual scenario (i.e., the total projected costs of electricity throughout the term of the contract).

In 2017, NIKE contracted a purchase of wind power from Avangrid to power 100% of our owned or operated sites across the U.S. and Canada. In November 2019, the virtual PPA, sourced from Avangrid's Karankawa wind farm in Texas, went live and brought NIKE's global renewable energy coverage to more than 48% of our load. This means we're making steady progress toward achieving our 100% renewable energy goal in FY25.

NIKE continues to drive the adoption of renewable energy through our immediate footprint and the even greater footprint of our supply chain. We address our physical spaces globally and work with manufacturing, logistics, and other suppliers to transition to clean energy sources in their operations.

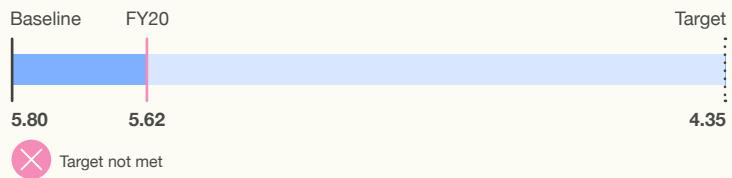
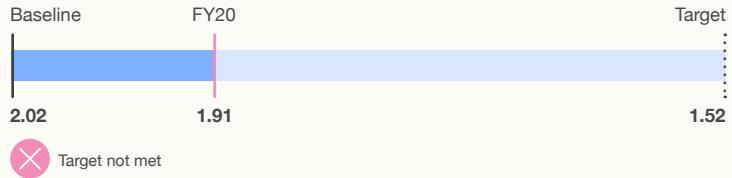
In FY20, NIKE continued pursuing additional solutions to power our distribution centers with renewable energy. For example, in Louveira, Brazil, we installed a rooftop solar array, which is expected to power over 25% of the facility's electricity. At our largest distribution center in the world – the North America Logistics Campus – we installed a two-megawatt (MW) solar array consisting of 5,500 panels adjacent to the facility, forecast to produce enough electricity to power more than 300 homes in the area or about 8% of the facility's usage. We also installed the first behind-the-meter solar array in our North America footprint, directly powering North America's newest facility in Byhalia, Mississippi. In Greater China, our Hong Kong distribution center installed a 135 kilowatt-peak solar array, and our Beijing distribution center now also has a solar array which is expected to cover 30% of its electricity consumption.

Solar continues to be a major component of our renewable energy strategy with suppliers. NIKE suppliers significantly increased rooftop solar photovoltaic (PV) capacity in the past year, particularly in Vietnam and China. New additions have the potential to triple our suppliers' onsite solar capacity. In total, contract factories have signed contracts for 30 MW of new onsite solar in the past year, nearly doubling the amount of solar currently installed (up from 15.5 MW capacity). Another 20 MW is currently in negotiation between contract factories and solar developers.

## Quantitative Measure

## 25% reduction in energy use and carbon emissions per unit in key operations

## Energy Consumption Per Unit (kWhe/unit)

Carbon Emissions Per Unit (kg CO<sub>2</sub>e/unit)

In FY20, we reduced energy use by 3% and carbon emissions by 5% from our FY15 baseline. Our efforts to optimize the use of air freight reduced inbound transportation emissions in Europe, the Middle East and Africa (EMEA), and Greater China. Energy-efficiency programs have driven emissions reductions in manufacturing. Positive gains in energy and carbon reduction were offset by less efficient product designs, inbound air freight, and an increase in the Vietnam electric grid carbon intensity.



FY20 Emissions Summary (Metric Tons CO<sub>2</sub>e) Scope 1, 2, And 3<sup>50</sup>

	Emissions	Emissions (%)
Scope 1 <sup>51</sup>	47,398	0.4%
Market-Based Scope 2 <sup>51</sup>	159,266	1.4%
Scope 3 <sup>52</sup>	11,500,000	98.2%

Fuel Consumption (MWh) and Scope 1 Emissions (Metric Tons CO<sub>2</sub>e)

	FY15	FY16	FY17	FY18	FY19	FY20
<i>Air MI</i>						
Fuel Consumed (MWh)	580	525	679	2,399	6,019	<b>6,311</b>
Emissions (Metric Tons CO <sub>2</sub> e)	126	114	145	496	1,229	<b>1,291</b>
<i>Car Emissions</i>						
Fuel Consumed (MWh)	1,616	2,130	2,653	2,496	2,210	<b>1,730</b>
Emissions (Metric Tons CO <sub>2</sub> e)	406	535	666	627	555	<b>435</b>
<i>Corporate Jets</i>						
Fuel Consumed (MWh)	12,411	16,972	13,105	14,586	12,223	<b>11,257</b>
Emissions (Metric Tons CO <sub>2</sub> e)	3,576	4,392	3,391	3,773	3,162	<b>2,894</b>
<i>Distribution Centers</i>						
Fuel Consumed (MWh)	40,970	34,026	39,872	52,377	51,863	<b>47,609</b>
Emissions (Metric Tons CO <sub>2</sub> e)	8,084	6,698	7,861	10,048	10,408	<b>9,756</b>
<i>HQs</i>						
Fuel Consumed (MWh)	22,292	28,379	33,859	30,955	30,060	<b>31,530</b>
Emissions (Metric Tons CO <sub>2</sub> e)	4,448	5,678	6,815	6,401	6,054	<b>6,388</b>
<i>Other Offices and Building Construction</i>						
Fuel Consumed (MWh)	27,456	29,347	31,471	23,513	37,315	<b>41,498</b>
Emissions (Metric Tons CO <sub>2</sub> e)	5,561	5,945	6,353	4,574	7,558	<b>8,406</b>
<i>Retail</i>						
Fuel Consumed (MWh)	66,269	68,935	73,593	79,098	87,614	<b>89,898</b>
Emissions (Metric Tons CO <sub>2</sub> e)	13,423	13,963	14,907	16,022	17,747	<b>18,210</b>
<i>NIKE, Inc.</i>						
Fuel Consumed (MWh)	171,594	180,314	195,232	205,424	227,304	<b>229,833</b>
Emissions (Metric Tons CO <sub>2</sub> e)	35,624	37,325	40,138	41,941 <sup>53</sup>	46,714 <sup>53</sup>	<b>47,398<sup>51</sup></b>

50 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.

51 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, 2019, to May 31, 2020, as indicated in the Report of Independent Accountants.

52 The Commercial Travel emissions and Outbound Logistics 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, 2019, to May 31, 2020, as indicated in the Report of Independent Accountants.

53 Metrics for which historical data has also been subject to previous attest procedures.

54 With the integration of actual consumption data into EU measurements and related enhancements to the extrapolation methodology for facilities where actual data isn't available, FY19 and FY20 decreased compared to previous years. We expect the accuracy of this figure to continue to improve as more actual consumption data becomes available.

Electricity Consumption (MWh) and Scope 2 Emissions (Metric Tons CO<sub>2</sub>e)

	FY15	FY16	FY17	FY18	FY19	FY20
<i>Air MI</i>						
Grid Electricity (MWh)	39,121	40,647	50,249	66,508	86,879	<b>94,290</b>
Location-Based (Metric Tons CO <sub>2</sub> e)	25,792	25,028	33,737	34,839	41,989	<b>45,758</b>
Market-Based (Metric Tons CO <sub>2</sub> e)	18,099	14,873	18,156	29,237	33,849	<b>19,193</b>
<i>Distribution Centers</i>						
Total Electricity (MWh)	130,047	155,138	168,534	174,859	185,856	<b>191,711</b>
Grid Electricity (MWh)	128,408	153,671	165,004	165,422	169,410	<b>173,775</b>
Onsite Solar (MWh)	1,639	1,467	3,530	4,623	6,241	<b>6,805</b>
Onsite Wind (MWh)	0	0	0	4,814	10,205	<b>11,131</b>
Location-Based (Metric Tons CO <sub>2</sub> e)	66,515	79,462	83,028	77,945	81,258	<b>79,420</b>
Market-Based (Metric Tons CO <sub>2</sub> e)	58,241	67,832	61,142	55,304	60,603	<b>38,834</b>
<i>HQs</i>						
Total Electricity (MWh)	77,518	86,008	89,359	95,514	99,069	<b>93,140</b>
Grid Electricity (MWh)	77,437	86,001	89,359	95,563	98,518	<b>92,513</b>
Onsite Solar (MWh)	81	7	0	158	578	<b>628</b>
Location-Based (Metric Tons CO <sub>2</sub> e)	33,457	31,481	39,139	33,200	33,158	<b>30,916</b>
Market-Based (Metric Tons CO <sub>2</sub> e)	27,038	15,935	14,540	13,712	10,938	<b>10,775</b>
<i>Other Offices and Building Construction</i>						
Grid Electricity (MWh)	52,113	54,557	56,907	53,487	25,521 <sup>54</sup>	<b>58,335</b>
Location-Based (Metric Tons CO <sub>2</sub> e)	27,046	26,795	28,158	20,170	10,405 <sup>54</sup>	<b>24,709</b>
Market-Based (Metric Tons CO <sub>2</sub> e)	27,238	27,254	27,280	20,090	11,568 <sup>54</sup>	<b>21,997</b>
<i>Retail</i>						
Total Electricity (MWh)	186,287	199,966	210,165	217,746	206,199	<b>204,033</b>
Grid Electricity (MWh)	185,280	199,352	209,300	216,982	206,199 <sup>54</sup>	<b>204,033</b>
Steam (MWh)	1,007	614	865	764	0	<b>0</b>
Location-Based (Metric Tons CO <sub>2</sub> e)	97,772	99,670	103,215	93,307	91,361 <sup>54</sup>	<b>89,204</b>
Market-Based (Metric Tons CO <sub>2</sub> e)	98,154	99,959	103,393	91,978	92,107 <sup>54</sup>	<b>68,467</b>
<i>NIKE, Inc.</i>						
Total Electricity (MWh)	485,086	536,316	575,214	608,321	603,551	<b>641,509</b>
Grid Electricity (MWh)	482,359	534,228	570,819	597,962	586,526	<b>622,945</b>
Onsite Solar (MWh)	1,720	1,474	3,530	4,781	6,820	<b>7,433</b>
Onsite Wind (MWh)	0	0	0	4,814	10,205	<b>11,131</b>
Steam (MWh)	1,007	614	865	764	0	<b>0</b>
Location-Based (Metric Tons CO <sub>2</sub> e)	250,582	262,436	287,277	259,461 <sup>53</sup>	258,171 <sup>53</sup>	<b>270,007<sup>51</sup></b>
Market-Based (Metric Tons CO <sub>2</sub> e)	228,770	225,853	224,511	210,321 <sup>53</sup>	209,065 <sup>53</sup>	<b>159,266<sup>51</sup></b>



## Supplier Climate Action Program (SCAP)

In May 2020, NIKE launched the SCAP for its materials and finished goods manufacturers. The program is initially launching with organizations who represent approximately 50% of emissions from our entire source base. It encourages suppliers to address climate change strategically through the development of their own long-term climate-mitigation plans. The SCAP provides a management framework, which includes the following key elements:

- Development of a company-wide greenhouse gas (GHG) inventory
- Establishment of a science-based emissions target<sup>55</sup> for Scope 1 and Scope 2 emissions
- Public acknowledgement of climate-related information through CDP Supply Chain
- Collaboration with NIKE to explore climate-related risks and opportunities in the extended supply chain

Our nine largest finished goods and materials suppliers committed to SCAP in September of 2020. By committing to the program, suppliers are committing to reduce emissions beyond NIKE-related production, which will contribute to significant emission reductions across the industry.

## Optimizing Air Freight

In FY20, we continued to optimize air freight with efficient and effective use, and only utilized it when warranted. In our EMEA geography, we reduced our use of air freight by almost half from FY18 to FY20 by driving a more exception-based decision-making process and optimizing planning logic. In Greater China, we reduced air freight units in FY20 by 35% through leveraging operational improvements that included cross-border trucking and matching consolidator processing times with ocean departure schedules.

## Outbound Transportation

Outbound logistics, such as transportation from a NIKE distribution center to point-of-sale or consumer, continues to be a challenging area, especially with the growth of online sales. In the era of e-commerce, speed of delivery is more important than ever to the success of our business – but adding speed without sacrificing sustainability goals requires relentless, focused innovation. A few examples include:

- Outbound alternatives, such as electric vehicles for last-mile deliveries, are continuing to become more viable, and we are taking advantage wherever possible. EMEA began requiring our line-haul contractors to use an alternative fuel mix containing at least 10% alternative fuels and activated the first end-to-end “low-carbon lane” for all digital consumers in the Grand Paris region, avoiding the use of fossil fuels from our European Logistics Campus (ELC) to end consumers.
- In Greater China, we used liquefied natural gas trucks for 25% of our shipment volume, and e-van deliveries in 15 cities to support last-mile deliveries.

<sup>55</sup> <https://sciencebasedtargets.org/>



North American Logistics Campus – Memphis, Tennessee

- As part of our Move to Zero employee challenge, we piloted electric truck transport between our WHQ campus employee store and its offsite back-of-house storage, removing carbon emissions from daily replenishment trips, as our WHQ campus sources 100% renewable energy for its electricity.

## Offsetting e-Commerce Impact

In FY20, we offset 100% of the carbon impact of the transport of our U.S. and European e-commerce orders (distribution center to consumer). Offsets enable us to mitigate the increased carbon intensity of e-commerce fulfillment while we continue to invest in the viability at scale of alternative fuel options. In North America, we began a unique relationship with EFM,<sup>56</sup> whose climate-smart forestry strategies can enable absorption of 30% more carbon, on average, than standard management practices. This strategy also factors in preserving recreational public access, protecting drinking water and biodiversity, and supporting rural economies. Through this engagement, we are offsetting 100% of our carbon emissions from U.S. e-commerce orders. With our continued partnership with WeForest,<sup>57</sup> started in 2016, we keep compensating 100% of the carbon impact for European e-commerce orders; from the moment it leaves our Distribution Center in Belgium (ELC), all the way to the consumer doorstep.

<sup>56</sup> <https://purpose.nike.com/efm-offset-carbon-emissions>

<sup>57</sup> <https://purpose.nike.com/weforest>

Energy Consumption Outside of the Organization (MWh) and Scope 3 Emissions (Metric Tons CO<sub>2</sub>e)

		FY15	FY16	FY17	FY18	FY19	FY20
Inbound Logistics <sup>58</sup>	Energy (MWh)	3,554,077	2,749,917	3,737,175	3,547,651	3,844,630	<b>3,978,508</b>
	Emissions (Metric Tons CO <sub>2</sub> e)	904,122	699,552	950,700	903,836	979,382	<b>1,013,581</b>
Outbound Logistics <sup>58</sup>	Energy (MWh)	332,703	368,915	383,736	366,376	373,202	<b>628,473</b>
	Emissions (Metric Tons CO <sub>2</sub> e)	88,644	98,292	102,241	96,507	98,250	<b>164,684<sup>59</sup></b>
Footwear Manufacturing	Energy (MWh)	2,154,045	2,209,104	2,226,619	2,205,108	2,350,514	<b>2,382,039</b>
	Emissions (Metric Tons CO <sub>2</sub> e)	962,300	986,749	1,041,646	1,138,282	1,139,554	<b>1,132,048</b>
Apparel Manufacturing (Estimated)	Energy (MWh)	283,000	292,000	311,000	329,000	347,000	<b>364,000</b>
	Emissions (Metric Tons CO <sub>2</sub> e)	176,000	181,000	193,000	205,000	216,000	<b>227,000</b>
Equipment Manufacturing (Estimated)	Energy (MWh)	205,000	206,000	176,000	186,000	190,000	<b>176,000</b>
	Emissions (Metric Tons CO <sub>2</sub> e)	114,000	114,000	98,000	103,000	106,000	<b>98,000</b>
Textile Dyeing and Finishing	Energy (MWh)	1,800,730	2,100,084	2,313,869	2,304,448	2,356,329	<b>2,391,545</b>
	Emissions (Metric Tons CO <sub>2</sub> e)	542,089	635,676	703,731	693,518	711,558	<b>727,447</b>

**Distribution Centers**

Energy use in our distribution centers continues to be a challenge, as more extreme temperatures require increased use of air conditioning and heating. In FY20, we continued to improve energy efficiency at our distribution centers by retrofitting several buildings across our global network with LED lighting and implementing new roof-cooling systems.

**Headquarters**

In addition to making great progress toward our 100% renewable energy target, in FY20, we also pushed energy efficiency targets at our headquarters (HQs) globally. We reduced energy consumption per square foot by 4% in FY20 for a total 20% reduction compared to the FY15 baseline. This also represents a 65% reduction in carbon emissions per square foot compared to the FY15 baseline. Our FY20 improvement in energy performance was driven mostly by:

- Heating, Ventilation and Air Conditioning (HVAC) upgrades, control modernizations, and other energy-efficiency work across our global HQs. Our Converse HQ completed a large installation of occupancy sensors and lighting controls. And our New York HQ office completed a retrofit of their entire lighting system, putting all building lights on motion/timing sensors. This initiative was a winner in the NIKE-wide Employee Sustainability Challenge.
- Large construction projects at our European and WHQs, including the Jackie Joyner Kersee, Alberto Salazar and John McEnroe buildings. These locations leveraged our energy-efficient building design standards with high-efficiency HVAC systems, LED lighting, and maximum natural light.

<sup>58</sup> Historical performance data has been restated due to complexities in managing a shift in NIKE's logistics emissions data source leading to an error in backcasting.

We continue to invest in renewable energy transportation infrastructure at our HQ locations globally, including electric vehicle charging stations, accessibility to public transit, ride-sharing programs, increased bike storage, shower facilities, and other amenities to support sustainable commuting. In FY20, at our WHQ, we converted our employee taxi fleet to electric vehicles and at our Greater China HQ we continue to evolve and enhance our fully electric employee commuter shuttle service.

We are also implementing programming focused on supporting employees with responsible flying, transparency around flight emissions, and opportunities to increase adoption of sustainable aviation fuels with a goal of reaching 100% renewable/sustainable fuels by 2025.

**Retail Stores**

NIKE direct stores kept their same energy use level per square foot for FY20. Though our numbers remained flat compared to the prior year, we still had an overall 5% improvement compared to the FY15 baseline. Leadership in Energy and Environmental Design (LEED) certification in new stores and energy reduction initiatives across the existing retail fleet continue to be the main drivers of energy reduction.

**Turning Out the Lights**

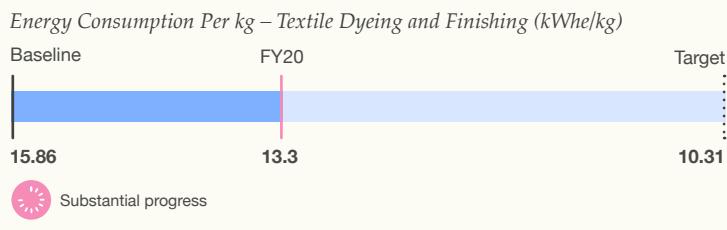
In 2020, NIKE WHQ in Beaverton, Oregon received the "Most Innovative Program" award from the Energy Trust of Oregon for energy-efficiency work, including a night energy audit program that involved employee participation.

<sup>59</sup> 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, 2019, to May 31, 2020, as indicated in the Report of Independent Accountants.



## Quantitative Measure

## 35% reduction in energy use and carbon emissions in textile dyeing and finishing



As NIKE has been working hard to engage textile and dyeing suppliers to reduce energy use and carbon emissions, we have seen tremendous gains. Since FY15, suppliers have reduced per-unit energy use and carbon emissions by 16% and 15%, respectively. Factories attribute much of their progress to energy management improvements through NIKE's Energy Minimum Program, as well as through shared gains made through our water program. Additional gains were made by phasing out wet process synthetics in footwear materials.

In FY20, we achieved emissions reductions with one contract factory, who eliminated coal use and converted to biomass and natural gas for thermal energy. Emissions reductions associated with thermal processes (often fueled by coal and gas) from materials manufacturing will be fundamental in reducing emissions from this segment of NIKE's supply chain in the longer term.

The COVID-19 pandemic also helped to lower emissions from materials manufacturers toward the end of FY20 on an absolute basis due to a decrease in the production volume. However, on a per-unit basis, emissions increased as a result of inefficiencies associated with consumer demand for specialized colors, textures and textile functionality that leads to smaller, and less efficient, dye lot sizes and the need to run textiles through finishing processes multiple times. Other factors that slowed progress included the cost required to upgrade factories to more environmentally friendly energy sources and infancy of energy efficiency and renewable energy within the industry.

## Looking Back: Five Years of Carbon and Energy

*"NIKE's two-fold energy strategy focuses on strong efficiency measures and a transition to renewable sources. Looking ahead, NIKE is committed to reaching 100% renewable energy in our owned or operated facilities by the end of FY25 and supporting contract factories to use clean energy solutions."*

*FY14/15 Sustainable Business Report*

We highlighted energy efficiency and renewable energy as key levers to reduce carbon emissions in FY15. We'll review our progress against these areas and see where we expanded our approach over time.

### Energy Efficiency

#### Manufacturing: Eliminating Steam Boilers

We achieved a nearly 10% reduction in energy consumption per pair of footwear at our suppliers' facilities through suppliers' efforts from the FY15 baseline. This accomplishment was mainly driven by elimination, optimization, or decentralization of centralized steam boilers, implementing more efficient electric motors, and the continuation of fundamental energy management through the Energy Minimum Program. Since the inception of the program in 2008, NIKE has achieved a 65% reduction in energy per pair of footwear.

NIKE's boiler-elimination program has helped deliver critical emission reductions and efficiency gains. Steam boilers are a major source of emissions in NIKE footwear manufacturing. Heat used to mold footwear midsoles and bottoms accounts for roughly 40% of a factory's energy consumption, although molding is just one of dozens of steps to produce footwear. In addition, steam is often generated through burning fossil fuels such as natural gas or coal, and its transportation from the boiler to point of use is very inefficient. Typically, a considerable amount of energy is lost, and steam leaks across kilometers of piping needed to deliver it across the factory. Converting facilities to an electric heating process can reduce total energy use at a footwear finished goods factory by between 15% and 20%. Between FY15 and FY20, NIKE suppliers have successfully eliminated, optimized, or decentralized 50 boiler systems globally, and also halted the direct use of coal in footwear manufacturing.

However, progress toward achieving greater energy efficiency in our supply chain was partially offset by growth in the manufacture of products that are more energy intensive. Mitigation efforts are underway to reduce the increased energy requirements for specific technologies. Long term, we will mitigate these impacts by further tightening our end-to-end collaboration between Product Design and Manufacturing Teams.

The COVID-19 pandemic also negatively affected progress toward several energy-efficiency projects, which included the delay of a coal elimination project at an apparel manufacturing location and other efficiency measures such as heat pump installations. Some contract factories have expressed some investment hesitation due to the pandemic, which may cause a longer pipeline of carbon-reduction investments to be postponed as strategies are adjusted in a more challenging business environment.



### Distribution Centers: Per Unit to Per Square Foot

We have learned that we need to reevaluate how we measure distribution center energy performance. The energy metric we used for the FY20 targets focused on the amount of energy consumed per unit shipped from distribution centers. Over time, we learned that this metric made it challenging to understand the true energy performance of the building because there is no direct correlation between energy consumption and the number of units shipped; as long as the distribution center is operational, the same amount of energy will be consumed regardless of the number of units being shipped. Due to this, it was difficult to pinpoint the actual performance of our distribution centers.

As a result, we will shift our energy metric to energy per square foot. This update will minimize noise from indirect, uncontrollable factors within our distribution centers and allow us to take the right actions to reduce energy consumption.

### Logistics: Reducing Air Freight

Our most significant driver of carbon emissions for logistics is shipping product from origin to destination by air. On the inbound leg – origin to destination geography – air freight is 42 times more carbon intensive than ocean freight. Although we drove several functional efforts to reduce our air freight between FY15 and FY20, there was no positive progress. We determined that a coordinated, cross-functional effort across the company will be required as the root causes for air freight exist at many stages, from product creation to delivery.

### Headquarters: More Efficient Buildings

In the last five years, we dramatically reduced overall building energy usage at our HQs globally through analyzing workspace needs, multi-use spaces, energy-efficient design, and energy-efficient building maintenance – which was made possible by modernizing building controls and upgrading features and equipment with high-efficiency models.

In addition, we invested in sustainable transportation infrastructure globally, including electric vehicle charging stations, accessibility to public transit, ride-sharing programs, increased bike storage and other amenities that support more sustainable commuting. We also developed and are implementing programs to support employees with responsible flying, transparency around flight emissions, and opportunities to increase sustainable aviation fuels with a goal of reaching 100% renewable/sustainable fuels.

### Renewable Energy

#### Nike Owned or Operated Buildings

In 2015, NIKE signed on to RE100, committing to a target of 100% renewable electricity in our owned or operated spaces globally by 2025. Currently making great progress on this 10-year journey, we are prioritizing new renewable resources and securing energy in the markets where we consume, in addition to balancing risk and financial impact.

We began with our areas of greatest consumption where we could aggregate our load to find the most economic and efficient solutions to our renewable energy needs, and where regulatory conditions were favorable. We started with our WHQ in Oregon, securing a direct Power Purchase Agreement (PPA) with Avangrid for wind power from the Columbia River Gorge for all our needs in the state.



Dalilah Muhammad, American track and field athlete

We then expanded to our U.S. and Canada usage in well-developed markets, ultimately securing renewable energy through a virtual PPA in Texas, which went into commercial operation in November 2019. Turning our sights to Europe, we secured another virtual PPA, this time in Spain. As such, we were one of the first companies to secure such an agreement directly with a developer, paving the way for others.

NIKE continues to work in other countries where we have a presence, and where markets allow. Some solutions in development include onsite renewable energy in Vietnam and Mexico, continued government advocacy work on the potential for government approval of a renewable energy power purchase pilot program in Vietnam, and multi-brand collaborations in Japan and Australia.

New solutions require concerted efforts with NGOs, governments, other brands, and our contract factories to advocate for change in the way markets develop, finance, regulate, and sell electricity. We engage in these efforts through consultation and advocacy with groups including the Renewable Energy Buyers Alliance, the Science Based Targets initiative, the United Nations Fashion Industry Charter for Climate Action, Business for Innovative Climate and Energy Policy (BICEP), Oregon Business for Climate, and the Climate Group and its RE100 initiative.

### **Supply Chain: Solar Photovoltaic (PV) and Power Purchasing Agreements (PPAs)**

Energy efficiency has served as a critical carbon-reduction strategy in our supply chain over the past five years. And while it will continue to provide valuable energy and emissions savings to suppliers moving forward, NIKE's current key focus is on enabling greater renewable energy use by factories in its supply chain. Renewable energy is not only a competitive alternative to fossil fuels in many of our key markets, but also provides a significant component necessary to drive deep emissions reductions in our supply chain. We are focused on helping suppliers take advantage of these opportunities by leveraging both onsite and offsite renewable energy globally.

We launched a program in Vietnam in FY19 to help increase the uptake of rooftop solar power among our suppliers. Through this program, NIKE reduced up-front costs for factories by soliciting solar bids from developers, de-risking the contracting process, and providing third-party experts to analyze bids and help factories identify the best-qualified solar developers.

While this program helped to boost adoption rates, several factories adopted solar power on their own, including in China and Indonesia, as it became more cost competitive and updated policies made installations more favorable. For example, a feed-in-tariff in Vietnam – a policy mechanism designed to accelerate investment in renewable energy by offering long-term contracts with a cost-based compensation scheme – helped incentivize more of our suppliers to sign solar contracts prior to the policy's expiration in December 2020. Likewise, Indonesian regulators reduced renewable capacity surcharges by more than 80%, making solar PV projects financially viable.

In addition to helping suppliers transition to onsite solar power, facilitating the growth of PPAs has been another key focus of the Supply Chain Renewable Energy Program. Continued collaboration with the USAID Vietnam Low Emission Energy Program (V-LEEP) involves advocating for policy supporting the Vietnamese Government's renewable energy Direct Power Purchase Agreement (DPPA) pilot. NIKE, together with another organization, is ready to move forward with the DPPA pilot. We are also continuing to explore and advocate for government policy frameworks supporting PPAs in China and Indonesia, as well as encouraging other factories in our supply chain to explore the same in other markets.

### New Levers

In addition to the areas highlighted above, we also explored new options for lowering our carbon footprint.

- **Fuel Alternatives:** Within our contracted factories, NIKE continued to explore lower-carbon fuel alternatives to coal, such as biomass. For inbound logistics, NIKE worked with Maersk to sponsor 1,000 20-foot equivalent units (measurement of volume in container shipping) to use a biofuel made from used cooking oil to transport product round-trip between Rotterdam and Shanghai. The biofuel reduced the carbon emissions for those 1,000 20-foot equivalent units by 84% on a well-to-wheel basis compared with conventional fuels, resulting in a carbon emissions reduction of 520 tons for NIKE. With our successful ocean biofuel pilot, we will continue scaling up our use of alternative fuels in ocean transportation. We will also pilot and scale other modes of transportation, especially those focused on electrification with last mile deliveries.

Carbon and  
Energy

- **Materials:** Approximately 70% of our environmental impact can be traced back to the materials in our products. We have long known that our biggest carbon and energy impacts occur in the materials stage of our value chain (i.e., materials growing, processing, and finishing).

- **Internal Price on Carbon:** NIKE's Global Operations and Logistics Team began using an internal carbon shadow price as it evaluated bids for ocean freight services. Essentially, this means assigning a theoretical dollar price per unit of carbon emission and adding that figure to real costs as we assess which supplier to work with on particular trade lanes. As we go forward, we will continue to check and adjust to make full use of this concept.

- **Carbon Offsets:** As of FY20, we have offset 100% of the carbon impact of our e-commerce orders in the U.S. and Europe.

- **Influencing Others:** As an industry leader, we saw first-hand how elevating our voice helped influence and drive positive change globally. In 2019, NIKE was a founding member of the Sustainable Air Freight Alliance, 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 was a founding member of, and continues to be active in, 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.

Another key proof point of driving positive change in the industry lies within our Supply Chain Sustainability Index (SCSI),<sup>60</sup> which sets clear and consistent minimum sustainability requirements for NIKE logistics service providers. FY20 was the fourth year for our inbound ocean and air freight providers, where we saw positive improvements from the first submissions:

- FY17 – Gold: 1, Silver: 3, Bronze: 4, Yellow: 9, Red: 3
- FY20 – Gold: 2, Silver: 4, Bronze: 6, Yellow: 7, Red: 0

### Looking Ahead

NIKE is accelerating continued climate action in our operations, with our suppliers and through collective action. We're elevating sustainability the best way we know how: through our products and platforms. To encourage more people to make more sustainable choices, we are making it easier to shop by products' sustainability features on Nike.com. We also believe in relentless collaboration across our industry, including collaborations (or collaborative efforts) with our peers and competitors. That's why we're working with the UN's Fashion Industry Charter for Climate Action, the Fashion Pact and the Sustainable Apparel Coalition.

Our 2025 carbon targets represent key areas of focus for the business. We will continue our work to transition all of our owned or operated facilities to renewable electricity. We will work in our value chain to reduce emissions. And finally, we will focus on moving toward more environmentally preferred materials in all of our products.

### Learn More →

[2025 Carbon Targets](#)

60 <https://purpose.nike.com/supply-chain-sustainability-index>



*Focus Area*

# WASTE

## Quantitative Target

Eliminate footwear manufacturing waste to landfill or incineration

Waste to Landfill – Footwear Manufacturing (%)



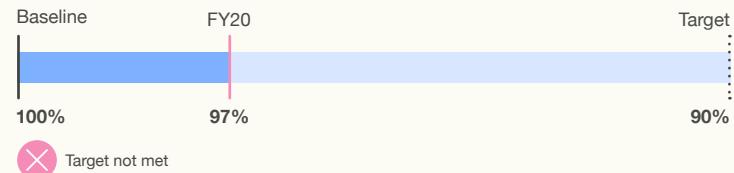
In FY20, 99.9% of our manufacturing scraps at our Tier 1 finished goods footwear suppliers were diverted from landfills through an integrated strategy including waste prevention, recycling, and the conversion of waste to energy for powering other industries. Approximately 7% of the waste that was generated was recycled through NIKE's closed-loop recycling programs, 38% was recycled into other companies' products, and 54% went to energy recovery.

COVID-19 presented unprecedented circumstances on our contracted factories, consumers, and workforce. Extended store closures led to large-scale order cancellations at our contracted finished goods factories, producing a build-up of materials and finished goods at risk of becoming waste. We closely monitored the changing marketplace situations around the globe and were able to reinstate for production over 25% of the total order cancellations, helping to meet our accelerating consumer demands. For materials that could not be reused by NIKE in upcoming seasons, we identified donation, recycling, and energy conversion alternatives to support our target to 100% landfill diversion.

## Quantitative Measure

10% reduction in waste index, covering FW manufacturing, distribution centers, and HQs

Waste Index FW Manufacturing, DCs, HQs



In FY20, we saw progress across the board in waste reduction within our value chain. Distribution centers made progress through box reuse and reduction. HQs advanced a program to eliminate single-use plastics. While footwear manufacturers were challenged by high consumer demand for less-efficient product models, waste decreased 2.6% due to waste-prevention initiatives. These initiatives were increased and scaled during the FY19 and FY20 period, reversing an increasing waste trend from FY16 to FY19.

## Footwear Manufacturing

Waste prevention initiatives conceived in the first half of the 2020 target cycle were scaled and accelerated in the second half, changing an increasing waste trend to a decreasing trend as we begin the 2025 target cycle. Our portfolio of initiatives included waste measurement, tracking and control, switching packaging materials to reusable cartons, upgrading cutting equipment, and optimizing mold designs. We reduced defect rates for our most common type of midsole by nearly 12%, initiated reusable carton programs with 16 material vendors during this period, and continued a multi-year process of deploying, each year, hundreds of modernized cutting machines capable of cutting parts with narrower gaps and less wasted material between them. Overall, this portfolio of initiatives prevented more than 3.5 million kg of waste that would have otherwise been generated in FY20.



## Distribution Centers

In FY20, we continued to expand and improve our existing Re-Use-A-Box programs across multiple distribution centers around the world. Our program reuses corrugated cardboard carton waste for outbound shipments. We also continued to explore and pilot alternative packaging solutions, like reusable shipping cartons.

In EMEA, we improved the 2.1 footwear box design<sup>61</sup> – an outer box for footwear e-commerce shipments – with 18% less corrugate material compared to the 2.0 footwear box design implemented in the previous year. The new design also reduced carbon emissions by 50% from corrugate cardboard manufacturing compared to the original box. In addition, all of the digital shipping envelopes used for apparel have been redesigned so that they're similar to the boxes, with more and better size ranges, resulting in reduced corrugated material, and adding a re-seal strip for customer return.

In North America, we scaled the removal of plastic air pillows to eliminate dunnage in the majority of outbound shipments. With this change, our North America distribution centers will reduce the volume of air pillows used by over 90%, resulting in a reduction of over 100 million air pillows and over 90,000 kg of plastic annually. With this success in North America, EMEA followed suit and eliminated air pillows. In addition, in North America, we started a paperless return experience for all e-commerce orders as most printed return labels were going to waste. In the first eight weeks, we saved 2 million sheets of paper, while enabling an increase in daily shipping capacity and significant cost savings.

## Headquarters

At our HQs globally, we continue to focus first on eliminating waste from our operations, and then waste diversion, with the ultimate goal of achieving zero waste. Onsite food, catering services, and custodial services create the most waste at our HQ campuses. We are tackling these waste sources through several initiatives: adoption of reusable or recyclable items for food services, custodial services, and employee events, tailoring food production to demand, and creating awareness through employee education.

In FY20, waste per occupant at HQs was down 22% compared to our FY15 baseline. At our Converse HQ in Boston, the team eliminated all single-use plastics from our mail and packaging operations, such as plastic bubble wrap, plastic tape, and envelopes with plastic windows. At our WHQ, we removed all desk-side trash cans and consolidated waste disposal to common areas, and this will also soon be completed at our Greater China HQ. This initiative will increase the amount of compost and recyclables collected and will eliminate over 3.5 million plastic trash liners from landfills per year. Our WHQ Mail and Packaging Team, alongside Global Logistics, began piloting reusable pallet covers to reduce the amount of plastic shrink wrap needed to secure pallets during transit. In Paris, we are operating a zero-waste food canteen, and in Tel Aviv, we worked directly with the building landlord to put in place infrastructure and services to properly dispose of and reduce waste to landfill.

## Quantitative Measure

### Increase landfill diversion at distribution centers and HQs

#### *Landfill Diversion DCs and HQs (%)*

Baseline  
and FY20

88%

 Target not met

## Distribution Centers

In FY20, we reduced the waste diverted from landfills by our distribution centers. For example, at two of our largest North America distribution centers in Memphis, Tennessee, our landfill diversion performance was negatively impacted by facility retrofits of workstations and conveyors, leading to very heavy items with no recycling alternative. With the transition of vendors, we also identified a need for a waste management process refresh to reinforce training and adherence.

Though our overall target performance was down in FY20, we also had some wins. Our European Logistics Campus and China Logistics Center continued to perform at 100% landfill diversion. After three years of work, in North America, we went live in July 2019 with our new Nike Grind machine at Rebound, our reverse logistics distribution center. This state-of-the-art system was co-developed to convert defective and post-consumer footwear back into its material components to be used in new products. It enables us to keep these materials in circulation for as long as possible and is a key capability in our drive toward a circular economy. In FY20, it produced 131 metric tons of rubber, 135 metric tons of foam, and 252 metric tons of textile fluff from end-of-life footwear.

We also worked with a manufacturer to develop custom anti-fatigue mats for our distribution centers, made of 30–40% Nike Grind foam and resulting in savings per mat and better ergonomics for our teams. EMEA refurbished its 15-year-old Nike Grind facility, which has increased capacity by more than 20%. In Greater China, the second Pigalle basketball court opened in Beijing. The court and surrounding space, covering an area of 600 square meters, was created with Nike Grind rubber from our distribution center in Greater China, amounting to a total of 45,000 pairs of recycled shoes. Throughout the year, the court hosts a series of opportunities for female players – including organized activity through the city's high school basketball league and adjacent community groups.

<sup>61</sup> <https://thefwa.com/cases/nike-move-to-zero>



## Headquarters

In FY20, our landfill diversion rate reduced to 56% from our FY15 baseline of 62%. We focused on two main items as the driver for this increase. The first was eliminating or converting waste within campus operations. At our HQs globally, our focus over the last five years has been the successful elimination of waste by removing items from campus operations or converting to reusable options. We eliminated over 20% waste per occupant, however some of that waste was recyclable or compostable and previously counted toward a diversion rate. The second was a change in the municipal waste collection, in which compostable food service items were no longer acceptable. These were items that previously counted toward diversion. With strong operational strategies for waste elimination underway, we are now able to devote more attention to diverting the remaining waste in service of our 2025 target of 100% waste diversion from landfill.

In FY20, we continued to develop our furniture and food donation capabilities, donating over 3,300 pieces of furniture and roughly 61,000 meals to the community at our WHQ. Also at WHQ, originating out of a desire to address food waste from COVID-19-affected food supply chains, the NIKE Food Services team worked with trusted local farms by creating a service that connects employees and their families directly with local, seasonal produce.

We also completed a zero-waste audit, collecting the necessary data to develop opportunities to increase diversion at our WHQ campus in support of our 2025 targets. Instead of sending items to shred, our Converse team worked with Good360 to donate over \$500,000 in product samples to local communities. In EMEA, our construction teams co-developed and completed multiple projects incorporating Nike Grind into the construction of upgraded NIKE workspaces. And in Asia, we worked with other NIKE employees to divert their old sneakers from landfill and create lampshades and furniture for the new Beijing office.

## Nike Grind in China Nike Sport Stores

In Greater China, NIKE applied recycled materials to the in-store environment. These solutions were enabled by an upgrade in our recycling technology – not only rubber material, but now also non-rubber material, can be recycled. Some solutions are still in pilot phase, while other solutions have been successfully used in different store concepts. For example, Nike Grind rubber is used for flooring, benches, and fixtures in China Nike Sport stores, while recycled apparel is made into felt board, used for Nike Sport fitting room walls. Kicks Lounge concept stores also use recycled apparel for cushions, benches, and curtains. This has been rolled out in about 100 stores covering over 50 cities. Taiwan Beacon and Kicks Lounge stores also use the recycled materials in recently opened Taipei XMD Beacon 750 and Nike Kicks Lounge East.



Feng Tay Factory – Putian, China

## Looking Back: Five Years of Waste

*"We estimate we waste around \$1.3 billion in materials per year through our product creation process. That's a huge business opportunity to improve efficiencies and to innovate. We are focused on eliminating waste through more efficient product design and manufacturing technologies. Where waste exists, we see it as new potential feedstocks, and are working to reuse materials in our own products and for other industries, thereby turning waste streams into value streams."*

*FY14/15 Sustainable Business Report*

When we set out goals, we wanted to reduce waste and send zero waste to landfills by using materials more efficiently, increasing the recycling of factory waste back into our products and other products, and improving waste management pathways. We have succeeded in diverting waste from landfills, stopping waste from continuing to increase, and laying a better foundation to reduce and recycle wasted materials going forward.

## Reducing the Waste Footprint of Footwear Manufacturers

Footwear manufacturing waste generation per pair increased 3.2% between FY16 and FY20, driven primarily by increased production of models with leather uppers and large soles with complex or multi-colored designs (e.g., AF1). Leather is relatively heavy compared to other upper materials, so increased leather use drives up the weight of waste per pair. Leather also has more irregularities and blemishes than other materials, so the number of usable parts per square foot is lower than other materials, and it is correspondingly higher waste. Larger soles generate more molding and trimming scraps, and also tend to be made up of larger/heavier parts, increasing the weight of waste from defective parts. Complex and multi-colored bottom designs tend to have higher defect rates and associated waste than simpler designs.

## Waste (Metric Tons)

	FY15	FY16	FY17	FY18	FY19	FY20
<i>Distribution Centers (DCs)</i>						
Landfilled	2,719	3,117	3,270	3,507	2,895	<b>3,660</b>
Recycled	29,391	29,593	32,687	34,183	35,690	<b>36,422</b>
Composted	247	274	197	219	99	<b>117</b>
Waste to Energy Incineration	560	715	1,022	1,040	1,374	<b>1,637</b>
Total	32,917	33,699	37,176	38,949	40,058	<b>41,836</b>

*HQs*

	FY15	FY16	FY17	FY18	FY19	FY20
<i>HQs</i>						
Landfilled	1,626	1,816	1,807	2,105	1,983	<b>2,142</b>
Recycled	2,063	1,708	1,927	2,325	2,345	<b>1,661</b>
Composted	707	1,042	1,157	868	904	<b>1,043</b>
Total	4,396	4,566	4,891	5,298	5,232	<b>4,846</b>

*FW Manufacturing*<sup>62</sup>

	FY15	FY16	FY17	FY18	FY19	FY20
<i>FW Manufacturing</i> <sup>62</sup>						
Reused and Recycled	-	49,800	48,055	45,887	48,037	<b>46,220</b>
Energy Recovery	-	30,356	38,335	45,389	52,049	<b>55,789</b>
Landfilled and Incinerated	-	5,639	3,550	1,702	58	<b>57</b>
Total	-	85,795	89,940	92,978	100,144	<b>102,066</b>

Our portfolio of waste prevention initiatives included improved waste measurement, defecting tracking and control, switching inbound materials packaging from single-use to reusable cartons, replacing older cutting equipment with more efficient machines, and optimizing the designs of injection phylon mold. We deployed 1,342 modernized cutting machines, instituted granular component defect tracking systems at the top 17 factories that generate 90% of our phylon midsole defect waste, and deployed new injection phylon mold design guidelines to reduce waste.

We also initiated programs with 16 material vendors to replace single-use cardboard cartons with reusable cartons for shipping materials to finished goods factories. These initiatives build enduring capabilities that reduce strategic waste streams without altering product design.

As we continue to build out and refine manufacturing waste reduction systems, we expect to see a progressive decline in waste generation per unit of manufactured product, but consumer preferences will continue to be a significant variable. If consumers prefer more waste-intensive models – such as those with leather, engineered textiles, and big soles with many colors and complex shapes – this may counteract or mask the benefits of our waste-reduction efforts.

In addition, it will be important to have even tighter coordination between Product Creation and Manufacturing so that design teams understand the waste implications of design choices, and target creation of the lowest-waste designs from the beginning of the design process.

**Keeping Waste Out of Landfills**

Our first priority is to reduce the waste footprint of our finished goods manufacturers. However, when manufacturing scrap is created, we believe much of it still has value to us and to others, and our focus continues to be on keeping excess manufacturing materials at their highest, best-use state, and out of landfills.

NIKE has virtually eliminated footwear manufacturing waste going to landfill or incineration by increasing recycling efforts, converting waste into energy, and expanding the Nike Grind program.

Since FY15, NIKE and its contracted factories have made significant progress on our 100% landfill diversion target. Looking ahead to FY25, we are expanding our landfill diversion target from footwear to include excess materials from our strategic finished goods apparel manufacturers. Over the past year, we've started implementing NIKE's Waste Minimum Program at these factories to build momentum toward this target. This program provides a foundation for waste prevention and recycling by establishing factory-specific waste reduction and recycling goals, management commitment, scrap material segregation and quality management, and detailed waste data collection and reporting. We are committed to moving excess footwear and apparel materials up the waste management industry's tried-and-true waste hierarchy (reduce– reuse–recycle) – ultimately keeping them out of landfills.

**Building a Circular Supply Chain**

We are on the frontlines of building a circular supply chain to recapture footwear and apparel scraps and transform them into recycled materials. Leaving the traditional "take–make–waste" model behind, we are working on breakthrough material innovations to give potential waste a new life. Since FY15, more than 47 million kg of manufacturing scraps were recycled into new footwear and apparel products. When we can't close the loop on these materials, our Nike Grind program supplies them to other manufacturers that use them in a variety of products from sport surfaces to furniture and flooring.

For example, in the last five years, approximately 13.6 million kg of manufacturing foam scrap were transformed into half a billion square feet of carpet padding installed in nearly 1 million U.S. homes. We also continued our commitment to unlocking the potential of Nike Grind materials through collective ideation initiatives like the NIKE Circular Innovation Challenge, which inspired over 511 proposals from 58 countries for new Nike Grind products.

<sup>62</sup> Scope represents the majority of finished goods production for NIKE and Converse footwear. Footwear manufacturing waste baseline is FY16.



## Nike Grind Footwear Waste Volumes Recycled (Metric Tons)

Waste Source	Disposal Method	FY16	FY17	FY18	FY19	FY20
Post-Industrial (Factory Scrap)	Recycled into NIKE Products and Recycled by Global Open Loop <sup>63</sup> Customers	49,800	48,055	45,887	48,037	<b>46,220</b>
Post-Consumer <sup>64</sup> + Unsellables (Consumer Shoes + NIKE Samples and Defectives)	Recycled by Global Open Loop <sup>62</sup> Customers	267	615	534	55	<b>79</b>
Total footwear materials recycled		50,067	48,670	46,430	48,092	<b>46,299</b>

## Waste in Distribution Centers and Headquarters

Corrugated cardboard cartons account for about 85% of waste generated at our distribution centers. Customers are continuing to order a greater variety of product and place smaller orders, meaning 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 explore potentially scalable innovations. The order size trends we have seen in the last five years make it clear that we need to accelerate innovation and rethink product packaging throughout our supply chain.

We've had success in eliminating waste through removing single-use items from campus operations or converting to reusable options. This focus has not allowed us to give the attention needed to make similar progress with waste diversion. But at this point in our strategy, we are now able to devote more attention to diverting the remaining waste to achieve our 2025 target of 100% waste diversion from landfill.

Nevertheless, we have had significant wins over the past five years. Globally, we eliminated a majority of single-use plastic items from operations, converted almost all of our food service/catering operations to reusable flatware and cutlery, matured our furniture and food donation programs to our local communities, and continued to increase the use of Nike Grind and other waste materials in the construction of our new NIKE workplaces.

## Integrated Waste Strategy

NIKE has an integrated waste strategy that includes waste reduction, recycling, energy recovery, and addressing waste considerations at all stages from product creation to manufacturing and our supply chain. Throughout the FY20 target cycle, we continued to deepen our understanding of the complexities and challenges of reducing waste for any company creating consumer products. As physical waste is generated across our value chain, cause and effect can be difficult to specify and quantify. Every aspect of design, manufacturing, distribution, marketing, and operations has the potential to impact waste generation. Different products made in different factories can create very different waste streams, each raising a distinct set of waste mitigation problems to solve.

We're working hard to improve our ability to understand and quantify the impact of decisions made within the waste-elimination processes, distributing this information to the right people in the most usable and relevant way, and align responsibility, accountability, and incentives accordingly. For example, the NIKE Product Creation Team has primary control and influence over decisions that drive upper material wastes such as leather and textiles, while contract manufacturers do so for waste driven by defective midsole and outsole components. For this issue, we decided to create separate 2025 internal targets and accountability for NIKE and contract factories that align with this. We also discontinued an internal scoring system that was intended to drive more sustainable product design but proved not to be as effective as we had hoped.

## Looking Ahead

Our priority is zero waste, period. Our vision is a circular future in which the very concept of waste doesn't even exist. Waste is generated across our value chain – from agricultural waste associated with harvesting raw materials, to the manufacturing waste created in the process of putting the finishing touches on our products, to the waste created when you're done with our products and throw them away, to the packaging used to move product throughout the value chain. We are eliminating waste wherever we can, beginning by designing waste out of our products and packaging and optimizing our manufacturing, and eliminating waste in our workplaces.

Our 2025 waste targets represent key areas of focus to move us closer to eliminating waste. We will continue our goal to divert waste from landfill in our supply chain. We will work to reduce waste and packaging per unit through improved design and operational efficiency. And finally, we will increase the amount of finished product waste that is refurbished, recycled, or donated.

## Learn More →

[2025 Waste Targets](#)

<sup>63</sup> Open Loop Recycling is defined as recycling of our FW waste by third parties into other products.  
<sup>64</sup> Unsellables: Primarily include samples, defects, and returns. Results do not account for Nike Grind footwear waste data from China, which includes unsellables only.



*Focus Area*

# WATER

## Quantitative Target

## 20% reduction in freshwater in textile dyeing and finishing

Freshwater Use Per Kg – Textile Dyeing and Finishing (L/kg)



In FY20, NIKE exceeded its FY20 freshwater target by achieving a 30% reduction. This achievement translates to a cumulative 40 billion liters of freshwater avoided by our suppliers since FY16.

With a strategy based on creating awareness, driving commitment, and building capabilities within our supply chain, we hit our FY20 water reduction target 18 months early. Even with the spread of COVID-19 in the second half of FY20, our materials suppliers were able to maintain their water-efficiency gains, demonstrating that our efficiency initiatives have been operationalized and the water savings are real.

## Quantitative Measure

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

% of Focus Factories in High-Risk Zones With Risk Mitigation Plans (%)



NIKE required suppliers to assess water-related risks, such as flooding and drought, and develop mitigation plans. As a result, all 13 at-risk facilities that were determined to be high risk have now implemented water-risk mitigation plans.

## Looking Back: Five Years of Water

*“NIKE’s aim is to build a water-resilient source base with world-class water efficiency and innovative wastewater management... We are working primarily with materials vendors, whose textile dyeing and finishing operations are particularly water-intensive, to innovate and encourage the adoption of new approaches that reduce water use in our supply chain.”*

*FY14/15 Sustainable Business Report*

We achieved our water risk targets and significantly exceeded our water reduction target by engaging with our suppliers to create awareness, drive commitment, and build capability. This tactic yielded real results when reducing freshwater use and mitigating water risk.

### Reducing Freshwater Use

Much has changed in our supply chain over the last four years. When our Global Water Team began by deploying our Water Minimum Program internally and by encouraging material vendors (approximately 70% of our global materials production) to adopt wastewater recycling, we were met with some resistance and skepticism.

We gave monthly feedback on each vendor facility's performance, including their freshwater use ranking when compared to global and regional peers. This encouraged more vendors to include wastewater recycling as part of their strategic plans without prompting. Some vendors began to ask us for input on their high-level, long-term water conservation strategy, and others for detailed engineering reviews of technical proposals they were considering installing.

The commitments our materials vendors made to the environment have paid off. Since FY16, our vendors have avoided using a cumulative 40 billion liters of freshwater – 12 billion from NIKE’s freshwater footprint, the rest from other brands, including our competitors, who source from the same suppliers. This water, which would have been used if the water efficiency had not improved, is enough to sustain approximately 236,000 Vietnamese households for a year.<sup>65</sup>

<sup>65</sup> “Vietnam’s Future Water Usage Model: A Controlled Living Experiment,” Journal of Water Resources and Protection, 14.



## Water (Million Liters)

	FY16	FY17	FY18	FY19	FY20
<i>Air MI</i>					
Total Freshwater Use	31.9	41.9	82.7	94.6 <sup>66</sup>	<b>113.9</b>
<i>HQs</i>					
Total Freshwater Use	597.8	604.7	792.5	849.5 <sup>67</sup>	<b>671.5</b>
<i>Other Offices<sup>68</sup></i>					
Total Freshwater Use	28.0	30.3	25.2	17.1	<b>10.6</b>
<i>Textile Dyeing and Finishing<sup>69</sup></i>					
Condensate Use	367.1	389.5	344.7	341.5	<b>338.6</b>
Ground Water	4,810.0	5,272.3	4,958.1	4,056.8	<b>3,396.7</b>
Municipal/City Water to Facility	8,480.2	9,269.7	9,887.6	10,004.3	<b>9,596.9</b>
Rainwater Collection	44.2	13.0	0.8	13.3	<b>21.3</b>
Surface Water	2,175.0	2,159.1	1,333.6	1,021.4	<b>768.2</b>
Total Freshwater Use	15,876.5	17,103.6	16,524.8	15,437.3	<b>14,121.7</b>

## Formosa Taffeta in Changshu, China

In FY17, Formosa Taffeta Changshu, a materials vendor, was near the bottom of our global ranking in terms of freshwater efficiency. Considering all freshwater use (rather than just for dyeing and finishing), its FY16 baseline was 205 liters of freshwater per kilogram of dyed and finished fabric, making it one of the least efficient water users in the scope of this target. When we brought this to its attention, the facility committed to making a change. By the end of FY19, a wastewater recycling system had been installed with commercially available ultrafiltration and reverse osmosis, culminating in an immediate improvement in freshwater efficiency. By the end of FY20, freshwater use was 119 liters per kilogram, a 42% reduction from the baseline. Not only did Formosa Taffeta significantly reduce its freshwater use, but the facility was also fully compliant with the Zero Discharge of Hazardous Chemicals (ZDHC) Wastewater Guideline – an achievement which many in the textile industry still do not believe is possible, as increased water efficiency results in more concentrated wastewater.

<sup>66</sup> 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.

<sup>67</sup> Water consumption at headquarter facilities increased in FY19 due to campus expansion and employee growth.

<sup>68</sup> Scope includes U.S. only.

<sup>69</sup> 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.

## Mitigating Water Risk

For the past decade, the World Economic Forum (WEF)<sup>70</sup> has listed water crises and impacts from climate change among the top five global risks. This is important for NIKE because our supply chain spans the globe and the impacts of an otherwise local water issue, such as a drought or flood, can ripple across the supply chain and affect the consumer.

In FY16, we performed a baseline water risk analysis of our strategic finished goods and material suppliers by leveraging the Aqueduct Water Risk Atlas of the World Resources Institute (WRI). From FY17 to FY20, suppliers operating in regions classified as being at “high” or “extremely high” water risk were further assessed against local conditions and, once validated, required to develop mitigation plans aligned with NIKE expectations and ISO 14001 Environmental Management System and Risk Standards. By the end of FY20, all in-scope suppliers completed water risk mitigation plans.

## Looking Ahead

We will continue to leverage WRI’s Aqueduct tool and are expanding the scope of our water risk program to cover a substantial majority of our production and material volume. Moving forward, this work will not be a formal target within our impact report but will remain a core part of our supply chain water stewardship program and our ongoing supply chain risk management efforts.

In terms of freshwater use, we believe that NIKE’s supply chain – and the entire footwear and apparel industry – can realize a 90% reduction in freshwater with commercially available equipment and properly trained water and wastewater treatment operators.

We are leveraging the momentum created in our supply chain during the FY20 target period that enabled us to achieve a 30% freshwater reduction to now commit to a FY25 water reduction target (on a liters per kilogram basis) of 25% from our FY20 baseline across our strategic materials vendors. To achieve this, we will continue to focus on our awareness commitment capability strategy. Because many of these suppliers helped us to exceed our FY20 water reduction target, we will focus on capability building with them to further optimize their wastewater recycling systems while creating awareness, driving commitments and – through both independent efforts and collective action – building capabilities within our supply chain.

## Learn More →

[2025 Water Targets](#)



<sup>70</sup> World Economic Forum, “Global Risks Report 2020”, <http://reports.weforum.org/global-risks-report-2020/>.

*Focus Area*

# CHEMISTRY

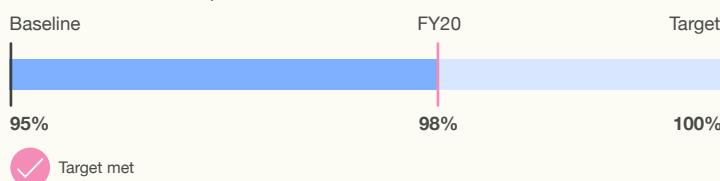
**Qualitative Target**

## Enable zero discharge of hazardous chemicals (ZDHC)

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 outlined in our Chemistry Playbook and Restricted Substance List (RSL)<sup>71</sup> and further enforced in NIKE's Code of Conduct.<sup>72</sup>

**Quantitative Measure**

## 100% compliance with NIKE Restricted Substance List (RSL)

*Tested Material in Compliance with NIKE RSL (%)*

At its core, NIKE's Restricted Substances List (RSL) is a list of restricted chemicals, with limits on specific chemical substances. When we detect a chemical that exceeds our RSL standard, we work directly with our suppliers to increase chemical management capabilities and remediate the issue, ultimately creating a more capable supply chain.

NIKE's measured performance against the RSL for FY20 sits at 98% based on testing completed throughout the year. Each year, we elevate the expectations of our supply chain to meet more stringent RSL standards, including expanded substances, lowering specific limits or new chemical bans.

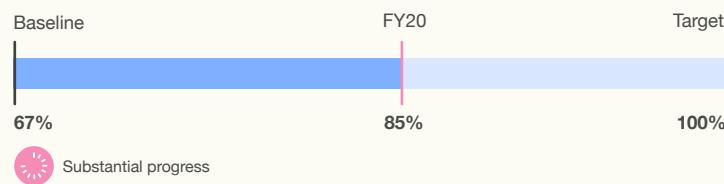
71 <https://about.nike.com/pages/chemistry-restricted-substances-list>

72 <https://purpose.nike.com/code-of-conduct>

To help us achieve full RSL compliance, we aligned our RSL with guidelines established by the Apparel and Footwear International RSL Management (AFIRM) Group. Through these industry guidelines, brands reduce complexity when tracking supplier compliance and collaboratively reduce the use of hazardous chemicals in the industry.

**Quantitative Measure**

## 100% compliance with the zero discharge of hazardous chemicals (ZDHC) Manufacturing Restricted Substance List (MRSL)

*Compliance with the ZDHC MRSL*

Similar to our approach of utilizing an industry-wide initiative to shape NIKE's RSL, we also recognize the value of an industry guideline outlining chemistry requirements for chemicals used within manufacturing.

The ZDHC MRSL is a list of chemical substances banned from intentional use in facilities processing certain materials. We measure MRSL compliance by testing factory wastewater per the ZDHC Wastewater Guidelines. We saw great progress with 85% compliance in FY20. In three years of measuring, we have seen an 18 percentage point improvement.

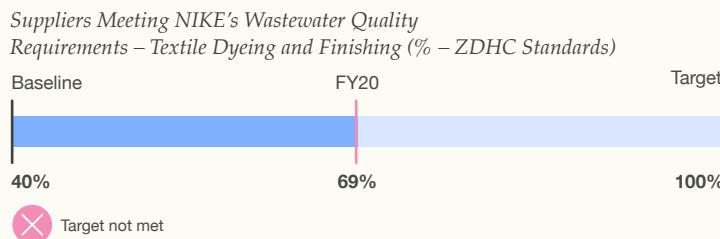
The increased use of the chemical inventory management software CleanChain in the supply chain, combined with a more than 50% growth in chemical formulations being assessed for MRSL compliance via the ZDHC Chemical Gateway, provides valuable information about the chemicals used to make our products. These enhanced data sets elevate our ability to reduce the use of hazardous chemicals and are critical in achieving our ZDHC goals.



At the end of FY20, five suppliers failed to meet our requirements. Four suppliers failed due to using a chemical that NIKE had already phased-out of production. Importantly, our measure of MRSI compliance is based at the facility level and not solely on NIKE production. NIKE continues to seek a resolution for failures that have been linked to our shared suppliers' use of chemicals for other companies that do not yet have the same expectations in place.

#### Quantitative Measure

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



Our primary focus has been and continues to be leveraging collective action and industry tools to create change in our supply chain. We did not achieve our goal of full compliance with the ZDHC Wastewater Guidelines, but we did achieve 69% compliance in FY20, and an increase in compliance by 29 p.p. since FY17.

While 85% of our strategic material vendors demonstrated they were free from the chemicals listed on the MRSI in FY20, only 69% of those same vendors were fully compliant with the ZDHC Wastewater Guidelines. This 16 p.p. difference is a direct result of vendors struggling to treat their wastewater so they can achieve the foundational limits of the conventional parameters listed in the ZDHC Wastewater Guidelines.

We realized a key factor preventing vendors from complying with the ZDHC Wastewater Guidelines is that training and adoption of water treatment industry best practices are not consistent or robust. NIKE's primary focus is to build capabilities too so that our suppliers have the right people with the right skills to properly treat their wastewater.

<sup>73</sup> DWR: durable water repellent.

<sup>74</sup> PFC: perfluorinated chemicals.

<sup>75</sup> 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.

#### Qualitative Measure

## Lead industry change through collective action

We continue to scale industry-aligned tools across the supply chain to achieve our zero discharge of hazardous chemicals targets. We work closely with cross-industry groups – the ZDHC Foundation, the AFIRM Group, and the Sustainable Apparel Coalition (SAC) – who are focused on reducing the use of hazardous chemicals in the production of footwear and apparel.

In the past year, we have implemented updated wastewater guidelines and MRSI version 2.0 that adds footwear and other important materials.

In AFIRM RSL's update this year, AFIRM used key input and significant data analysis from a cross-brand data collection project driven by NIKE to help redefine a risk-based testing approach.

Additional tools that are being introduced in FY21 include air emissions guidance, defining the minimum qualifications of a wastewater-treatment system operator, and chemical management resources. Together, these new and updated industry tools will help us reach our chemistry targets while also starting the journey toward future hazardous chemical management.

#### Qualitative Measure

## Achieve better chemical input management through scaling more sustainable chemistries

#### Achieve Better Input Through Scaling More Sustainable Chemistries

	FY17	FY18	FY19	FY20
Apparel: % of material that contains DWR <sup>73</sup> that is PFC <sup>74</sup> -free	9	15	25	<b>34</b>
Footwear: % of footwear styles that contain DWR that is PFC-free	21	22	19 <sup>75</sup>	<b>57</b>

Three core areas have helped us scale more sustainable chemistries in FY20: the scaling of the MRSI across our supply chain to drive the use of preferred chemical formulations in production, our internal chemical assessment process, and our targeted phase-out efforts.

We continue to evolve our chemistry assessments to improve our ability to scale clean, sustainable chemistry. Chemistry assessments are important because they give greater visibility into which chemicals are being chosen and how they are used, and allow us to proactively choose to scale more sustainable choices. In FY20, we added features that enable us to track key chemical properties, streamline review processes, and increase our innovation speed. We are excited to expand this program in future years, utilizing our collaboration with other organizations and improved data management to integrate chemical decisions from innovation through to scaling in our supply chain.



Our phase-out of PFCs remains on track to meet our goal by the end of 2021, and the availability of approved clean chemistry alternatives for PFC-containing DWR continues to grow. Our strategy goes beyond phase-out of PFCs but includes ensuring that we replace them with clean-chemistry alternatives, which demonstrates our ability to drive the adoption of better chemistry and maintain outstanding performance.

## Looking Back: Five Years of Chemistry

*"Chemicals are a key component in fiber production, transforming fibers into fabrics and adding color and performance to a variety of materials. NIKE works to explore and test new chemistries, while also setting and implementing standards for chemicals used throughout manufacturing. That requires systemic change in partnership with the chemicals industry and our own industry. In 2012, we co-founded an industry initiative seeking to achieve zero discharge of hazardous chemicals by 2020 (ZDHC program). We're also supporting the development of common performance measurement standards through coalitions and industry associations, such as the Sustainable Apparel Coalition. How we unlock real-time transparency in the chemicals used at each process stage continues to be an industry challenge that will require innovation and partnership."*

*FY14/15 Sustainable Business Report*

At the very heart of NIKE's approach to sustainable chemicals management is protecting communities and the environment. We recognize that this requires an end-to-end approach in the selection, management and use of chemicals – an effort that will influence the very building blocks of materials and our products.

As we continue to reduce the use of hazardous chemicals, we are simultaneously committed to improving chemical management across our source base. This can be attributed to education, outreach, consistent messaging and cross-brand collaboration for the past decade. While we still have more work ahead of us, the tools and programs established throughout the past five years have brought our vision of zero discharge of hazardous chemicals closer to reality.

### Restricted Substance List

The NIKE RSL has been an essential part of our chemical program for 20 years. Hundreds of thousands of raw materials tests have been achieved since the program's launch, generating millions of chemical data points that allow us to proactively control the chemical compliance of our products.

The chemical palette used to create our materials and products is sourced across a complex global supply chain that can be difficult to modify. Driving change deep into the supply chain is a challenge that can only be addressed through continued industry collaboration.

In a shared supply chain, consistent approaches and criteria are critical to elevate compliance. To address this complexity, NIKE worked closely with the AFIRM Group to drive creation of an industry-wide RSL in 2016. In FY18, NIKE transitioned to using the AFIRM RSL, helping push forward the industry alignment on RSL and supporting improved compliance through less complexity. Today, the AFIRM RSL has been adopted by more than 70% of AFIRM brands and continues to gain traction.

In FY15, the baseline for RSL compliance was 95%. From FY16 onward, we have achieved a minimum of 98% RSL compliance or better, a testament to the resiliency of our supply chain and a strong indicator that industry guidelines enable suppliers to more effectively comply with a rapidly evolving chemistry landscape.

### Input Management and MRSL

NIKE also continues to evolve in its MRSL management. In the same way that multiple RSLs caused confusion within the industry, a lack of aligned MRSLS also caused frustration within the supply chain. We needed brands and the broader industry to collaborate and align upon a single MRSL.

After we supported the creation of the ZDHC MRSL and adopted this as our own approach to managing chemical selection within the supply chain, we undertook two separate efforts:

- Monitoring MRSL compliance through a systematic testing of wastewater against the ZDHC Wastewater Guideline
- Deployment of the chemical inventory management software CleanChain to clearly assess the MRSL conformity of chemical inventories and better evaluate MRSL compliance risks

After adoption and implementation of MRSL in FY18, we saw that MRSL compliance was initially a challenge for some suppliers. It took time for these chemicals to be depleted and new chemistries sourced. In addition, a global communication and training effort to educate suppliers on MRSL conformity was initiated and scaled to help suppliers fully understand the new requirements. Consequently, initial MRSL compliance was only 67%.

Until the second half of FY20, the MRSL successfully influenced chemical selection across the textile apparel industry, but the mid-FY20 launch of MRSL version 2.0 saw this important tool broaden its focus and further direct the sourcing of chemistry used to process and manufacture a wider array of footwear materials. This was a significant step for ZDHC and the industry, and NIKE is actively deploying version 2.0 across our supply chain.

By working with the chemical industry, we increased the population of the ZDHC Gateway – Chemical Module, an industry database of MRSL-compliant formulations. In FY20, the volume of chemical formulations listed on the ZDHC Gateway increased over 130%, providing the supply chain – and therefore, our suppliers – sourcing options from more than 50,000 formulations.

In FY20, we successfully deployed the CleanChain inventory management software to all of our key material suppliers who represented approximately 80% of total footwear upper materials and apparel textiles production. The chemical information from CleanChain provides valuable insights and is directly linked to selecting and implementing cleaner chemistry in our global supply chain.





Untreated wastewater (left) and recycled wastewater (right) at the Ramatex textile mill in Suzhou, China.

## Wastewater

The biggest challenge with wastewater treatment in the textile industry is not a lack of awareness or commitment but capability. Compounding matters is the success our suppliers had with reducing their freshwater use. As a textile mill becomes more water efficient, the already difficult-to-treat wastewater leaving the facility becomes even more concentrated. Strategic material vendors have demonstrated that it's quicker and easier to reduce water use, and to mitigate flooding and drought risks, than to build the capabilities necessary to meet the expectations of the ZDHC Wastewater Guidelines. This is why we will continue to focus on building fundamental capabilities while driving efficiencies within our supply chain.

In 2015, the signatory brands of the ZDHC Foundation kicked off the development of the ZDHC Wastewater Guidelines. The ZDHC Wastewater Guidelines monitor over 200 individual chemical parameters, whereas the previous industry-standard wastewater guidelines adopted by NIKE in 2011 had only five conventional parameters.

When the ZDHC Wastewater Guidelines were completed in November 2016 (NIKE FY17), we deployed them to our key material suppliers. Because the ZDHC Wastewater Guidelines significantly raised the bar for our suppliers, we knew there would be a learning curve. In FY18, while 73% of our suppliers showed they were compliant with the previous wastewater guidelines, approximately 40% of these same suppliers demonstrated compliance with the ZDHC Wastewater Guidelines. We've been on a mission to adequately prepare our suppliers to meet the expectations of the guidelines.

To that end, we assumed a leadership role developing the ZDHC Foundation's Wastewater Treatment System Operator Minimum Qualifications Guidelines, which define the minimum qualification expectations for wastewater treatment system operators across the textile industry. To support this new guideline, we kickstarted the working relationship between the ZDHC Foundation and

the global nonprofit Water Environment Federation (WEF)<sup>76</sup> and sponsored the Mandarin and Vietnamese translation of the WEF training manual "Wastewater Treatment Fundamentals" to guide suppliers toward the appropriate level of capability building for their employees. To further complement this capability-building effort with the ZDHC, we continue to leverage the Facilities Environment Module of the Sustainable Apparel Coalition to measure and monitor the progress of capability building. In addition, we maintain a global network of wastewater engineering consultants and solution providers who can provide on-demand support and training to our suppliers.

## Looking Ahead

We know it's possible to achieve our water reduction targets and meet the requirements of the ZDHC Wastewater Guidelines, as another one of our suppliers – Formosa Taffeta in Changshu, China – reduced their freshwater footprint by 40% while complying with the ZDHC Wastewater Guidelines. By adopting clean chemistry alternatives for our 10 priority chemistries and facilitating more capability building across and in the supply chain, wastewater treatment operations will become more efficient, resulting in a higher-quality treated wastewater that is more cost effective to recycle, thus further reducing freshwater use via closed-loop water.

### Learn More →

[2025 Chemistry Targets](#)

*Priority Issues*

# OCCUPATIONAL HEALTH & SAFETY

Our approach to Occupational Health & Safety (OH&S) rests on several foundational pillars that we use to monitor our contract factories' adherence to our foundational expectations:

- NIKE's Environment, Health, and Safety (EHS) Policy<sup>77</sup>
- NIKE's Code of Conduct<sup>78</sup>
- NIKE Code Leadership Standards,<sup>79</sup> which communicate how suppliers should implement the Code of Conduct
- Local laws wherever we or our contract factories operate

Certain NIKE owned and operated facilities and supplier facilities undergo external audits and internal assessments. When those processes reveal gaps in OH&S standard implementation, we implement management plans and develop tools to address and correct those problems. We also consider previous audits and assessments as we evaluate the suppliers with whom we will grow our business.

## Contract Manufacturing Facilities

Globally, all of our manufacturing facilities were significantly impacted by the COVID-19 pandemic. In addition to following local government restrictions, the World Health Organization (WHO), and Centers for Disease Control and Prevention (CDC) requirements for protecting workers and preventing community spread, we are continually expanding fundamental capabilities on how to anticipate, recognize, evaluate, and control occupational health issues in the workplace. Remaining agile and able to quickly pivot has become a priority as factories begin to open with limited production capacity. We will continue to build this capability throughout our source base, address returns to the workplace, and enable safer workspaces as we introduce new manufacturing processes.

In FY20, we advanced our OH&S work to prove our commitment to protecting and safeguarding the health and safety of our workers. Fire, building, machine, and construction safety, as well as implementing robust health and safety management systems within contract manufacturing facilities, remained priority areas.

- **Fire Safety:** NIKE requires Tier 1 finished goods suppliers to adopt fire prevention and emergency action plans for the protection of workers during normal working operations and emergency situations. Our journey

<sup>77</sup> <https://purpose.nike.com/health-and-safety>

<sup>78</sup> <https://purpose.nike.com/code-of-conduct>

<sup>79</sup> <https://purpose.nike.com/code-of-conduct>



Chang Shin (VJ) – Dong Nai, Vietnam

of improving fire safety knowledge and practices among workers and managers started with a collaboration between the Fair Labor Association (FLA) and the Institution of Occupational Safety and Health (IOSH). From this relationship, NIKE developed fire safety tools and training for factories around the world. Since the program began in 2015, more than 150,800 factory workers have completed training sessions on fire prevention and protection, as well as related topics like hazard identification, electrical safety, chemical handling, and laser safety.

- **Building Construction and Structural 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. To further support this targeted risk, we developed an accompanying Construction Safety Program Management Playbook, which consists of general health and safety guidelines of recommended practice during the construction of industrial buildings.
- **Chemistry and Occupational Health & Hygiene:** Our suppliers are required to anticipate, recognize, evaluate, and control occupational health & hygiene hazards in the workplace. They must utilize routine monitoring and analytical methods to assess the potential health effects of hazards, and control their workers' exposure. As we develop new and innovative products and materials, going beyond foundational requirements and developing this functional capability will become more integral to keeping workers safe from chemical, biological and physical hazards.

OH&S Data<sup>80</sup> for NIKE Employees and Tier 1 Focus Factories<sup>81</sup>

		CY16	CY17	CY18	CY19	CY20 <sup>82</sup>
<b>NIKE Employees<sup>83</sup></b>						
<i>Distribution (Industry Code: 493110)</i>						
Total Case Incident Rate (TCIR)	NIKE	1.93	1.81	1.74	1.26	<b>1.17<sup>84</sup></b>
	Industry	5.10	5.20	5.20	5.20	<b>4.90</b>
Lost Time Injury Rate (LTIR)	NIKE	1.08	1.24	1.21	0.31	<b>0.78</b>
	Industry	1.70	1.90	1.90	2.20	<b>3.70</b>
<i>Air MI (Industry Code: 326113)<sup>85</sup></i>						
TCIR	NIKE	2.80	3.70	3.56	4.76	<b>4.81<sup>86</sup></b>
	Industry	4.30	5.20	5.20	3.70	<b>4.70</b>
LTIR	NIKE	0.82	0.72	1.31	2.20	<b>1.93<sup>88</sup></b>
	Industry	1.10	1.40	1.40	1.00	<b>3.20</b>
<i>Offices (Industry Code: 551114)</i>						
Recycled	NIKE	0.24	0.27	0.32	0.22	<b>0.35</b>
	Industry	0.80	0.90	0.90	0.80	<b>0.70</b>
Total	NIKE	0.08	0.07	0.17	0.07	<b>0.15</b>
	Industry	0.30	0.20	0.20	0.20	<b>0.30</b>
<i>Tier 1 Focus Factories<sup>89</sup></i>						
<i>Footwear (Industry Code: 3162)</i>						
TCIR	NIKE	0.50	0.40	0.39	0.40	<b>0.28</b>
	Industry	6.70	4.20	3.90	3.20	<b>3.20</b>
LTIR	NIKE	0.30	0.30	0.25	0.26	<b>0.15</b>
	Industry	2.10	1.10	1.10	1.00	<b>1.00</b>
<i>Apparel (Industry Code: 3152)</i>						
TCIR	NIKE	0.90	0.60	0.57	0.59	<b>0.50</b>
	Industry	2.10	2.30	1.50	1.90	<b>1.90</b>
LTIR	NIKE	0.50	0.40	0.42	0.36	<b>0.27</b>
	Industry	0.60	0.50	0.50	0.70	<b>0.70</b>
<i>Equipment</i>						
TCIR	NIKE	1.70	0.80	0.54	0.55	<b>0.37</b>
	Industry	N/A	N/A	N/A	N/A	<b>N/A</b>
LTIR	NIKE	1.10	0.80	0.54	0.55	<b>0.37</b>
	Industry	N/A	N/A	N/A	N/A	<b>N/A</b>

80 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).

81 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.

82 Using CY19 BLS rates as BLS rates for CY20 had not been published at the time of the FY20 NIKE, Inc. Impact Report publication.

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

84 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.

85 Continual process improvements in our distribution centers have allowed us to have a reduction in our year-over-year TCIR.

86 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).

- **Machine Safety:** Improving our factory suppliers' capabilities to operate and maintain modern and automated machinery continues to be a top priority. Our Code Leadership Standard (CLS) requires contract manufacturers to implement machine management programs and track their performance against international machine safety standards. Through engagement with internationally recognized safety experts Pilz, we provided advanced machine safety training and certification. Since starting the program in FY18, 66 factory machine safety practitioners have completed training, with 43 people designated as Certified Machine Safety Experts.

75 factories implemented the Workplace Safety Facilitator (WSF) Program, training more than 5,100 workers on fire safety and facilitating safety programs. Out of those 75 facilities, 42 factories now have at least 1% of their workforce trained as safety facilitators.

We also developed a new CLS on Construction Safety Program Management. These requirements set foundational expectations for managing construction projects that supplement enforcement of local laws and building permit requirements. In addition to making sure buildings are safe, we also want to protect employees and offer space to help them develop. To facilitate self-education and foster engagement within contract manufacturing facilities, 114 new factory participants and 42 new third-party consultants were trained through an online platform on how to self-evaluate their health and safety management systems using our Culture of Safety Maturity Assessment (CoSMA) tools. To ensure we had all necessary safety protocols in place, 14 factories were evaluated by independent third parties to verify the existence of mature safety cultures and advanced management systems. In total, since we started the program in 2015, 23 factories have been verified to have met these criteria.

At NIKE, we believe that there is no finish line. While building world-class safe and healthy workplaces is our objective, we are constantly seeking assurance that our programs are effective and can be sustained by our contract factories. As our relationships with suppliers have grown and matured, we have evolved our OH&S program, seeking organizations who strive to go beyond foundational expectations and invest in those who develop resilient management systems that enable them to drive sustainable business growth while fostering a strong culture of health and safety. In FY20, we worked with the Institution of Occupational Safety and Health (IOSH), a U.K.-based nonprofit and Royal Chartered membership organization for safety and health professionals, to help co-create and implement a corporate-level governance framework for effective health and safety management. We plan to pilot this program and tool with our largest and most strategic supplier groups and if successful scale it throughout our key manufacturing supplier group relationships.

87 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.

88 Air MI injury rate was influenced by COVID-19 with interruptions in work, adjustments to manufacturing process and the addition of hundreds of temporary workers to augment the workforce.

89 Tier 1 focus factory data is self-reported by factories and may be incomplete. At the time of the FY20 NIKE, Inc. Impact Report publication, December 2020 data was estimated for factories where actual data was unavailable. The BLS does not calculate manufacturing rates for equipment.





Vietnam Pou Sung – Dong Nai, Vietnam



## NIKE Owned and Operated Facilities

COVID-19 had a significant impact on NIKE's global operations across all business functions, including our office environments, retail spaces, distribution, and in-house manufacturing. By implementing COVID-19 mitigation controls, we helped our business continue to operate. Increased protection for employees provided for a strategic ramp up of employees returning to essential operations in all geographies.

Early on in the pandemic, NIKE established key relationships and leveraged metrics with leading public health authorities, including the Johns Hopkins Bloomberg School of Public Health and the Harvard T.H. Chan School of Public Health, and acted in accordance with the evolving guidance from the CDC, the WHO, and applicable federal, state, and local health agencies. Through these relationships, we were able to develop robust response playbooks and recovery plans fundamentally designed to minimize the risk of COVID-19 transmission. Intending to reduce the potential for transmission by minimizing employees' risk of exposure, our team focused on strategies in order of priority: elimination, engineering controls, administrative controls, and personal protective equipment (PPE).

NIKE developed robust health, PPE, and face covering guidance to support employees to return to work, including a global testing strategy that leveraged a risk-based approach for targeted groups and use cases. We implemented temperature-check solutions across business-critical functions including mandatory protocols at select locations deemed business essential and/or as a government requirement. NIKE secured additional technology for voluntary temperature evaluations at select high-density locations, working with North Carolina State University to evaluate internally manufactured and procured face covering performance for both particulate filtration and breathability.

With the shift in priorities to allow for the pandemic response, we realigned our focus on developing internal standards and playbooks to focus on life safety as a priority. For example, in FY20, we formally introduced our revised Global Environment, Health, and Safety (EHS) Policy internally through a series of events to select business functions. Despite the global pandemic,

NIKE maintained construction continuity for global expansion projects, including expansion projects at WHQ with the recently completed LeBron James and Serena Williams high-rise buildings. Additional global renovations were also successfully completed without major incident or injury at key projects in London, South Africa, and at our European HQ in the Netherlands.

NIKE also initiated the implementation of a centralized global EHS management system platform in which employees can align and benchmark against the EHS mission and core compliance initiatives to implement operational compliance worldwide.

Finally, as a result of the increased campus growth and construction, we implemented new Emergency Action Plans (EAPs) in our new high-rise buildings: the Serena Williams Building, Tiger Woods Center, Sebastian Coe Building and Lebron James Building. Employees working in each of these buildings will receive emergency evacuation training with new opportunities to volunteer for evacuation assistance teams to help NIKE maintain the National Fire Protection Association (NFPA) compliance for high-rise buildings.

## Looking Ahead

We believe all people deserve a fundamental right to the protection of life and health in the workplace. NIKE aims to provide safe, hygienic, and healthy workplaces across our value chain, in our own facilities and in those operated by contract factories and suppliers. We seek to achieve this by adopting and refining safety systems and rules, through education and training, and by fostering a safety culture.

### Learn More →

[2025 Health & Safety Targets](#)

At NIKE, we believe we have a responsibility to conduct our business ethically. We expect the same from our suppliers. We seek to 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 CLS 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 workers' home countries with adequate time for review; providing contracts in both the workers' languages and legally enforceable language in the receiving country; and prohibiting requirements to post bonds or make deposits as a condition of employment. We have continued to focus on key forced-labor risks including those related to foreign migrant workers.<sup>90</sup>

NIKE regularly engages in collective action to address targeted, regionally specific forced-labor issues. For example, NIKE is a signatory to efforts such as the Responsible Sourcing Network's Turkmen Cotton Pledge and Uzbek Cotton Pledge.<sup>91</sup>

We are deeply concerned about reports of forced labor in, and connected to, the Xinjiang Uyghur Autonomous Region (XUAR) in China. NIKE does not source products from the XUAR and we have confirmed with our contract suppliers that they do not use textiles or spun yarn from the region.

In FY20, NIKE strengthened its audit protocols and has been conducting ongoing due diligence with our suppliers in China to identify and assess potential risks related to the employment of Uyghurs, or members of other ethnic minorities from XUAR, in other parts of China. We have also been engaging with multi-stakeholder working groups to assess collective solutions that will help preserve the integrity of our global supply chains.<sup>92</sup>

<sup>90</sup> <https://purpose.nike.com/nike-statement-on-forced-labor>

<sup>91</sup> <https://purpose.nike.com/sustainability-commitments>

<sup>92</sup> <https://purpose.nike.com/statement-on-xinjiang>

<sup>93</sup> 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 so that all workers meet the legal requirement in the future.

### Priority Issues

# FORCED LABOR

#### Child Labor-Related Findings

	FY16	FY17	FY18	FY19	FY20
Number of Child Labor Findings/Events	0	0	0	0	<b>0</b>
Number of Other Age Standard Findings/Events	0	1	0	1 <sup>93</sup>	<b>1<sup>94</sup></b>

#### Voluntary Labor-Related Findings

	FY16	FY17	FY18	FY19	FY20
Voluntary Labor	0	6	5	1 <sup>95</sup>	<b>1<sup>96</sup></b>



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<sup>94</sup> NIKE's Code of Conduct requires that all workers performing production activities related to NIKE product be at least 16 years old. During an assessment, it was identified that workers under 16 were participating in a legally required apprenticeship program and were involved in production-related activities for NIKE product. The facility removed these workers from production roles, relocated them to non-production functions as they continued their apprenticeship program, and has created a policy requiring workers involved in production-related activities to be at least 16 years old.

<sup>95</sup> NIKE adheres to the employer pays principle and requires that workers do not pay for their employment. Foreign migrant workers were found to have paid fees related to their recruitment. The facility issued back payment to impacted workers and changed their practice to cover these fees for all foreign workers. A follow-up audit conducted at the facility confirmed these fees were borne by the facility.

<sup>96</sup> During an annual assessment, it was found that a facility had restricted workers' freedom of movement during work hours. The facility made modifications to its internal policy, allowing workers access to facilities during work hours, and a follow-up assessment was conducted to confirm that it was implemented and workers had been informed of the changes.

## Looking Ahead

67	2025 Targets
	<b>People</b>
72	Representation & Hiring
75	Pay & Benefits
76	Health & Safety
77	Inclusive Culture & Engagement
79	Education & Professional Development
80	Business Diversity & Inclusion
81	Foundational Expectations
	<b>Community</b>
84	Active Kids
85	Inclusive Communities
86	Employee Engagement
87	Community Investment
	<b>Planet</b>
90	Carbon
93	Waste
96	Water
98	Chemistry

*Our Vision*

# 2025 TARGETS



NIKE Running Campaign

Over the next five years, we will bring our purpose to life with a focus on people, planet, and play.

We have developed 29 targets to achieve our ambitions. Our targets are aggressive, but achievable. We're committing to clear action plans with clear goals, clear measures – and clear accountability. Above all, we're committing to helping shape a better future, across our company and around the world.

Like in training for any competition, we may face unforeseen challenges. We've set targets that will push us to new boundaries, because we know now is the time to accelerate. We have plans in place to achieve our targets, knowing progress depends on teamwork and end-to-end execution. We expect the journey won't be a straight path – we will amplify successes and we will pivot from any setbacks. And collective action will be our call-to-action, because we know we can't do it alone.

Our 2025 Targets are our roadmap. The targets we have set are industry-leading in how we:

- Tie executive compensation to our 2025 target performance
- Leverage annual milestones to improve performance management
- Extend accountability of targets deeper into our value chain, with new targets focused on waste, labor and supplier diversity
- Align with Science Based Targets and Sustainable Development Goals

# 2025 Targets

## People

### Representation and Hiring

**50%** representation of women in global corporate workforce<sup>97</sup> and **45%** in leadership positions<sup>98</sup>

**30%** representation of U.S. racial and ethnic minorities<sup>99</sup> at Director level and above; increase pipeline of Black and Latinx talent at Director and above

**35%** representation of racial and ethnic minorities in our U.S. corporate workforce<sup>100</sup>

**\$10 MILLION** investment earmarked for historically Black colleges and universities (HBCU) and Hispanic-serving institutions (HSI) in the form of scholarships and academic partnerships to increase intern and direct hires

**ENHANCE OPPORTUNITIES** and marketing of open roles for first-line athletes<sup>101</sup> to compete for corporate roles

**100%** of strategic suppliers<sup>102</sup> are increasing access to career opportunities and upward mobility for women employed in their facilities

### Pay & Benefits

Maintain **100%** pay equity across all employee levels on an annual basis

Provide competitive and equitable benefits for all employees

### Health & Safety

**100%** of strategic suppliers<sup>102</sup> are building world-class, safe, and healthy workspaces for the people making our products

### Inclusive Culture & Engagement

**TOP QUARTILE** in benchmarked companies for both engagement<sup>103</sup> and inclusion<sup>104</sup>

Continue to focus on improving access to athletes\* of all abilities for our brand, our experiences, our product, our facilities, and our company

**100%** of strategic suppliers<sup>102</sup> are measuring and improving the engagement of the people making our products

### Education & Professional Development

**100%** of Vice Presidents complete and be credentialed on Inclusive Leadership education

**2X INVESTMENTS** focused on professional development for racial and ethnic minorities in the U.S. and women globally

### Business Diversity & Inclusion

**\$1 BILLION** cumulative spend on diverse suppliers<sup>105x</sup>

### Foundational Expectations

**100%** of facilities in our extended supply chain<sup>106</sup> meet NIKE's foundational labor, health, safety, and environmental standards demonstrating respect for the rights of their workers and communities where they operate

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

## Community

### Active Kids

Drive sustained community impact by getting kids moving in our key cities and sourcing backyards with **50%** girl participation

### Inclusive Communities

Invest **\$125 MILLION** to support organizations working to level the playing field and addressing racial inequality

### Employee Engagement

Increase the number of employees engaged in their communities to a minimum of **35%**

### Community Investment

Invest **2%** of prior-year pre-tax income to drive positive impact in communities

## Planet

### Carbon

**70%** absolute reduction of greenhouse gas (GHG) emissions in owned or operated facilities through 100% renewable electricity and fleet electrification

GHG emissions from key suppliers' manufacturing and transportation operations<sup>107</sup> will be **AT OR BELOW 2020 LEVELS, DESPITE ANTICIPATED BUSINESS GROWTH**, through use of renewable energy, energy efficiency and alternative fuels

**0.5 MILLION** tons of GHG emissions reduced through increasing our use of environmentally preferred materials to **50%** of all key materials<sup>108</sup>

### Waste

**10%** waste reduction per unit in manufacturing, distribution, headquarters, and packaging through improved design and operational efficiency

**100%** waste diverted from landfill in our extended supply chain with at least **80%** recycled back into NIKE products and other goods

**10X** the amount of finished product waste refurbished, recycled, or donated

### Water

**25%** reduction in freshwater usage per kg in textile dyeing and finishing

**13 BILLION** liters restored through a portfolio of watershed projects that support long-term resilience for water-stressed ecosystems and communities within our extended cotton supply chain

### Chemistry

Adopt clean chemistry alternatives for our **10** priority chemistries across our supply chain



# 2025 Targets

## Footnotes

- 97 **Global Corporate Workforce** includes all global full-time employees who do not work in our retail stores, distribution centers, or Nike Air manufacturing innovation (AIR MI).
- 98 **Leadership Positions** include Vice Presidents and above.
- 99 **U.S. Racial and Ethnic Minorities** as defined by EEO1 categories including American Indian or Alaskan Native, Asian, Black or African American, Hispanic/Latino, Native Hawaiian or other Pacific Islander.
- 100 **U.S. Corporate Workforce** includes all U.S.-based full-time employees who do not work in our retail stores, distribution centers, and Nike Air manufacturing innovation (AIR MI).
- 101 **First-line athletes** include full-time employees who work in our retail stores, distribution centers, or Nike Air manufacturing innovation (AIR MI).
- 102 **Strategic Suppliers:** Strategic Finished Goods Suppliers; Suppliers representing approximately 80% of total footwear and apparel production.
- 103 **Engagement Index** includes three questions: "I am optimistic about the future of NIKE, Inc."; "I would recommend NIKE, Inc. as a great place to work"; "My work gives me a feeling of personal accomplishment."
- 104 **Inclusion questions** include: "My team has a climate in which all perspectives are valued", "I feel valued as an employee of NIKE", "I can be myself at work", "All employees, regardless of their differences are treated fairly", "My manager supports inclusion and diversity in the workplace", "NIKE, Inc. is committed to diversity and inclusion in the workplace."
- 105 A **Diverse Supplier** is one that must be majority (at least 51%) owned, operated, managed, and controlled by a diverse\* person or persons who are either U.S. citizens or lawful permanent residents. A "diverse person" may be defined as a minority\*, woman, disabled, LGBTQ and/or veteran. \*Minority defined as African-American, Hispanic, Asian-American, Native-American, Pacific Islander, or other types of ethnic minorities here in the United States.
- 106 **Facilities in Extended Supply Chain:** 100% finished goods suppliers (AP, FW, and EQ); in-scope materials suppliers; focus DCs; and Air Manufacturing Innovation facilities  
 - In-Scope Materials Suppliers: Suppliers representing approximately 90% of total footwear upper materials and apparel textiles production.  
 - Focus DCs: Distribution centers representing at least 80% volume.
- 107 **Key Suppliers' Manufacturing and Transportation Operations:** Strategic footwear suppliers; strategic apparel suppliers; strategic footwear and apparel materials suppliers; inbound and outbound logistics  
 - Strategic Footwear Suppliers: Suppliers representing approximately 95% of total footwear production  
 - Strategic Apparel Suppliers: Suppliers representing approximately 60% of total footwear production  
 - Strategic Materials Suppliers: Suppliers representing approximately 80% of total footwear upper materials and apparel textiles production.
- 108 **Key Materials:** Polyester, cotton, leather, and rubber.



# PEOPLE



# WE INVEST IN THE POWER OF PEOPLE TO MOVE THE WORLD FORWARD.



At its best, sport redefines human potential. When people see what they're capable of, they can break barriers in areas where we need change the most: protecting the planet, creating active communities, and advancing equality.

We are building a more diverse, inclusive team and culture of belonging – one that reflects the diversity of the athletes we honor, the people who love our products, and the communities we serve.

Across our value chain, we seek to advance responsible sourcing with fair and equal conditions for the people who make NIKE products. Our consumers and stakeholders hold NIKE to a higher standard. And so do we.

Around the world, we support athletes who lead on and off the field, visionaries who inspire a culture of possibility, and youth who create a brighter future.

Our goal is, and always will be, that NIKE moves people into action to create a better world.

# REPRESENTATION & HIRING



## 2025 Targets

**50%** representation of women in global corporate workforce and **45%** in leadership positions

**30%** representation of U.S. racial and ethnic minorities at Director level and above; increase pipeline of Black and Latinx talent at Director and above

**35%** representation of racial and ethnic minorities in our U.S. corporate workforce

**\$10 MILLION** investment earmarked for historically Black colleges and universities (HBCUs) and Hispanic-serving institutions (HSIs) in the form of scholarships and academic partnerships to increase intern and direct hires

Enhance opportunities and marketing of open roles for first-line athletes to compete for corporate roles

## Why Representation Matters for NIKE Employees

NIKE's approach to employee and business growth is fueled by the belief that diversity – in all its forms – fosters creativity and accelerates innovation. Leveraging different perspectives, experiences, and backgrounds generates unique ideas. To enable this work, we will continue to build a creative and inclusive culture where all voices are welcomed and heard.

We aspire to be a leader with a diverse and inclusive team and culture. This is a space where we are choosing to act – and act decisively.

## How We Will Win With Representation

**We will focus on a systemic approach to improve representation at NIKE.** We seek to advance a diverse and inclusive culture by focusing on four key areas:

- **Representation** at all levels of the organization and across all U.S. racial and ethnic minorities, with a sharp focus on Black, Latinx and female representation. We will track and measure progress on a regular basis.
- **Education** is an important enabler of becoming a more diverse, inclusive culture. We will invest in making educational resources available to build awareness and understanding on social justice and racial equity.
- **Development.** We will significantly increase our investment in professional development to support people to advance and grow their careers at NIKE. This will include providing more mentorship opportunities and additional training, resources, and support systems.
- **Community.** We're committed to driving positive change in the communities where we live and work through the efforts of our employee networks, and the relationships we have with a broad range of suppliers, educational organizations, and nonprofits.

### We will expand our diversity recruitment, retention, and promotion efforts

**efforts.** In recent years, we have seen great success with our diversity recruitment programs, and will continue to build on those efforts. We will increase engagement with and participation from the HBCUs and HSIs, and will put further academic programs in place with a specific focus on Science, Technology, Engineering, and Math (STEM), business, and arts. NIKE will also continue our talent innovation- and diversity-sourcing programs such as Serena Design Crew and Women in NIKE, launch a Converse All Stars Design Team apprenticeship program, and will evolve our internship program into a direct hire program with an allocated Full-Time Employee (FTE) headcount.

Through the expansion of inclusive and transparent talent practices and decisions, we will increase participation of underrepresented talent in accelerated development programs. We will also increase engagement and decrease turnover of our diverse talent by building sustainable career roadmaps for our diverse talent for advancement, retention, and growth with mentorship support.

Lastly, we will put programs in place that enhance the growth opportunities for our first-line athletes. We will offer a variety of accelerated development programs and will make corporate roles available through a so-called gateway program. The gateway program identifies select corporate roles that are a fit for retail employees who want to pursue a corporate career. In addition, we are also offering sessions on résumé building and interviewing skills.

**We will continue to mitigate bias through transparent and data-driven talent practices and decisions.** We plan to equip our leaders with the tools, information, and support necessary to achieve their goals. We'll also be working closely with our Human Resources Business Partners (HRBPs) and Diversity Business Partners to help them understand how best to analyze and use our representation data with their stakeholders, to ensure strategic alignment and genuine cultural progression over time. We intend to give all of NIKE's Vice Presidents access to representation data, with sharp accountability to deliver on their Diversity & Inclusion (D&I) plans.

## Women in Sport

NIKE is committed to improving a woman's sport experience at every stage of her journey – from her introduction to the game, through her daily workouts and all the way to the competitive playing field.

NIKE has helped to grow women's sport worldwide. We support the most athletes, teams, and leagues. And for decades, we've built programs that are focused on supporting girls by providing access and removing barriers to play and sport. We know how important it is to invite more girls into sport and to keep them in once they start. And we're developing curriculums to make the coaching experience for young girls more inclusive and positive. And, we know we still have more work to do.

We've also learned that while mental health and wellness are important for all genders, women and girls often face unique challenges. That's why we're partnering with a nonprofit called Crisis Text Line in the U.S. to help expand access to free, 24/7 mental health support for athletes in need – all through text message.

So we're learning. We're taking action on the challenges we see before us. And we're making real progress. But we know there's more to do. Because it's not always about shattering world records and winning tournaments, sometimes it's about getting more people to the starting line.





Feng Tay (Lifeng Footwear) – Putian, China

#### 2025 Targets

**100%** of strategic suppliers are increasing access to career opportunities and upward mobility for women employed in their facilities

#### Why Representation Matters in the Supply Chain

We know that gender diverse businesses perform better and positively impact workers. Unfortunately, there is a gender gap in almost every industry, including in footwear and apparel manufacturing. Over 70% of people making NIKE products are women, yet female representation decreases with the move into leadership ranks. We believe that increased opportunities for all workers will equal better business outcomes.

Through our engagement with suppliers, we have shown that a skilled, valued, and engaged workforce is key for growth. We've laid the groundwork for how they can value and engage their workers. The time is right to deepen this commitment and drive progress toward a more gender equitable manufacturing supply chain. We see a future of a more inclusive workforce where everyone feels respected, included, and heard. This means that we will continue to support contract manufacturers who invest in their workforce, ensuring they have the skills, empowerment, and support to reach their full potential.

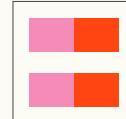
#### How We Will Win in the Supply Chain

**We will measure gender equity.** We will support our contract suppliers in advancing gender-equitable policies and practices. We have worked with the International Center for Research on Women to develop a resource hub to measure gender equity for the footwear, apparel, and textile manufacturing sector. This hub provides resources to identify strengths and areas of improvement for factories interested in advancing gender equitable policies and examples of the best practices to get there. As a first step toward achieving this target, our suppliers will complete an annual self-diagnostic tool to understand their areas of opportunity. We will then support them in addressing low-scoring areas and developing a long-term action plan to advance gender equity within their organization.

**We will work with the right organizations.** We want to support our contract factories to advance gender equity in their workforces and integrate this work into their overall human resource management (HRM) systems. We will look to work with organizations that can help factories implement best practices in advancing a more equitable workplace, such as supporting working parents and addressing harassment.

**We will identify ways our suppliers can develop strong internal career pathways and more equitable talent pipelines.** We will focus on contract suppliers who invest in their employees to develop the skills and competencies to thrive in the future. By focusing first on advancing gender-equitable policies and practices, then developing strong career development pathways and external talent pipelines, this will help advance career opportunities and upward mobility for women in our supply chain. Our hope is that those gains can be sustained over time through an inclusive and supportive environment.

# PAY & BENEFITS



## 2025 Targets

Maintain **100%** pay equity across all employee levels on an annual basis

Provide competitive and equitable benefits for all employees



NIKE World Headquarters – Beaverton, Oregon

## Why Pay & Benefits Matter

NIKE's benefits 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.

## How We Will Win

Pay can be managed and assessed in several ways. NIKE annually benchmarks with other leading global companies, and uses this data to inform salary investments, and adjust the pay ranges we use to guide pay decisions. In addition, we conduct an annual global pay equity review for our employees across all geographies, functions, and business units. We define pay equity as equal compensation for women and men globally of all races/ethnicities in the U.S. who undertake the same work at the same level, experience, and performance.

**We will maintain focus on pay equity.** In August 2016, NIKE signed the White House Equal Pay Pledge, publicly declaring our commitment to review pay and promotion practices annually, and to review that women and men who undertake the same work at the same level are equitably compensated. At that time, we expanded this pledge to also include equity across all races and ethnicities in the U.S.

**We will continue to identify and provide competitive and equitable benefits, tailored to the needs of our employees.** A big part of supporting our teammates through pay and benefits is listening to our employees to help inform what we offer. This includes a new Financial Wellness benefit, working with EY to provide free, independent financial coaching and education for all U.S.-based employees. Financial support will comprise one-to-one consultations, group webinars, and on-demand digital learning resources. We will also continue to support our employees who work from home due to COVID-19 health and safety measures, providing them with select technology and ergonomic products through a NIKE-exclusive portal.

**We will continue to support our suppliers in developing mature compensation approaches.** We want to support worker livelihoods and enable them to remain attractive employers in local labor markets. We will continue our support for suppliers in developing their strategic compensation capabilities, as part of our broader HRM programming.

# HEALTH & SAFETY



2025 Target

**100%** of strategic suppliers are building world-class, safe, and healthy workplaces for people making our products

## Why Health & Safety Matters

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, which includes workplaces operated by contract factories and suppliers. We do this by adopting and refining safety systems and rules; through education and training; and by fostering a culture of health and safety.

Throughout the past five years, we have defined a roadmap for achieving world-class safety performance, tested and piloted programs to create advanced health and safety management systems, and developed new tools to measure individual competencies and leadership capabilities that enable a mature culture of health and safety in the workplace. During our pilot, we found that our control lines where the health and safety systems were piloted had 85% lower injury and illness rates compared to traditional manufacturing lines. Control lines were tested at eight different manufacturing facilities through 4 million working hours.

## How We Will Win

**We will scale our Culture of Health and Safety initiative.** Our focus for the next five years is to increase investment in developing a mature culture of health and safety within our strategic supplier factories. We believe that mature safety cultures activate and enable safety management systems that create world-class healthy and safe workplaces.

**We will measure the maturity of our contract factories' safety programs.** The "Culture of Safety Maturity Assessment" (CoSMA) tool contains 27 health and safety diagnostic elements that assess factory leadership engagement and accountability, management systems and processes, and organizational skills and capabilities. The diagnostic elements within the CoSMA show areas where the factory is performing well and areas that could improve. Areas of improvement provide a clear roadmap toward building a world-class safe and healthy workplace. The tool is now open sourced through a third-party online training platform,<sup>109</sup> hosted by the Phylmar Academy.

<sup>109</sup> <https://phylmar.learningcart.com/content/Phylmar-Academy.aspx>



Chang Shin (VJ) – Dong Nai, Vietnam

**We will encourage self-assessment.** To help foster engagement, we developed online training on how to use our self-assessment tools. As of FY20, 156 factory and third-party consultants have successfully completed our online training. The self-assessment can be supported by trained third-party consultants or NIKE staff, and the results are calibrated with a worker/management safety perception survey. Calibrated results are used as a leading indicator of safety performance.

**We will collaborate with external experts.** As we continue to elevate a culture of health and safety within our supply chain and across our industry, we collaborate with others to resolve common OH&S issues. We have current engagements with the Fair Labor Association (FLA) and Better Work, a joint program of the International Labour Organization (ILO), and the International Finance Corporation (IFC). In our exploration of adding strategic relationships, including one with the IOSH, we will continue to accelerate our strategy to build world-class safe and healthy workplaces globally.

**We will pilot our Transformational Leadership program with our largest and most strategic suppliers.** As we continue our pilot, we will adjust and customize the program to meet the cultural, language, and footwear and apparel industry sector needs of our contract factories. If the pilot proves to be successful, we plan to scale throughout our remaining 23 key manufacturing supplier group partners. Effective corporate governance of OH&S and implementing our Transformational Leadership program at the highest leadership level of an organization will enable more effective and sustained health and safety programs.



# INCLUSIVE CULTURE & ENGAGEMENT

2025 Targets

**TOP QUARTILE** in benchmarked companies for both engagement and inclusion

Continue to focus on improving access to athletes\* of all abilities for our brand, our experiences, our product, our facilities, and our company

## Why an Inclusive Culture Matters to NIKE Employees

We are 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.

Diversity and inclusion are core to our purpose and mission, and ability is one dimension of diversity. Ability inclusion through accessibility comes to life through our strategy, governance, and implementation.

## How We Will Win with Employees

**We will focus on educating leaders and managers.** We will launch the next iteration of unconscious bias awareness (UBA) training with a focus on further expanding and embedding D&I education throughout the employee journey. In addition, in collaboration with the University of Southern California's Race and Equity Center, we will be rolling out a robust diversity and inclusion curriculum to all 75,000 employees, covering topics such as anti-racism, racial inequity, and micro-aggressions. Also, the VP Leadership Team will begin an inclusive leadership certification program with Northwestern University's Dr. Alvin Tillery.

**We will redefine our performance and development programs.** This includes increasing our focus on mentorship and a targeted education to ensure we advance the careers of our diverse talent.

**We will consistently maintain certification for the MLT Black Equity at Work Index.<sup>110</sup>** This index is a clear and comprehensive Black equity standard for employers. The certification provides NIKE with the roadmap and recognition necessary to pursue Black equity with focus and rigor.

**We will increase participation rates and engagement of women and U.S. racial and ethnic minorities talent in the All-Employee Engagement Survey.** Our NikeUNITED networks will help drive change by advocating for participation in the survey and we will share the changes we've made for women globally and U.S. racial and ethnic minorities as a direct result of survey feedback.

**We will establish Workplace Design and Connectivity (WD+C)**  
**"Universal Design" standards and guidelines.** NIKE is focused on creating an inclusive workplace environment through our workspaces and services so that all employees are able to do their best work. Moving forward, we will continue to evolve our accessibility workplace standards. This work will focus on accessibility for employees with physical mobility, hearing and visual disabilities, as well as neurodivergent employees. An Accessibility Council has been set up to hear feedback from our employees and help shape the future workplace standards, as well as creating accessible meetings and events.

<sup>110</sup> <https://www.mltblackequityatwork.org/>





Feng Tay (Lifeng Footwear) – Putian, China

## 2025 Target

**100%** of strategic suppliers are measuring and improving the engagement of the people making our products

## Why an Inclusive Culture Matters in the Supply Chain

We want to empower suppliers to engage with and value their people. We know that high employee engagement leads to a more efficient, agile, and committed workforce, which results in beneficial outcomes for both the individual and the organization. Not only are engaged workers more likely to feel physically and mentally secure, but they're also more likely to actively and positively contribute to their work. Having an engaged workforce is proven to fundamentally shift overarching business issues such as compensation, overtime, and workplace conditions.

Over the past five years, we developed and implemented the Engagement and Wellbeing (EWB) Survey to measure the level of engagement and experiences of factory workers. While we have been scaling the deployment of this survey to reach more factories across our supply chain, measuring worker voice is just the start. We are actively supporting our suppliers in building capabilities that will increase engagement, and this approach is foundational to a future where we continue to grow with those factories that value and engage workers.

## How We Will Win in the Supply Chain

**We will focus on scaling the EWB Survey.** Our goal is to reach 100% of our strategic suppliers. The more suppliers that we can reach, the better the grasp we'll have of the whole industry and the more likely we'll be able to change for the better.

**We will focus on driving supplier-led measurement of worker voice.** Recognizing that no two suppliers are the same or at the same point in their worker engagement and wellbeing journey, we plan to meet them where they are. NIKE's guidelines will enable a standardized approach and drive supplier ownership and accountability in this process. We have a robust network of vendors who leverage mobile and tablet technology to deploy these surveys digitally, enabling rapid feedback on results and more potential to integrate into their worker-management communication systems.

**We will work with suppliers to incorporate worker engagement and wellbeing processes into their overall HR approach.** We will continue to evolve tools and advance capabilities to help suppliers convert the insights from their EWB Survey into actions that positively impact workers. These include supports such as the EWB Toolkit, which helps factories develop and implement a process for converting these insights from workers into action and embedding these practices into their HRM systems.

# EDUCATION & PROFESSIONAL DEVELOPMENT



## 2025 Targets

**100%** of Vice Presidents complete and be credentialed on Inclusive Leadership education

**2X** investments focused on professional development for U.S. racial and ethnic minorities and women globally

## Why Education and Professional Development Matters

Developing our employees is critical to both personal achievement and business success – and we continue to approach this growth from several angles.

We're placing a stronger focus on Diversity & Inclusion (D&I) education for all NIKE employees and leaders – to make sure everyone has the cultural awareness and understanding needed to successfully build diverse and inclusive teams. Education is the foundation and an important first step in removing implicit and unconscious bias to steward a culture of belonging, and individual growth and development.

We're continuing to offer industry-leading development programs and experiences that empower and enable NIKE employees to realize their career aspirations. It is our goal to ensure consistent career progression and growth, and we plan to provide more clarity to help all employees understand how to build their careers at NIKE.

## How We Will Win

**We will focus on D&I education.** Last year, we started with delivering foundational D&I training to instill a culture of belonging. To date, over 57,000 employees have completed this training. With our new D&I commitments and focus on education, we have increased our investment in D&I education, with a focus on providing deep and immersive education on topics of equity, inclusion, and anti-racism.

**We will strengthen inclusive leadership.** We will launch VP Leadership Team-specific inclusive leadership education and certification, in collaboration with Northwestern University's Dr. Alvin Tillery. In parallel, we will offer a comprehensive company-wide D&I curriculum for all employees through our relationship with Dr. Shaun Harper of the University of Southern California's Race and Equity Center. This curriculum will be self-paced and digitally delivered through a new digital learning platform. We will amplify this investment and professional development through mentorship and ongoing external relationships, and will continue to make leader and employee tools and resources available.

**We will grow awareness and activism in areas of social justice and racial equality.** Education is the prerequisite to awareness. In November 2020, we hosted a three-day VP Leadership Team meeting to provide a consistent leadership-development experience and set clear leadership expectations. By educating our leaders, we're giving them the skills to find their voice, be advocates and allies, and can scale that to their teams. Going forward, we expect to continue to roll out more D&I education programs that build inclusion into our company's DNA.

**We will empower and enable all employees to realize their career aspirations.** We will redefine individual development plan programs and policies, with sharpened manager training and continue the delivery of industry-leading development programs and experiences, sharply focused on U.S. racial and ethnic minorities and women globally, in collaboration with key educational institutions and associations such as Management Leadership for Tomorrow (MLT), The Executive Leadership Council (ELC), The Alumni Society, and Stanford Continuing Education Programs.

# BUSINESS DIVERSITY & INCLUSION



## 2025 Targets

**\$1 BILLION** cumulative spend  
on diverse suppliers

## Why Business Diversity & Inclusion Matters

Promoting Business Diversity & Inclusion models provides NIKE full access to innovation and creativity to stay competitive and forward-thinking in the global marketplace. It's a way to grow economic opportunity and create equal playing fields for all, everywhere we do business.

In addition, Business Diversity & Inclusion amplifies our ability to speak authentically to our diverse consumer base. It helps us generate new ideas that can change the world around us, as well as how we conduct business on a daily basis. Business Diversity & Inclusion recognizes that NIKE can only reach its full potential by forming robust relationships with diverse businesses. Ultimately, we believe that a diverse and inclusive team is a winning team.

## How We Will Win

### We will build and develop a robust pipeline of diverse suppliers.

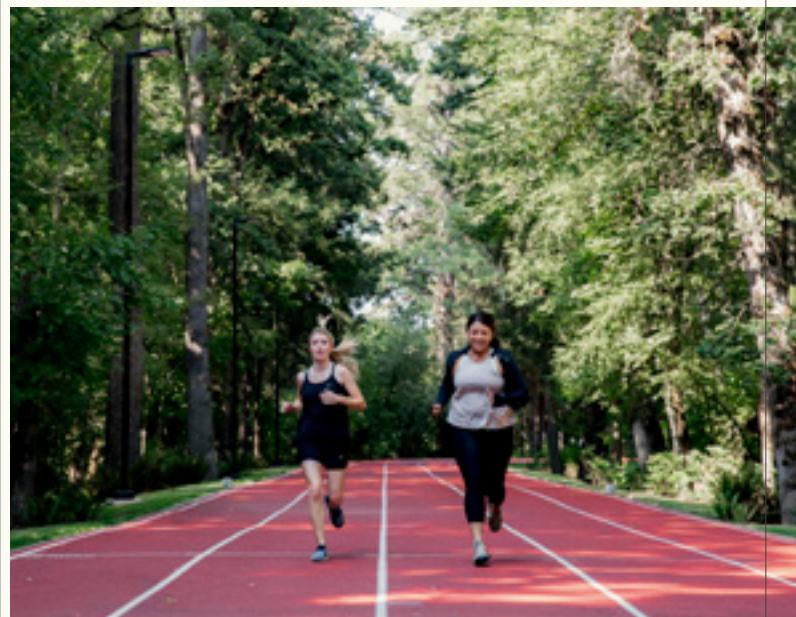
Our goal is to create a sustainable pathway for cross-industry suppliers to engage with NIKE. Through this work we will be able to empower the communities we serve through diverse and inclusive business relationships.

### We will create and enforce policies that will serve as procedural guidelines to influence and track spend with diverse suppliers.

Holding our cross-functional teams accountable for diverse and inclusive sourcing will deepen our engagement and ability to drive impact.

**We will network to create relationships both internally and externally to further the reach of Business Diversity & Inclusion.** Internally, our goal is to spread awareness and adoption of our program strategy on all levels of leadership across the organization. Our external goal is to connect to the global network of the Supplier Diversity industry including Supplier Diversity councils, government-affiliated Chambers of Commerce, and other Fortune 500 corporations.

**We will focus on the diversity of the people in the entire NIKE ecosystem to be representative of the diverse communities we serve.** Our areas of focus range from our internal workforce, contingent labor workforce (contractors), and the external workforce of our suppliers in terms of representation on NIKE accounts.



NIKE World Headquarters – Beaverton Oregon

# FOUNDATIONAL EXPECTATIONS



2025 Target

**100%** of facilities in our extended supply chain meet NIKE's foundational labor, health, safety, and environmental standards demonstrating respect for the rights of their workers and communities where they operate

## Why Foundational Expectations Matter

Our commitment to serving athletes everywhere has taught us that equality on the field is a powerful catalyst to driving equality off the field. NIKE supports human rights as defined by the Universal Declaration of Human Rights, which recognizes that "all human beings are born free and equal in dignity and rights." We work to elevate human potential through our products, relationships, and operations – something that cannot be accomplished without a fundamental respect for human rights throughout NIKE's operations. We expect that these foundational principles are respected throughout our suppliers and supply chain, and across NIKE's operations. And while we have focused on elevating this commitment with our Tier 1 finished goods suppliers, we are taking the next step in this evolution to extend measurement of performance against NIKE's foundational standards across our extended supply chain to facilities that make and move our product, including Tier 1, high-volume Tier 2, distribution centers, and NIKE owned and operated facilities.

## How We Will Win

To enable our operations to hit our expectations of foundational labor, health, safety, and environmental standards, we need robust factory monitoring systems in place. When it comes to factory audits, a frequent challenge that the apparel and footwear industry faces is audit duplication and lack of resources to invest in improving working conditions across the supply chain.

**We will apply a holistic factory-monitoring system across our supply chain.** NIKE is a signatory of the Social & Labor Convergence Program (SLCP) and a member of the Sustainable Apparel Coalition (SAC), which seek to drive industry convergence on factory compliance to mitigate issues. Their approach is based on supplier ownership of responsible manufacturing and aligns with NIKE's approach to drive sustainable and consistent performance with our contract factories. Our goal is to replace our current supplier factory monitoring system with this industry approach to monitor labor, health and safety, and environmental compliance. NIKE just began extending this holistic approach with our Tier 2 dyeing and finishing suppliers. Moving forward, we will continue to scale within our AIR MI facilities, Tier 1 and 2 supply base and logistics providers.

**We will update our Code of Conduct and Code Leadership Standards (CLS).** To further extend this approach to monitoring compliance across NIKE's extended supply chain, we are updating our Code of Conduct and CLS. This, in turn, will help prevent evolving risks, for example by reducing carbon emissions and advancing construction safety.

**We will introduce programs designed to address common risks in the supply chain.** This will help our extended supply chain meet our holistic foundational standards. For example, to prevent and eliminate forced labor, we will scale programs to improve our understanding of its root cause, particularly for vulnerable groups such as foreign migrant workers. We will also tackle these issues through capability building and supplier ownership, and by strengthening our external relationships to advocate for meaningful improvements to laws governing responsible recruitment and employment of vulnerable workers.

# COMMUNITY



# WE BUILD COMMUNITY THROUGH THE LOVE OF SPORT.

Through sport, we build interconnected community and opportunity.

Strengthening our communities begins with getting kids moving. We team up with grassroots organizations, business relationships, and employees to help kids – especially those who face the steepest barriers – realize their potential through play and sport.

We're investing in more equal, inclusive, and active communities – starting with the cities where we live, work, and operate around the world.

We're taking meaningful action to address systemic racism – including committing \$140 million from NIKE, Inc., Michael Jordan, and Jordan Brand to support the Black Community.

When crisis strikes, we're ready to help lift up our communities. Whether it's manufacturing protective equipment for healthcare workers or providing financial relief after devastating wildfires, we're there to support our employees and the communities they call home.



# ACTIVE KIDS



## 2025 Target

Drive sustained community impact by getting kids moving in our key cities and sourcing backyards, with **50%** girl participation

## Why Active Kids Matter

Made to Play is rooted in more than a decade of academic and practical insights that still hold true today.<sup>111</sup> Active kids are more likely to have better physical health over their lifetime, higher educational attainment, professional success, greater self-esteem, positive relationships, and stronger life skills.

Today, girls are less active than boys and, on average, drop out of sport at a higher rate. To get more kids moving around the world, there is an urgent need to focus on girls in particular and break down the barriers to play and sport so she may enjoy equal access to benefits of sport over her lifetime.

## How We Will Win

The vision of Made to Play has always been to create a world in which all children experience the lifetime benefits of play and sport. We lead with an equity lens – focusing on leveling the playing field for everyone. We know that economics, gender, and the quality of a coach all play key roles in kids' participation and engagement rates, so we're focusing investments in those areas.

**We will invest in girls' participation.** This starts with funding organizations that implement intentional girls programming – can be exclusively for girls or gender-inclusive. We will support our portfolio of program engagements to learn from best practices and one another on intentional recruitment and retention of girls in their programs.

**We will focus on training coaches.** In order to maximize investments in great programs, such a NIKE Community Ambassadors and digital coaching tools, we know that coach training is a priority. And not only training but focusing on adding more inclusive and female coaches. The child/coach relationship is the leading factor on whether or not a child stays in sport. By continuing our investment in inspiring and training coaches, this will serve as one of the most powerful investment levers for getting kids to fall in love with play and sport, so that they may lead healthier, happier and more successful lives.

<sup>111</sup> Research: (1) WHO Global Plan for Physical Activity (2) Women's sports Foundation [https://www.womenssportsfoundation.org/articles\\_and\\_report/keeping-girls-in-the-game/](https://www.womenssportsfoundation.org/articles_and_report/keeping-girls-in-the-game/)



Berlin Kickt – Berlin, Germany

**We will focus on intersectionality.** We know that some kids face more barriers than others when it comes to getting and staying active, so we invest in programming that helps remove barriers to play and sport for the least active kids, such as girls, kids in underserved areas and kids with different abilities. By sharpening our outcome strategy to focus on girls' participation and using Diversity & Inclusion (D&I) filters to select impactful relationships, we can focus on making strategic investments to benefit those kids and communities who need it most.

# INCLUSIVE COMMUNITIES



## 2025 Target

Invest **\$125 MILLION** to support organizations working to level the playing field and addressing racial inequality

### Why Inclusive Communities Matter

Investing in more equal, inclusive, and active communities isn't just the right thing to do as a business, it's also critical for helping to realize a thriving future for our kids, communities, and the planet. Discrimination and bias create barriers to reaching one's full potential, and in turn, can hold our communities back. That's why we're investing in business relationships, programs, and initiatives dedicated to leveling the playing field and addressing inequality.

### How We Will Win

**We will invest in and actively manage a robust portfolio of organizations and activities that advance diversity, equity, and inclusion at NIKE and in the world.** This portfolio will help to advance NIKE commitments and investments in people, the planet, and communities globally.

**We will focus on intersectional issues.** Intersectionality across race, gender, and orientation is a key consideration in our grantmaking, as it enables us to create more impact in each of the communities and focus areas where we seek to drive positive change. Each year, we will provide grants to nonprofits working to level the playing field for the communities represented by our eight NIKE Employee Networks (NikeUNITED).<sup>112</sup> These investments will aim to create impact at the intersection of race, gender, and orientation, and in turn, create opportunities and spaces for people to unite through the power of sport.

<sup>112</sup> <https://purpose.nike.com/employee-networks>



Play Academy with Naomi Osaka

**We are committed to ending systemic racism.** Addressing systemic racism requires urgent action and sustained engagement – and NIKE, Inc. is committed to all of them. In 2020, NIKE, Inc. announced a combined \$140 million commitment on behalf of the Nike and Jordan brands and Michael Jordan to advance a more just and equal society for Black Americans. This includes a \$40 million commitment over the next four years to invest in and support organizations focused on economic empowerment to address racial inequality for the Black community. In addition, Michael Jordan and the Jordan Brand committed \$100 million over 10 years to support the Black community, also focused on social justice. We will focus our investment on strategic national organizations, as well as supporting local community groups, and we'll engage employees throughout.

# EMPLOYEE ENGAGEMENT



2025 Target

Increase the number of employees engaged in their communities to a minimum of **35%**



Sportstec – Johannesburg, South Africa

## Why Employee Engagement Matters

Today, more than ever, the best talent expects their employer of choice to reflect their values and support communities. Any brand that expects to be competitive must enable their workforce to make a difference in the world.

At NIKE, we want our employees to be engaged at every level. A healthy, engaged workforce ensures productivity, business, and employee success and overall wellbeing. By connecting our employees' values with the brands' values, we fuel inclusion, a connection to sustainability, and a commitment to local communities.

## How We Will Win

NIKE will leverage our global presence and digital capabilities to scale our impact, making sure we reach all employees across all NIKE divisions and geographies so they can be a part of delivering our Purpose in the communities where they live and work.

**We will increase the impact of employee giving.** NIKE will build upon the learnings from the last five years and incredible generosity of NIKE employees to make giving easier and more impactful. NIKE will continue to invest in the digital capabilities for employees to volunteer and donate, such as offering virtual volunteering opportunities and user-generated campaigns on NIKE's Give Your Best<sup>113</sup> employee giving portal. And, NIKE will increase match cap limits from \$1,000 to \$2,500 for Volunteer Rewards and from \$10,000 to \$25,000 for employee donation matching.

**We will scale engagement globally.** In addition to investments in inclusive culture and employee engagement for NIKE, we'll also continue to invest in our retail employees. We will work to establish meaningful community connections with programs like NIKE Community Ambassador (NCA). NCA is a program that builds upon NIKE retail employees' passion for play and sport to help get kids moving all around the world. Nike Direct employees have the opportunity to leverage research-based coach training and tailor the insights to deliver locally relevant programs with third-party organizations in schools and community programs from Barcelona to Beijing.

<sup>113</sup> <https://purpose.nike.com/engaging-our-employees>

# COMMUNITY INVESTMENT



## 2025 Target

Invest **2%** of prior-year pre-tax income to drive positive impact in communities.

## Why Community Investment Matters

To help communities to thrive, NIKE is committed to making Purpose-driven investments that help ensure we have active kids and inclusive communities.

NIKE's long history of community investment in its primary markets and sourcing backyards has resulted in giving millions of kids the opportunity to realize the multi-dimensional benefits of play and sport, ranging from better physical and mental health, higher educational outcomes and overall success in life. Community investments also drive NIKE, Inc.'s commitment to leveling the playing field for all, so that nothing gets in the way of kids and communities realizing their full potential. And, community investments power NIKE Inc.'s support to retail and corporate employees so they can give their best to supporting community organizations through donations and volunteering – matched by the Nike Foundation.

## How We Will Win

NIKE is uniquely positioned to focus our community investments to address the global crisis of physical inactivity in kids and make investments that aim to level the playing field and address racial inequality.

**We will increase our investment.** Over the past five years, we've consistently outperformed our goal of investing a minimum of 1.5% of prior-year pre-tax income to impact communities around the world. Communities also need support like never before, and so we have made new commitments and incremental investments. We're raising the bar on ourselves to invest 2% of prior-year pre-tax income going forward – to inspire all of us to do as much as we can to make a difference.

**We will continue to build a dynamic sports-led portfolio of social impact investments** that focus on the power of sport and engage our internal teams, external relationships, athletes, and stakeholders to drive impact.



NIKE x Pigalle basketball court – Beijing, China

**We will use data and insights to steer our investments to reach those children who are moving least.** Also, we'll leverage digital solutions to scale our impact, such as investing in digital coach training tools to reach more coaches globally.

**We will focus on intersectionality.** We know that some kids and communities face more barriers than others – whether that be accessing education, sport, or mentorship – so we invest in community organizations and programs that aim to remove barriers for all kids and communities.



# PLANET



**TO PROTECT  
OUR PLANET,  
WE DON'T  
WAIT FOR  
SOLUTIONS,  
WE CREATE'  
THEM.**

When it comes to the health of our environment, we need to care for the planet we have now. We believe that sport should always have a future.

In a value chain that is global and highly complex, we are focused on system change. And as the largest company in our industry, we're determined to do our part – to do better, scale better, and be better.

Our people are innovating to design out waste – by using materials more efficiently, transforming scrap materials into products and scaling solutions for circularity.

We've set bold, science-based goals to aggressively reduce NIKE carbon footprint and we're leveraging our scale and influence to help others do the same.

We're working across the industry and beyond to lower our shared impact – because climate action is collective action.



# CARBON



## 2025 Targets

**70%** absolute reduction of greenhouse gas (GHG) emissions in owned or operated facilities through **100%** renewable electricity and fleet electrification

Greenhouse gas emissions from key suppliers' manufacturing and transportation operations will **BE AT OR BELOW 2020 LEVELS, DESPITE ANTICIPATED BUSINESS GROWTH**, through use of renewable energy, energy efficiency, and alternative fuels

**0.5 MILLION** tons of GHG emissions reduced through increasing our use of environmentally preferred materials to **50%** of all key materials



## Additional Target

To meet our 2030 Science-Based Target, we need to reduce our carbon footprint by **65%** in owned or operated spaces and by **30%** across our extended supply chain

## Why Carbon Matters

Climate change poses a threat to the future of sport. From marathon start times moving into pre-dawn hours to players and fans suffering heat exhaustion due to extreme weather conditions, we are seeing widespread impact on sport participation. As a sports company, this has the potential to directly impact our business – resulting in missed market opportunities, lost sales, and long-term decreased consumer demand on athletic apparel, footwear, and equipment.

Operational disruption from climate change, both acute and long term, represents another risk to NIKE. We see this through extreme weather events – like hurricanes and wildfires – that impact NIKE stores, distribution centers, and supplier factories. Another example is how rising temperatures in the regions where our suppliers are located can create poor labor conditions and potential labor shortages. Finally, a changing climate can create water shortages which directly impact cotton price and supply.

## How We Will Win

### We will focus on innovating and scaling low-carbon materials.

We know that materials make up approximately 70% of our carbon footprint. By reusing existing plastics, yarns, and textiles, we significantly reduce our emissions.

- *Nike Flyknit*: A lightweight fabric precision-engineered with an average of 60% less waste than in traditional footwear upper manufacturing.
- *Flyleather*: It looks, feels, and smells like natural leather, made by binding at least 50% recycled leather fibers with synthetic fibers using a water-powered process. This creates less waste and a lower impact on climate change compared to full grain leather.



European Logistics Campus – Laakdal, Belgium

- **Nike Air:** Nike Air soles are composed of at least 50% recycled manufacturing waste.
- **Recycled Polyester:** Made from plastic bottles, which are cleaned, shredded into flakes, converted into pellets, and then spun into a high-quality yarn. In addition to reducing waste, recycled poly lowers carbon emissions by up to 30% compared to virgin poly.
- **Cotton:** 100% of the cotton we use across our entire product line is certified organic, recycled, or Better Cotton sourced through the Better Cotton Initiative. We recycle more than 680,000 kilograms of cotton each year while caring for soil health and natural habitats, without fossil fuel-derived pesticides or synthetic fertilizers, and while respecting the rights of workers and farmers.
- **Recycled Nylon:** Transformed from a variety of materials, like carpet and used fish nets. The nylon is cleaned, sorted, and converted into flakes, all before undergoing a chemical or mechanical recycling process. Garments that use materials made from recycled nylon reduce carbon emissions by up to 50% compared to virgin nylon.

**We will work to decarbonize our extended value chain.** Our value chain represents the largest part of our carbon footprint. We will continue to focus on energy efficiency improvements with manufacturing suppliers and expand suppliers' use of onsite and offsite renewable energy. We will improve supplier resiliency by providing a common set of foundational management tools to assess and mitigate climate risks, and identify strategic opportunities sparked by the shift to a lower carbon economy.

**We will adopt alternative fuels.** The transportation industry currently uses mostly fossil fuels. Alternative fuels, such as biofuels or electric vehicles, can offer a substantial carbon reduction. The alternative fuel market is still limited across regions and all modes of transportation, but they are starting to mature

due to early adopter and customer demand. We will work to adopt alternative fuels and help bring them to scale. Building off successful pilots, we will work to scale up our use of biofuels in ocean transportation. The majority of our product travels from factory origin to destination country via ocean transportation, offering an opportunity to make a sizeable impact. We will also work toward scaling alternative fuels, especially electrification, with last mile deliveries.

**We will reduce air freight.** Inbound air freight is 42 times more carbon-intensive than ocean freight. Going forward, we have a cross-functional effort focusing on eliminating root causes, identifying alternative transportation services that will allow us to expedite shipments without using air freight, and developing a robust accountability framework.

**We must focus on the areas where we have direct control.** For our global workspaces, we will continue to increase the adoption of and access to renewable energy through building energy, electrification of campus service vehicles, and supporting employees in making their commutes more sustainable. We will create and operate spaces that leverage sustainable building design principles to increase energy efficiency, and maximize use of existing, recycled, and sustainable building materials, furniture, and fixtures. In addition, we will support employees by providing transparency around flight emissions, and engage in projects with airlines to increase adoption of sustainable aviation fuels.

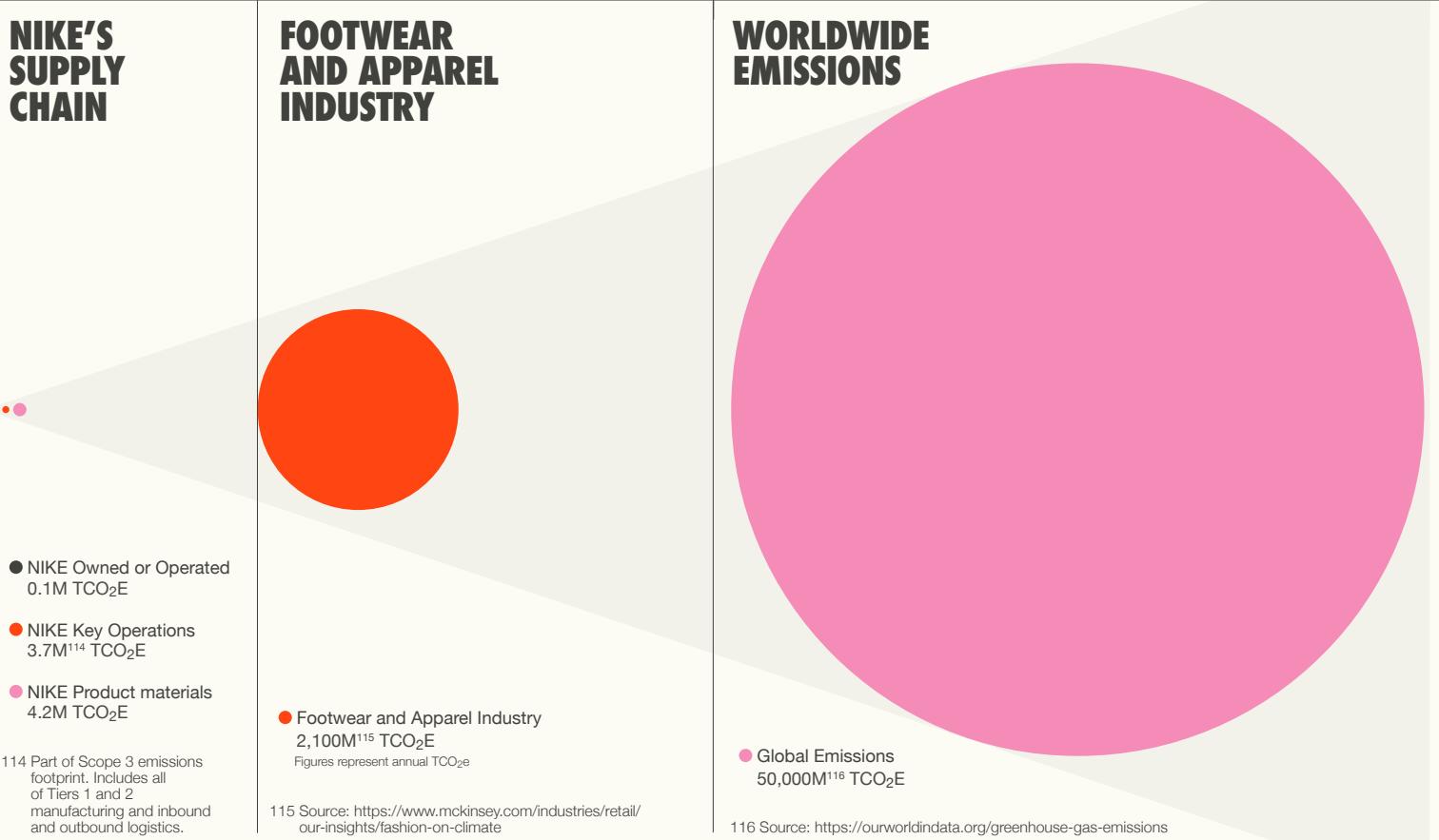
**We will collaborate with others to advance our goals.** Our approach is to drive collective action to accelerate change. A recent example was in July 2020, when we announced that we had become a founding member of the newly launched Transform to Net Zero initiative. This work brings together a cross-sectoral group of climate leaders, initiated by Microsoft, who will

enable the business transformation needed to limit global warming to 1.5°C above pre-industrial levels. With a focus on policy, innovation and finance, this initiative will allow us to translate our 2025 climate targets across our supply chain into tangible action through collaboration and best-practice sharing. Collectively, the initiative demonstrates the transformation of our own businesses and hopes to inspire that of our peers.

In May 2020, NIKE joined an event sponsored by Ceres of more than 330 companies to call on federal lawmakers to include long-term climate solutions into future economic recovery plans, which culminated in the largest ever call to action from the business community to the U.S. Congress on the ongoing climate crisis.

Additional examples of climate policy advocacy work include our work with the Fashion Industry Charter for Climate Action – a commitment under the United Nations Framework Convention on Climate Change – and our continued collaboration with the USAID Vietnam Low Emission Energy Program (V-LEEP) to assist with advocating for policy supporting the Vietnamese Government's renewable energy Direct Power Purchase Agreement (DPPA) pilot.

#### Global State of Carbon Emissions



# WASTE

## 2025 Targets

**10%** waste reduction per unit in manufacturing, distribution, headquarters, and packaging through improved design and operational efficiency

**100%** waste diverted from landfill in our extended supply chain with at least **80%** recycled back into NIKE products and other goods

**10X** the amount of finished product waste refurbished, recycled, or donated



## Why Waste Matters

The traditional linear system of production, based on a take-make-waste model, is outdated and adds additional strain to the world's natural resources and ecosystems. Brands and manufacturers are bearing the cost of producing materials that go to waste, while simultaneously paying for disposal. Additionally, today's consumers, investors, governments, and NGOs expect brands to help be part of the solution.

A more sustainable and circular future requires designing waste out of products from the start, optimizing manufacturing processes for maximum material efficiency, and managing scrap material via circular systems to preserve, recover, renew, and regenerate its physical utility and economic value for society and the planet – now and for future generations. We know this requires an integrated, holistic approach involving NIKE Product Creation, Manufacturing, Sourcing, Engineering, Innovation, and Costing teams working together on short, medium, and long-term initiatives to improve systems that drive and enable selection and use of virgin and scrap materials.

Waste has an impact on the environment. Our waste footprint is growing in some regions that lack adequate waste management systems, posing a risk to our environment and the people who live there. The longer-term global impacts from the production of materials that are wasted is even greater than the short-term, regional impacts of disposing this waste. These "material lifecycle impacts" – including carbon emissions, non-renewable resource depletion, air/water/soil pollution, ecosystem degradation – contribute significantly to the climate and biodiversity crises. In fact, manufacturing waste contributes to more than 10% of NIKE's carbon footprint and reducing and recycling waste helps to meet NIKE's carbon-reduction targets and mitigate other environmental impacts.

Waste is also costly. We spend hundreds of millions of dollars each year on materials that don't end up in our product. Defective components and product not only drive waste, but also increase factory energy consumption and labor cost, and reduce factory productivity. Increasing material yields, reducing defective parts, and rethinking cartons that become waste after a single use are keys not just to mitigating environmental impact but also reducing cost and meeting increasing demand with fewer new factories. We seek to achieve more with our materials.



Feng Tay Factory – Putian, China

## How We Will Win

**We will take an end-to-end approach.** Reducing waste from our value chain requires coordination across teams from ideation, to creation, to sale, to recycle, and to takeback. It requires a systemic and systematic approach, where every decision minimizes waste.

To do this, we are targeting the following initiatives:

- Using materials that are lighter weight and have inherently higher yields and generate less waste than those historically used (e.g., Flyleather, KIND leather, or synthetic leather instead of traditional natural leather)
- Continuing to perfect and sustain the shape, size, and nesting of parts cut from rolled materials to minimize gaps between cut parts that become waste
- Designing molded component shapes that are simpler, less intricate, and have fewer color layers so they generate fewer defects
- Applying proven Lean and Six Sigma methods to continuously and consistently address waste root causes on a sustained basis
- Increasing focus on closed-loop recycling, meaning how much of our own waste goes back into our own products
- Working on breakthrough innovations to recycle some of the biggest drivers of our non-recycled manufacturing scrap materials, including leather, synthetic leather, blended textiles and other mixed materials

**We will focus first on mastering the fundamentals.** We can't reduce and recycle waste unless we measure it, so we will continue improving our waste-estimating and -measurement practices. Defects are an indicator of opportunities for improvement in design and/or manufacturing, so we will focus on reducing defects. Scrap materials can't be recycled unless they can compete with virgin alternatives. This means quality needs to be preserved and processing costs minimized from the point of generation (i.e., the production line), so we will continue to require factories to segregate, bag, tag, weigh, and carefully store scrap material starting at the production line.

**We will reduce the impact of packaging.** While packaging is needed to support the protection of manufacturing input materials/components and finished product throughout our extensive supply chain, we will continue to look for ways to reduce its impacts. We have analyzed our footwear, apparel, and accessory packaging systems to identify the areas of reduction, ways to use less material (i.e., lighter weight packaging, reusable packaging, etc.) or alternative structures.

In footwear, we will switch from single-use to reusable cartons and bags for shipping input materials and components to factories, and lightweight our Master Outer Cartons (i.e., the boxes that ship multiple shoe boxes from factory to distribution centers) and tissue paper used to wrap shoes. Balancing the need to protect product and reducing waste, we aim to use toe stuffing only where it is absolutely needed. We will optimize specialty shoe packaging leveraging the best materials so that all aspects of the shoe box can be recycled. We will also make sure our shoe boxes are sized the best with each shoe size, reducing the amount of unused space in the shoe box. We will continue to expand the opportunity to leverage our SIOC (ships in own container) shoe box, as introduced with Space Hippie in FY20. In apparel and accessories, we will also light weight our master outer cartons. We continue to optimize our hangtag system, using more sustainable materials and optimizing size. Finally, we will explore ways to optimize the various packaging elements used in products such as gym bags, gloves, and shin guards.

In addition, through NIKE's participation in the Fashion Pact,<sup>117</sup> a global coalition of companies in the fashion and textile industry committed to a common set of environmental goals, we are on track to eliminate plastic bags in our retail stores by the end of calendar year 2021. We have also launched an initiative to explore alternative materials or solutions to current plastic polybags.

**We will find the highest value for finished product waste.** Finished product waste is any product that can no longer be sold or utilized through its original intended channel, including our product that reaches the end of its life in consumer closets. Throughout our supply chain, there are a variety of reasons that a product falls into this designation. We recognize that there is often much "life" left in these products and have doubled down on our efforts to establish the foundational capabilities necessary to move this product up the waste hierarchy through a circular supply chain, new consumer offerings, and optimized decision-making processes.

**We will reenergize our product take back program.** We have effectively run our Reuse-A-Shoe program for over 25 years. We believe the time is right to reenergize our product take-back by directly engaging consumers on sustainability. We know they are a vital component to capture waste at the end of the value chain.

<sup>117</sup> <https://thefashionpact.org/>

**We will catalyze demand for recycled materials.** We have set ambitious recycling targets with a key focus on closed-loop recycling and moving materials up the waste hierarchy. We know manufacturing scraps have value, and we are enhancing NIKE's circular waste supply chain to access, move, and recycle excess materials. In collaboration with an ecosystem of global consolidators and recycling centers, we are building a circular supply chain to recover and transform manufacturing scraps into valuable materials. And our NIKE Innovation Teams are working with industry experts to identify new and emerging recycling technologies and processors to transform what would be waste into feedstocks for manufacturing new materials and products.

By working with NIKE's Product Creation Teams and external global companies, we are identifying new ways to incorporate Nike Grind materials into innovative products. Since FY16, we've identified and contracted with a third party to recycle a particularly challenging waste type, post-tannery leather. This waste is used in NIKE Flyleather – an engineered leather made with at least 50% recycled leather scraps, combined with synthetic materials, thereby redirecting leather waste from energy recovery and enabling recycling options that did not previously exist. By investing in research and development and expanding relationships, we can increase the use of Nike Grind materials and recycle more materials into NIKE products and other goods.

**We will innovate new solutions.** We won't achieve our targets with the current methods and materials at our disposal. We plan to invest in innovation to enable breakthroughs in recycled and recyclable materials, new machines and methods of make to use material most efficiently, and new recycling technologies. We also want to find new ways to integrate waste into new products – taking what we started with Space Hippie, which was made with at least 25% recycled content by weight, and scaling up by extending to new products.

#### Waste Hierarchy

## MOST PREFERRED

Highest Value Preserved; Lowest Risk



Lowest Value Preserved; Highest Risk

## LEAST PREFERRED

## Space Hippie

Space Hippie is an exploratory footwear collection inspired by life on Mars – where materials are scarce and there is no resupply mission. Created from scraps, or “space junk,” Space Hippie is the result of sustainable practices meeting radical design.

Space Hippie's Flyknit yarn is made from 85–90% recycled content, including plastic bottles, t-shirts, and post-industrial scraps. Crater Foam tooling uses about 12% Nike Grind rubber combined with foam materials for a more sustainable, lightweight, and responsive feel during city exploration.

We're working to ditch the double box and ship Space Hippie shoes in a single shoebox made from repurposed material.

## We will engage employees and vendors to help us reduce waste.

We are focused on eliminating waste, and educating and inspiring employees toward action. We will continue to create and operate spaces that embody circularity, reuse, and the total elimination of single-use waste. We will continue to make progress on eliminating food packaging and other hard-to-recycle items, and on increasing the amount of food, furniture, and other items donated to surrounding communities.

In addition, we will continue to innovate new ways we can impact waste beyond the reach of our current operations like our Home Grown program. Originating out of a desire to address staggering food waste from COVID-19-affected food supply chains and support our local farming community, the WHQ NIKE Food Services Team worked with trusted local farms to fight food waste by creating a service that connects employees and their families directly with local, seasonal produce. Our teams also continue to innovate with NIKE waste streams, collaborating with construction industry professionals to leverage NIKE waste in building construction materials that can be used, not only in our NIKE workplaces, but at scale across the construction industry.

We recently completed a zero-waste audit to collect the data needed to develop opportunities to increase diversion. Over the next five years, our areas of focus will be:

- Educating employees on proper waste disposal to decrease contamination rates and maximize proper collection of compost and recyclables
- Continuing progress on eliminating food packaging and other hard-to-recycle consumables
- Creating relationships with third-party vendors to increase donations to the community and manage hard-to-recycle items that cannot be processed by our local/city waste municipalities
- Continuing to develop opportunities to utilize and reuse NIKE waste and other waste streams in the construction of NIKE workplaces



# WATER



## 2025 Targets

**25%** reduction in freshwater use per kg in textile dyeing and finishing

**13 BILLION** liters restored through a portfolio of watershed projects that support long-term resilience for water-stressed ecosystems and communities within our extended cotton supply chains

## Why Water Matters

Climate change causes abnormal weather patterns across the globe that result in more severe and prolonged droughts and flooding. We must build resilience, especially when only 0.5% of the Earth's water<sup>118</sup> is available freshwater that must be shared between the entire human population, the environment and wildlife, food and non-food agriculture, and industry and manufacturing.

In terms of NIKE's supply chain, cotton growing accounts for 69% of our overall global water footprint while materials manufacturing – water is the most-used chemical for the dyeing and finishing of textiles – makes up another 22% of our overall freshwater footprint. With 91% of NIKE's overall freshwater footprint tied directly to materials sourcing and manufacturing, we believe it's critical for NIKE to ensure responsible freshwater use in our supply chain, and, as good global citizens, do what we can to minimize our overall freshwater footprint.

<sup>118</sup> <https://www.usbr.gov/mp/arwec/water-facts-ww-water-sup.html>



Murray Darling, Australia

## How We Will Win

We will continue our successful organic cotton blending program and expand recycled cotton blending for apparel. Organic cotton lifecycle assessments show that this farming method reduces water consumption in the growing phase since it happens in more rain-fed areas than those that require irrigation. In addition, recycled cotton has a significant reduced-water impact as it bypasses the growing phase entirely, which has the largest effect on the water footprint.



State-of-the-art wastewater treatment at the Ramatex textile mill in Suzhou, China

**We will advance our watershed-restoration program in water-stressed regions of our cotton supply chain.** NIKE's watershed restoration work is focused on our extended cotton supply chain. The primary benefit of these watershed-restoration projects is not only reductions in our freshwater footprint, they can also have secondary benefits such as reductions in pesticide runoff, improved soil health, and better community access to water depending on local needs and conditions.

We are working with The Nature Conservancy and started by piloting two projects in Maharashtra, India and Murray Darling, Australia. In India, we funded a one-year integrated drought risk management strategy by installing drip irrigation at smallholder farms with a focus on vulnerable communities and female farmers. In Australia, we supported the establishment of a conservation covenant to permanently protect 80,000 hectares of biodiverse wetlands and floodplains at Gayini Nimmie-Caira, a region with intensive agriculture, including cotton. This will help to restore cultural heritage sites and medicinal food plants; transfer ownership to the Nari Nari community (the Traditional Custodians of the land), unlock perpetual conservation funding, and protect the habitat of hundreds of species. We will expand this water restoration project portfolio over the next five years to reach the 2025 target.

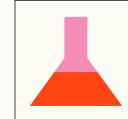
**We will reduce water use and improve wastewater treatment in textile dyeing and finishing.** We have laid the groundwork to make meaningful change. To help manage water and treat wastewater, we created awareness with our FY20 baseline effort when we provided our suppliers with their monthly freshwater data and showed them how they ranked compared to their global and local peers with respect to freshwater use. Then, we drove commitment from the vendors to develop plans to reduce their freshwater use between now and FY25.

**We will focus on building capability.** Our goal is that properly trained people are responsible for managing water and treating wastewater.

Capability building will take several forms:

- Deploying NIKE's Water Minimum Program, which outlines the basic expectations for our suppliers to adopt water industry best practices
- Innovating to intercept emerging issues within our supply chain to enable them to maximize their freshwater efficiency
- Providing vendors training on best practices by water industry experts
- Leveraging collective action by adopting the ZDHC Wastewater Treatment System Operator Minimum Qualifications Guideline

# CHEMISTRY



## 2025 Target

Adopt cleaner chemistry alternatives for our **10** priority chemistries across our supply chain

### Why Chemistry Matters

When people think of NIKE, chemistry may not immediately come to mind. But since Bill Bowerman's early experiments unlocked our original innovations (i.e., the launch of the waffle sole in 1972),<sup>119</sup> NIKE's effective use of chemistry has elevated product performance and shaped manufacturing. 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 and influence design, performance, and sustainability throughout the value chain. Every NIKE product and initiative leverages chemistry.

Using chemicals more efficiently with less impact can have human, environmental, and economic benefits. These include reduced hazardous waste generation, cleaner air and water due to reduced emissions, improved health for workers, and decreased need for end-of-pipe treatments such as wastewater.

Materials with cleaner chemistry lead to a cascade of benefits for people and the planet. Substandard chemicals result in inefficient production, unnecessary chemical byproducts, and even the release of hazardous substances. Additionally, designing out chemical hazards greatly increases our journey toward a circular economy, where materials we create today will be subject to new, more stringent requirements many years in the future. When we evaluate and make choices about chemicals, we consider several sustainability impacts, including water, air, waste, and energy. A holistic view of a chemical's footprint is necessary to ensure we move in the right direction.

<sup>119</sup> <https://news.nike.com/news/bill-bowerman-nike-s-original-innovator>

### How We Will Win

There are choices suppliers must make around if, how, and when to use chemistry. Our compliance focus emphasized RSL and MRSR programs. Then, we built simpler and more transparent guidelines to support our suppliers in realizing the vision of zero discharge of hazardous chemicals. In 2020, NIKE supported the release of the ZDHC Chemicals Management System, an aligned industry approach to chemistry in manufacturing. Furthermore, work is underway in ZDHC to build guidance on chemicals related to air emissions, taking proactive steps to protect athletes and preserve the future of sport. We will quantify our impact and actively work to improve air quality where we manufacture around the world.

We created a list of 10 priority chemistries where we've committed to going beyond our baseline compliance obligations.<sup>120</sup> These targets continue our journey toward cleaner chemistry, helping us advance safer materials flowing through a circular economy. Adopting these cleaner chemistry alternatives is NIKE's 2025 chemistry target.

### We will build resilience through education, monitoring industry implementation, and advocating for progressive standards.

But ultimately, we want to work with our suppliers to undertake this journey together. We have an opportunity to move beyond compliance and accelerate the adoption of clean, sustainable chemistry that moves us closer to the vision of responsible and circular design and manufacture. We will continue to use chemistry to create innovations, so we can be leaders in the industry. At the same time, we will move toward safe and green chemistry principles while stewarding all of our resources.

<sup>120</sup> NIKE's baseline compliance obligations are compliance to the MRSR and RSL, which are legally mandated and go beyond legal compliance in some areas. NIKE suppliers are contractually obligated to meet our MRSR and RSL standards.



Feng Tay (Lifeng Footwear) – Putian, China

**We will integrate clean chemistry into product creation.** Choosing clean chemistry is complex, as we need to weigh multiple variables to best protect people and the planet. That's why we are integrating chemistry selection deep into our product creation pipeline. We can use this evolution to prioritize the biggest challenges we see now and in the future, and turn them into opportunities to create lasting change. With the knowledge of our chemical use in our supply chain, we established a set of criteria to prioritize chemicals for action.

These criteria include:

- Science-based health and environmental risks
- Future legislative risk
- Volume and type of use
- Availability of alternatives
- Schedule for identification, adoption, and scaling of alternatives

**We will collaborate with the industry to redesign manufacturing equipment and material production.** The work required to replace or even reduce the use of a chemical that has been used in a material production process for decades cannot be underestimated. There is rarely a simple “drop-in replacement,” where a chemical can be replaced with a better one. Our 2025 target will require substantial redesign of manufacturing equipment, adjustment of chemical usage both upstream and downstream of the priority

chemical, and major modifications in current designs. For example, we will have to consider different performance attributes and potentially alter the way that materials are produced. This is a profound opportunity that will require collaboration between NIKE, our suppliers, and other brands in and outside our industry.

**We will ensure that the cleaner chemistry alternatives we champion will not become problematic chemicals in the future.** This is a critical step on our journey toward a stable, robust circular economy. We are, therefore, strengthening our chemistry assessments to be embedded across the innovation pipeline. Further, our chemistry experts go beyond simple hazard identification when evaluating chemicals. We compare chemistry options at many steps along the way, where we collaborate with designers, chemists, engineers, safety professionals, and more. All of this is required to make the right chemistry selection for NIKE, our athletes\*, and the planet. This drives our sought after adoption of cleaner, more efficient, better chemistry.

We anticipate that our 2025 target will not just change the course of NIKE's chemistry journey, but influence the sustainable growth of our whole industry. Chemistry's connectivity to all environmental elements (carbon, water, air, and waste) also creates an opportunity to embed sustainability into all NIKE products.

# APPROACH



# ISSUE PRIORITIZATION

At NIKE, we believe that Purpose creates long-term value for the business, raises the bar for our industry, and redefines our own potential for positive impact in the world.

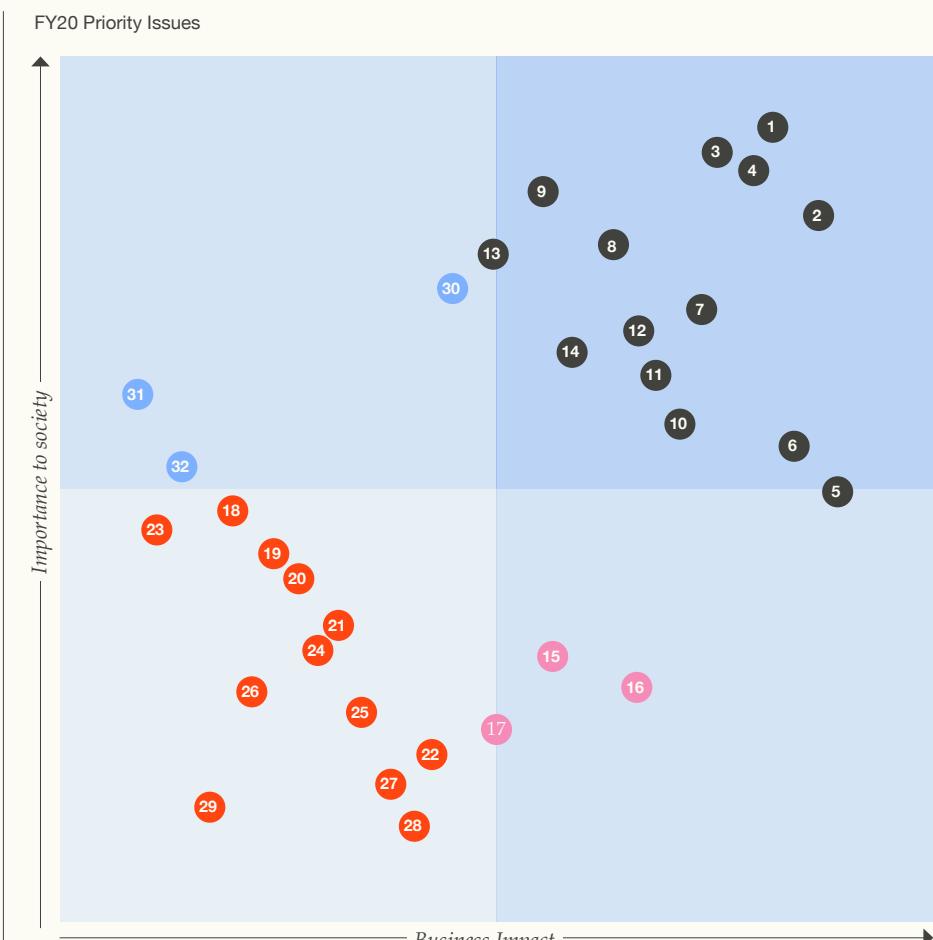
We'll never stop striving for better – whether it's understanding the issues we impact, the change we can lead, or the future we shape – together.

This year, we refreshed the list of priority issues to be more inclusive of the evolving environmental and political landscape that we, and all companies, face. It was also driven by a moment of reflection for the company as we closed down one set of targets and established new five-year corporate targets. Updating the list allowed us to expand the scope of issues, but made it harder to track issue importance year-over-year.

We learn, grow, and refresh our perspective by considering the global view of our internal and external stakeholders. As we did last year, we surveyed employees, NGOs, academics, suppliers, and corporate peers to determine the most relevant issues for our company and the impacts most directly linked to those issues.

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 to track issue relevance over time and integrate results into strategic discussions.

The combination of stakeholder responses and Datamaran insights produced our FY20 list of 14 essential priority issues.



● **Essential Priority**

- 1 GHG emissions
- 2 Product design and circularity
- 3 Climate change adaptation
- 4 Labor rights in supply chain
- 5 Employee diversity, equity, and inclusion
- 6 Material waste
- 7 Materials sourcing
- 8 Supply chain management and transparency
- 9 Health and safety in the supply chain
- 10 Forced labor
- 11 Ethical and transparent business practices
- 12 Renewables and energy use
- 13 Employee health and safety
- 14 Air and water pollution

● **Priority Issues (Internal)**

- 15 Promotion of social inclusion
- 16 Employee engagement and wellbeing
- 17 Employee development
- 18 Workforce development in the supply chain
- 19 Chemicals management
- 20 Consumer transparency and safety
- 21 Healthy lifestyles
- 22 Brand value alignment
- 23 Indirect supplier diversity
- 24 Data privacy and protection
- 25 Advocacy and public policy practices
- 26 Responsible use of innovation and technology

● **Priority Issues (External)**

- 27 Community impact
- 28 Inclusive products and services
- 29 Environmentally friendly workplaces and practices
- 30 Water use and replenishment
- 31 Biodiversity and land use
- 32 Public health and natural disaster risks



## Priority Issue Definitions

<i>Priority Issue</i>	<i>Definition</i>
Advocacy and public policy practices	Support or advance public policy that aligns with NIKE's commitments on environmental, social, and economic issues.
Air and water pollution	Pollutants to air and water from NIKE's operations, products and services, and supply chain.
Biodiversity and land use	Impacts to biodiversity and ecosystems, through transformation of habitats, land use, and other business activities.
Brand value alignment	Corporate activities, including sponsorship and partnerships, that align to NIKE's values on environmental, social, and economic issues.
Chemicals management	Chemicals used in making materials, products, and substances released to the environment (air and water) that are toxic to humans and ecosystems.
Climate change adaptation	Adapting the business to climate change impacts throughout the value chain.
Community impact	Sustained community impact in primary markets and sourcing backyards; philanthropic efforts; employee involvement and volunteering in communities.
Consumer transparency and safety	Disclosures to customers and users about products and services; safeguarding consumer health and safety when using products, including reducing risk of injury.
Data privacy and protection	Safeguard privacy and personal data of customers, employees, and business partners.
Employee development	Attracting and retaining talent; offering training and development for employees to build capability and career opportunities.
Employee diversity, equity, and inclusion	Fairness of treatment and compensation across all levels of the business; representation of female and minority employees in workforce, management, and board.
Employee engagement and wellbeing	The ability for employees to be heard, present, focused, and energized while feeling connected to NIKE's purpose; workplace wellness and engagement initiatives; ensuring a positive workplace culture.
Employee health and safety	Employee health and safety practices in NIKE operations.
Environmentally friendly workplaces and practices	Impacts on the environment and local communities of NIKE's buildings and workplace practices.
Ethical and transparent business practices	Ethical and transparent corporate behavior by combatting dishonest or fraudulent conduct by those in power, typically involving bribery, corruption, and intellectual property infringement.
Forced labor	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor.
Greenhouse gas emissions	Greenhouse gas emissions in material sourcing, manufacturing, transportation and other business activities.
Health and safety in the supply chain	Worker health and safety practices throughout the supply chain.
Healthy lifestyles	Promoting healthy habits, play and sport in kids and adults; risks to consumer base associated with the spread of obesity and inactive lifestyles.
Inclusive products and services	Design products, services, and marketing that are widely inclusive of and reflect the wide diversity of the consumer base.
Indirect supplier diversity	Focus on sourcing goods and services that enable NIKE to maintain and develop its corporate/non-manufacturing operations with diverse (i.e., ethnic/racial minority, women, disabled, LGBTQ, and veteran) suppliers – ones that are majority owned, operated, managed, and controlled by a person or persons from diverse backgrounds.
Labor rights in the supply chain	Protection and monitoring of the labor rights of workers throughout all of NIKE's supply chain (operations and manufacturing), including the right to freedom of association and collective bargaining, child labor, and other labor rights.
Material waste	Waste generated throughout NIKE's value chain; activities to reduce, reuse, or recycle and responsibly manage/dispose of waste.
Materials sourcing	Choice and sourcing of non-renewable and renewable materials; consideration of social and environmental impacts associated with the types of materials used and the source; prioritizing less impactful options and third-party certifications.
Product design and circularity	Designing products, packaging, and processes for durability, reuse, recycling, and circularity.
Promotion of social inclusion	Creating equitable playing fields and breaking down societal barriers for all athletes; diverse athlete endorsements; increasing access to sport.
Public health and natural disaster risks	Promoting solutions and managing disruptions and impacts in the value chain associated with epidemics, communicable and non-communicable diseases, and natural disasters.
Renewables and energy use	Energy used for electricity; use of fossil fuels and renewable energy sources.
Responsible use of innovation and technology	Promoting responsible and safe use of technology to create new and modified products, packaging and ways of conducting business; considering the impacts of automation.
Supply chain management and transparency	Transparent processes and systems to ensure suppliers uphold standards on environmental, social, and ethical business practice issues.
Water use and replenishment	Water consumed throughout NIKE's value chain; monitoring and/or mitigating our impacts in water-scarce regions.
Workforce development in the supply chain	Building capacity throughout NIKE's supply chain for workers to receive training and career development opportunities.



# 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.



NYC Garage, World Headquarters, Beaverton, Oregon



## 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 executive level. In this context, NIKE approaches governance with a view to enhancing long-term shareholder value. Creating long-term shareholder value is facilitated by focusing on NIKE's corporate Purpose, which includes strategies regarding sustainability; diversity, equity, and inclusion; social and community impact; corporate responsibility; and human rights.

## Purpose Governance at NIKE

The Corporate Responsibility, Sustainability and Governance Committee of our Board of Directors oversees NIKE's significant strategies, activities, and policies regarding sustainability, human rights, community impact, and charitable activities, among other duties.

Board Accountability	Corporate Responsibility, Sustainability and Governance (CRS&G) Committee of the Board of Directors
Executive Leadership and Corporate Accountability	Executive Leadership Team
Cross-Functional Leadership and End Integration	Purpose Leadership Team
Cross-Functional Working Group	Purpose Subcommittee
Functional Leadership and Execution	Diversity and Inclusion Supply Chain Labor Health and Safety Community Environment

## Learn More →

[Board of Directors](#)  
[Board Charters](#)  
[NIKE, Inc. Executive Leadership Team](#)  
[Inside the Lines \(Code of Conduct\)](#)

# APPENDIX



# Our Commitment to Respecting Human Rights

At NIKE, we strongly believe in and are committed to respecting human rights. It is not only the right thing to do, it also drives our success by allowing people's full potential to be realized. We look to the human rights defined in the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Rights at Work. We also consider the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises as best practice for understanding and managing human rights risks and impacts.

Our commitment to respecting human rights is more specifically described in our many policies, standards, and strategies, including our [Code of Business Conduct – Inside the Lines](#), our Supplier [Code of Conduct](#) and [Code Leadership Standards](#), and our [Privacy Policy](#) as well as our Diversity, Equity & Inclusion Strategy. These commitments apply to our employees, communities, consumers, sponsored athletes, and include our own operations as well as the partners and suppliers we work with in our manufacturing and logistics supply chains.

We are committed to providing safe, confidential, and accessible channels to ensure that anyone can report any matter that they believe is inconsistent with NIKE's values and policies. Our [Speak Up Portal](#), which can be accessed anytime online or by phone, is a resource to ask questions or raise concerns about potential violations of NIKE's policies. We treat all reports seriously and will investigate promptly. NIKE does not tolerate retaliation in any form.

NIKE recognizes there is no finish line when it comes to respect for human rights. We will continue to create equal playing fields for all.

*"At NIKE, Inc., we elevate human potential on a global scale. We serve athletes\*. We inspire people to challenge their limits. And through sport, we strive to help shape a better world. As a company with greater potential for impact than ever, I believe that every one of us has a part to play. Each one of us shapes Nike's culture and future success through our behaviors and practices. This starts with our mission and our Maxims — our core values and beliefs that help anchor, inform, and guide us — and extends through our commitment to advance and respect human rights in all that we do."*

*John Donahoe*

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





# 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 environmental sustainability metrics for the year ended May 31, 2020 and the employee metrics as of December 31, 2020 in management's assertion are presented in conformity with the assessment criteria set forth in management's assertion.

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.

As discussed in the GHG Base Data section of management's assertion, NIKE changed its methodology for Scope 1 and Scope 2 consumption data and Scope 3 outbound logistics activity data for the year ended May 31, 2020.

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.

The preparation of the other sustainability metrics requires management to establish the criteria, make determinations as to the relevancy of information to be included, and make assumptions that affect reported information. The selection by management of different but acceptable measurement techniques could result in materially different amounts or metrics being reported.

As discussed in 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 management's assertion in order for it to be fairly stated.

*PricewaterhouseCoopers LLP*

March 10, 2021

PricewaterhouseCoopers LLP  
805, SW Broadway, Suite 800 Portland, OR 97205  
[www.pwc.com](http://www.pwc.com)



# NIKE, Inc. Management Assertion

Fiscal Year ended May 31, 2020 Scope 1, 2 and 3 (Commercial Air Travel, Outbound Logistics) Greenhouse Gas (GHG) Emissions, Scope 1 and 2 Total Energy Consumption

December 31, 2020 Employee totals by gender (global) and race/ethnicity (US only)

<i>Selected Environmental Sustainability Metrics</i>	<i>For the Fiscal Year ended May 31, 2020 (FY20)</i>
Scope 1 and 2 Total Energy Consumption (MWh) <sup>122</sup>	871,342
Scope 1 (Direct) Emissions (Metric tons CO <sub>2</sub> e) <sup>122</sup>	47,398
Scope 2 (Indirect) Location-Based Emissions (Metric tons CO <sub>2</sub> e) <sup>122</sup>	269,593
Scope 2 (Indirect) Market-Based Emissions (Metric tons CO <sub>2</sub> e) <sup>122</sup>	159,266
Scope 3 Emissions from Commercial Air Travel (Metric tons CO <sub>2</sub> e)	81,340
Scope 3 Emissions from transportation and distribution (outbound) (Metric tons CO <sub>2</sub> e) <sup>122</sup>	164,684

Prior to conversion to CO<sub>2</sub>e, metric tons of GHG emissions by gas are, 205,187, 15, and 3 of CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O, respectively.

<i>Selected Employee Metrics</i>	<i>As of December 31, 2020</i>	
<i>All employees gender (global)</i>		
Employee totals by gender (number and percentage) (global)	#	%
Male	33,268	50.49%
Female	32,617	49.51%
<i>All employees race/ethnicity (US only)</i>		
Employee totals by race/ethnicity (number and percentage) (US only)	#	%
American, Indian or Alaskan Native	128	0.4%
Asian	3,097	9.3%
Black or African American	7,953	23.9%
Hispanic/Latino	6,055	18.2%
Native Hawaiian or Other Pacific Islander	213	0.6%
Two or More Races	1,899	5.7%
Unknown	306	0.9%
White	13,655	41.0%

<sup>122</sup> As discussed in the GHG Base Data section below, NIKE changed its methodology for Scope 1 and Scope 2 consumption data and Scope 3 outbound logistics activity data for the fourth quarter of the fiscal year ended May 31, 2020 to normalize the impact of the COVID slowdown.

## 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 and employee 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, 2020.

## 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 emissions reporting coverage is outlined below.

A subset of Scope 3 emissions (commercial air travel and outbound logistics) is also shown.

Emissions Source	Scope Description
Retail	<ul style="list-style-type: none"> <li>– Includes NIKE owned or operated NIKE Brand, Converse, and Hurley<sup>1</sup> stores globally.</li> <li>– 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.</li> <li>– Refrigerant leakage from HVAC units are not included in reporting at this time.</li> </ul>
Distribution Centers (DCs)	<ul style="list-style-type: none"> <li>– Includes top 45 NIKE owned or operated Distribution Centers ("DCs") globally as of May 31, 2020, which represent about 90% of shipped units.</li> <li>– Energy consumed includes natural gas, hi-sene, diesel, propane, bio-gas, electricity, onsite solar, and onsite wind.</li> <li>– Diesel is used in backup generators.</li> <li>– 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.</li> <li>– In addition, emissions include fugitive emissions from refrigerant gas loss.</li> </ul>
Headquarters (HQs)	<ul style="list-style-type: none"> <li>– Includes emissions from building facilities at 5 HQs: World Headquarters U.S. ("WHQ"), European HQ, Greater China HQ, Converse HQ, and Hurley<sup>123</sup> HQ. This covers over 8 million ft<sup>2</sup>. Emissions from new construction at HQ locations are reported separately under Other Offices &amp; WHQ Building Construction discussed below until buildings become operational. There weren't any facilities that made this shift in FY20.</li> <li>– Energy consumed includes natural gas, diesel, propane, electricity, and onsite solar.</li> <li>– Diesel is used in backup generators.</li> <li>– Propane is used in food services, vendor landscaping services, and some forklifts.</li> <li>– Refrigerant leakage from HVAC units are not included in reporting at this time.</li> </ul>
Air Manufacturing Innovation	<ul style="list-style-type: none"> <li>– Includes NIKE-owned manufacturing facilities and related facilities that are the primary producers of NIKE air units.</li> <li>– Energy consumed includes natural gas, diesel, propane, and electricity.</li> <li>– Diesel is used in backup generators.</li> <li>– Propane is used in a single limited application in one Air Manufacturing Innovation ("Air MI") facility.</li> <li>– Refrigerant leakage from HVAC units are not included in reporting at this time.</li> </ul>
Other (NON-HQ) Offices and HQ Building Construction	<ul style="list-style-type: none"> <li>– 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 FY20, 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.</li> </ul>
Vehicles	<ul style="list-style-type: none"> <li>– Vehicles include service vehicles at WHQ. Company-leased vehicles for use by employees in other geographies are not included in reporting at this time.</li> </ul>
Jets	<ul style="list-style-type: none"> <li>– Includes jet aviation fuel from our business travel using NIKE's corporate jets, operated from the U.S.</li> </ul>
Commercial Travel	<ul style="list-style-type: none"> <li>– Data represents commercial business air travel across 46 countries.</li> <li>– Commercial air travel emissions are estimated based on mileage calculated from number and route distance of trips.</li> </ul>
Outbound Logistics	<ul style="list-style-type: none"> <li>– Data represents ~95% of global outbound transportation and distribution of products sold via the following modes of transportation: air, ocean, truck, and rail. Reported figures reflect well to wheel emissions.</li> </ul>

<sup>123</sup> NIKE divested of Hurley in Q3 of FY20 and transferred ownership of energy invoices to Hurley's new owner in FY20 Q4. Hurley is included in reported FY20 figures.



## 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 for purposes of assessing FY20 targets.

Due to the effects of COVID-19, the fourth quarter of fiscal year 2020 (FY20 Q4, March 1, 2020–May 31, 2020) resulted in lower than normal activity, impacting the final measurement year of our FY20 targets. Given the impacts to our metrics during this unprecedented time, we have adjusted FY20 Q4 Scope 1 and Scope 2 consumption data and Scope 3 outbound logistics activity data included in our metrics for the year ended May 31, 2020. These Q4 adjustments provided a FY20 Q3 trailing twelve-month view of consumption (i.e., actual consumption data for the period March 1, 2019 – February 29, 2020, except as described below) to provide a more normalized view of results on FY20 targets than would be rendered using actual performance figures during the pandemic's global shutdown. The resulting adjusted metrics will be used as the baseline for our FY25 targets measurement. Future fiscal years will be measured using the unadjusted fiscal year consumption.

In most cases, we used FY19 Q4 activity data as a replacement for FY20 Q4 activity data. However, we used the most recent (FY20) emissions factors throughout the entirety of FY20 to apply to all FY20 data, including the FY20 Q4 data which, in most cases, used FY19 Q4 activity data.

### Exceptions:

- In the extrapolated portion of our footprint, we applied FY20 Q3 extrapolations to FY20 Q4 data since they were the closest available months, reflecting both seasonality and the most proximate real estate footprint.
- Hurley: excluded from FY20 Q4 as NIKE divested in December 2019.
- Renewable Electricity (RE) in Oregon: as the RE is contractually tied to consumption of meters, it was necessary to ensure that claimed RE did not exceed actual electricity used, even during the period of reduced consumption (due to the rollover of FY19 Q4 data to FY20 Q4 due to COVID shutdowns). As a result, for each month of March/April/May 2020, the RE claimed for each site in the OR PPA is the lesser of that month's actual electricity consumption in FY20 or FY19.

- European Energy Attribute Certificates (EACs): revised EAC amounts during FY20 year end reconciliation to ensure that claimed EAC consumption did not exceed actual contracted EAC consumption for the month (i.e., actual electricity consumption), nor the amount of electricity actually consumed or reported as 'consumed' (resulting from the rollover of FY19 Q4 data to FY20 Q4 due to COVID shutdowns).

- For new sites that existed in FY20 Q4 but didn't exist in FY19 Q4, NIKE used FY20 Q4 actual data, in the absence of any other proxy data.
- For closed sites that were open in FY19 Q4 but closed before FY20 Q4, removed these sites from the inventory since they were no longer part of the footprint.

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. Activity data used to calculate Scope 3 outbound emissions is sourced from third-party invoices (e.g., supplier expenditure including weight, transportation type, distance, and weight/volume) and is collected across the business via a variety of internal processes and systems.

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. 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 92% of retail scope 1 emissions in FY20 were estimated, and approximately 80% of non-HQ scope 1 emissions in FY20 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 FY20 square footage data, along with electricity intensity (kWh per square foot of known FY20 NIKE electricity usage in retail or offices). About 76% of retail scope 2 market-based emissions in FY20 were estimated. About 72% of non-HQ scope 2 market-based emissions in FY20 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.

## Emissions Factors

Emissions are reported in metric tons of carbon dioxide equivalent and include CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O.

Exceptions to reporting CH<sub>4</sub> and N<sub>2</sub>O are as follows:

- Facilities' emissions are reported in CO<sub>2</sub>e, however, within a limited subset of consumption data, emissions factors for other gases (CH<sub>4</sub>, N<sub>2</sub>O) 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, CH<sub>4</sub> and N<sub>2</sub>O emissions are sourced from the next available step in the market-based emissions factors hierarchy.
- Commercial Travel emissions are in CO<sub>2</sub> 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.

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 on-site 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 <sub>2</sub> ; however, biomass source-specific emissions factors are applied for CH <sub>4</sub> and N <sub>2</sub> O.
Electricity Contracts	NIKE applies a zero emission factor for all facilities in scope of its Power Purchase Agreements (with the exception of instances where the Q4 adjustments resulted in some of the electricity consumed in Oregon not being covered by renewables).
Energy Supplier-Specific Emissions Factors	U.S., Canada, & EU: NIKE applies publicly available supplier-specific emission factors where available. (Due to the U.S. vPPA that went live in FY20 H2, use of supplier-specific emissions factors in U.S. and Canada stopped after FY20 H1 ended, with the exception of instances where the Q4 adjustments resulted in some of the electricity consumed in Oregon not being covered by renewables.)
Residual Mix	U.S. & Canada: NIKE applies residual mix emission factors from Green-E U.S. Residual Mix Emissions Rates. EU: NIKE applies country emission factors from Association of Issuing Bodies (AIB).
Location-Based Factors	If none of the above options are available, NIKE uses location-based factors as described in the table below.



The table below outlines the emissions factor sources used in FY20 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	Bio-gas	Supplier specific emission factor
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. & EU)	Contractual instruments (Power purchase agreements [PPA], energy attribute certificates [EAC]) In FY20, 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. (Exception: instances where the Q4 adjustments resulted in some of the electricity consumed in Oregon not being covered by renewables.)
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 the first half of FY20, supplier-specific emission factors covered about 65% of NIKE's electricity consumption in the U.S. and Canada. In the second half of FY20, this dropped to less than 10% coverage due to the go-live of NIKE's US vPPA and the Q4 adjustments resulting in some of the electricity consumed in Oregon not being covered by renewables. In FY20, supplier-specific emission factors covered 3% 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 <sub>2</sub> 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
Scope 3 (Outbound Logistics)	Air, Ocean, Truck, and Rail Shipping	Outbound logistics emissions factors are sourced in compliance with DIN EN 16258

## 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.

The preparation of the other sustainability metrics requires management to establish the criteria, make determinations as to the relevancy of information to be included, and make assumptions that affect reported information. 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	UNGCI Principle																																			
Organization Profile	102-1	Name of the organization	NIKE, Inc.																																					
	102-2	Activities, brands, products, and services	FY20 10-K: Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: page 27 (Annual Report)																																					
	102-3	Location of headquarters	One Bowerman Dr, Beaverton, OR 97005.																																					
	102-4	Location of operations	FY20 10-K: Item 1. Business: pages 2–3 and Item 2. Properties: page 22 (Annual Report) <a href="#">NIKE Manufacturing Map</a>																																					
	102-5	Ownership and legal form	<a href="#">FY20 Proxy Statement</a> <a href="#">Company Bylaws</a> FY20 10-K: Item 5 page 23 (Annual Report)																																					
	102-6	Markets served	FY20 10-K: Item 1. Business: pages 1–7 (Annual Report)																																					
	102-7	Scale of the organization	FY20 10-K: Item 1. Business: pages 1–7 (Annual Report)																																					
	102-8	Information on employees and other workers	Employees (2020): page 16–23 FY20 10-K: Item 1. Business: page 6 (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.																																				
<i>Additional Information</i>																																								
Total Employees by Employment Type and Gender <sup>1</sup> (102-8C)																																								
<table border="1"> <thead> <tr> <th colspan="5">CY20</th> </tr> <tr> <th></th> <th>Unknown</th> <th>Female</th> <th>Male</th> <th></th> </tr> <tr> <th></th> <th>HC</th> <th>HC</th> <th>% of Total</th> <th>HC</th> </tr> </thead> <tbody> <tr> <td>Full-Time</td> <td>1</td> <td>24,744</td> <td>76%</td> <td>25,523</td> </tr> <tr> <td>Part-Time</td> <td>0</td> <td>7,873</td> <td>24%</td> <td>7,745</td> </tr> <tr> <td>Total Regular</td> <td></td> <td>32,617</td> <td>100%</td> <td>33,268</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>100%</td> </tr> </tbody> </table>						CY20						Unknown	Female	Male			HC	HC	% of Total	HC	Full-Time	1	24,744	76%	25,523	Part-Time	0	7,873	24%	7,745	Total Regular		32,617	100%	33,268					100%
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	CY20	CY20	CY20																																					
U.S. Racial and Ethnic Minorities	58.1%	26.9%	29.3%																																					
Unknown	0.9%	2.8%	2.9%																																					
White (Not Hispanic/Latino)	41.0%	70.3%	67.8%																																					
102-9	Supply chain	Sustainable Sourcing (2020): pages 28–31 FY20 10-K: Item 1. Business: pages 1–7 (Annual Report) Foundational Expectations (2025): page 81 <a href="#">Stages of our Value Chain</a> <a href="#">Measuring our Value Chain Footprint</a>																																						
102-10	Significant changes to the organization and its supply chain	FY20 10-K: Item 1. Business: page 2 (Annual Report).																																						
102-11	Precautionary Principle or approach	Issue Prioritization: pages 101–102 2020 Target Summary: pages 11–15 2025 Target Summary: pages 67–69																																						
102-12	External initiatives	<a href="#">Sustainability Commitments</a> <a href="#">Industry Standards &amp; Assessment Tools</a> We also mention external initiatives throughout the report.																																						
102-13	Membership of associations	<a href="#">Partnerships &amp; Collaborations</a> We also mention memberships throughout the report.																																						
Strategy	102-14	Statement from senior decision-maker	CEO letter: page 7 Purpose Guides Us: page 5																																					



## General disclosures

GRI Standard	Number	GRI Disclosure	Location and Notes	Omission	UNGC Principle
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	CEO letter: page 7 <a href="#">NIKE Code of Conduct</a> <a href="#">NIKE Code Leadership Standards</a> <a href="#">NIKE Code of Ethics</a> <a href="#">Sustainability Policies</a>		
Governance	102-18	Governance structure	FY20 Proxy Statement: Corporate Governance: pages 6–27 Governance page 103 <a href="#">Board Charters</a>		
	102-29	Identifying and managing economic, environmental, and social impacts	FY20 10-K: Item 1A. Risk Factors: pages 8–21 (Annual Report) FY20 10-K: Risk Management and Derivatives: pages 81–86 (Annual Report)  2025 Targets: ""Why it Matters"" pages Representation & Hiring: page 73 Pay & Benefits: page 75 Health & Safety: page 76 Inclusive Culture & Engagement: page 77 Education & Professional Development: page 79 Business Diversity & Inclusion: page 80 Foundational Expectations: page 81 Active Kids: page 84 Inclusive Communities: page 85 Employee Engagement: page 86 Community Investment: page 87 Carbon: page 90 Waste: page 93 Water: page 96 Chemistry: page 98		
	102-30	Effectiveness of risk management processes	Issue Prioritization: pages 101–102 NIKE's Enterprise Risk Management (ERM) Team continually monitors and reports against the company's full risk landscape, including areas of Purpose. Specifically, the ERM Team monitors strategic, operational and brand impacts of key external events and shifting stakeholder expectations related to Purpose topics, commitments and events. Changes to NIKE's exposure in these areas are reported to executive management on a quarterly basis, at minimum. The ERM Team also conducts enterprise-wide risk assessments in areas of longer-term impact such as Climate Change. Outputs of these assessments are reported to Executive leadership and the Board of Directors and related risks are monitored and governed by NIKE's enterprise risk governance process.		
Stakeholder Engagement	102-40	List of stakeholder groups	Issue Prioritization: pages 101–102 <a href="#">Partnerships &amp; Collaborations</a>		
	102-41	Collective bargaining agreements	FY20 10-K: Item 1. Employees: page 6		
	102-42	Identifying and selecting stakeholders	<a href="#">Partnerships &amp; Collaborations</a>		
	102-43	Approach to stakeholder engagement	<a href="#">Partnerships &amp; Collaborations</a> <a href="#">Governance</a>		
	102-44	Key topics and concerns raised	Issue Prioritization: pages 101-102		
Reporting Practice	102-45	Entities included in the consolidated financial statements	About This Report: page 3 FY20 10-K: Item 1. Business: page 1 (Annual Report)		
	102-46	Defining report content and topic Boundaries	Issue Prioritization: pages 101-102		
	102-47	List of material topics	Issue Prioritization: pages 101-102		
	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.		



## General disclosures

GRI Standard	Number	GRI Disclosure	Location and Notes		Omission	UNGC Principle
Reporting Practice		<i>Additional Information</i>				
		Data	Page	Reason		
		Occupational Health & Safety Industry Rates & Codes	63	CY19 Industry Rates were adjusted to align with CY19 BLS rates, as at the time of the FY19 NIKE Impact Report publication, CY19 BLS rates hadn't yet been published and CY18 BLS rates were used instead.		
		Energy and Carbon Measure: Decrease energy use and CO <sub>2</sub> e emissions 25% per unit in key operations (inbound and outbound logistics, distribution centers, headquarter locations, finished goods manufacturing, and NIKE-owned retail)	44	Historical performance data for this target has been restated due to complexities in managing a shift in NIKE's logistics' emissions data source leading to an error in backcasting.		
		<b>Data Integrity</b> 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, and outbound logistics and selected diversity and inclusion data). 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.				
		<b>COVID Methodology</b> Estimation methodology for FY20 Q4 COVID slowdown adjustments are as follows:				
		<ul style="list-style-type: none"> <li>• Carbon Scope 1 and 2 Emissions; Transportation Emissions – Activity Data: FY20 Q3 trailing 12 months ([TTM]; FY20 Q4 = FY19 Q4). Emissions Factors, Scope: unadjusted FY20.</li> <li>• Carbon Manufacturing Emissions – Activity Data: FY20 Q4 = percent of FY observed historically. Emissions Factors, Scope: unadjusted FY20.</li> <li>• Waste Manufacturing and Packaging – FY20 Q4 = average of Q1–3.</li> <li>• Waste DCs, HQs, Air MI – FY20 Q3 TTM.</li> <li>• Water – FY20 Q4 = average of Q1–3.</li> </ul>				
	102-50	Reporting period	About This Report: page 3			
	102-51	Date of most recent report	We published the FY20 Impact Report in March 2021			
	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 112–124			
	102-56	External assurance	PwC Assurance Report: page 106 NIKE, Inc. Management Assertion: page 107			



## Economic

GRI Standard	Number	GRI Disclosure	Location and Notes	Omission	UNGC Principle
<b>Economic Performance</b>					
<i>Material Aspects: Climate Change Adaptation</i>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: pages 101-102 Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92 <u>Energy &amp; Emissions</u>		
	103-2	The management approach and its components	Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92 <u>Energy &amp; Emissions</u>		
	103-3	Evaluation of the management approach	Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92 <u>Energy &amp; Emissions</u>		
GRI 201: Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	Carbon and Energy (2020): pages 44-50 Water (2020): pages 56-57 Carbon (2025): pages 90-92 Water (2025): pages 96-97 <u>Energy &amp; Emissions</u>		
<b>Materials</b>					
<i>Material Aspects: Product Design &amp; Circularity, Materials Sourcing</i>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: pages 101-102 Materials (2020): pages 40-43 Carbon (2025): pages 90-92		
	103-2	The management approach and its components	Materials (2020): pages 40-43 <u>Materials</u>		
	103-3	Evaluation of the management approach	Materials (2020): pages 40-43 Carbon (2025): pages 90-92		
GRI 301: Materials	301-1	Materials used by weight or volume	Materials (2020): pages 40-43 Carbon (2025): pages 90-92		8
<i>Additional Information</i>					
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 FY20, NIKE brand apparel shifted the data source used for reporting polyester volumes.					
<b>Energy</b>					
<i>Material Aspects: Renewables &amp; Energy Use</i>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: pages 101-102 Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92 <u>Energy &amp; Emissions</u>		
	103-2	The management approach and its components	Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92 <u>Energy &amp; Emissions</u>		
	103-3	Evaluation of the management approach	Carbon (2025): pages 90-92		
GRI 302: Energy	302-1	Energy consumption within the organization	Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92		8
	302-2	Energy consumption outside of the organization	Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92		8
	302-3	Energy intensity	Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92		8



## Economic

GRI Standard	Number	GRI Disclosure	Location and Notes	Omission	UNGC Principle
<b>Water</b>					
<i>Material Aspects: Air &amp; Water Pollution</i>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: pages 101-102 Water (2020): pages 56-57 Water (2025): pages 96-97 <u>Water</u>		
	103-2	The management approach and its components	Water (2025): pages 96-97 <u>Water</u>		
	103-3	Evaluation of the management approach	Water (2020): pages 56-57 Water (2025): pages 96-97		
GRI 303: Water 2016	303-1	Water withdrawal by source	Water (2020): pages 56-57 Water (2025): pages 96-97		8
<i>Additional Information</i>					
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.					
GRI 303: Water And Effluents 2018	303-1	Interactions with water as a shared resource	Water (2020): pages 56-57 Water (2025): pages 96-97		
	303-2	Management of water discharge-related impacts	Water (2020): pages 56-57 Water (2025): pages 96-97		
	303-5	Water consumption	Water (2020): pages 56-57		
<b>Emissions</b>					
<i>Material Aspects: Ghg Emissions, Air &amp; Water Pollution</i>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: pages 101-102 Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92 <u>Energy &amp; Emissions</u>		
	103-2	The management approach and its components	Carbon (2025): pages 90-92 <u>Energy &amp; Emissions</u>		
	103-3	Evaluation of the management approach	Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92		
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92		8
	305-2	Energy indirect (Scope 2) GHG emissions	Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92		8
	305-3	Other indirect (Scope 3) GHG emissions	Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92		8
	305-4	GHG emissions intensity	Carbon and Energy (2020): pages 44-50 Carbon (2025): pages 90-92		8



## Economic

### *Additional Information*

NIKE converts all energy consumed to kWhe 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

### FY20 Fuel & Electricity Consumption (MWh) & Scope 1 & 2 Emissions (Metric Tons CO<sub>2</sub>e) by Country

Country/Region	Fuel Consumed (MWht)	Scope 1 (Metric Tons CO <sub>2</sub> e)	Grid Electricity (MWht)	Onsite Solar (MWht)	Onsite Wind (MWht)	Location-Based Scope 2 (Metric Tons CO <sub>2</sub> e)	Market-Based Scope 2 (Metric Tons CO <sub>2</sub> e)
Argentina	1,313	269	3,897	-	-	1,372	1,372
Australia	1,208	245	3,182	-	-	2,374	2,374
Austria	807	164	1,247	-	-	202	202
Belgium	12,229	2,401	35,157	3,840	11,131	6,247	874
Brazil	3,034	617	6,572	382	-	768	750
Canada	10,628	2,103	6,711	-	-	957	343
Chile	714	145	2,537	-	-	1,109	1,109
China (Greater)	31,565	6,356	61,540	2,583	-	38,687	38,373
Croatia	52	10	112	-	-	23	58
Czech Republic	185	38	276	-	-	138	165
Denmark	412	83	370	-	-	56	25
France	4,391	889	9,927	-	-	689	216
Germany	6,029	1,221	6,659	-	-	2,789	3,054
Greece	-	-	1,012	-	-	540	458
Hungary	300	61	401	-	-	107	115
India	272	57	691	-	-	500	500
Indonesia	157	32	680	-	-	525	525
Ireland	324	66	840	-	-	319	295
Israel	-	-	1,153	-	-	642	642
Italy	2,841	576	5,844	-	-	1,911	1,085
Japan	6,142	1,166	15,215	-	-	7,979	7,979
Malaysia	532	108	1,474	-	-	962	962
Mexico	3,946	799	9,040	-	-	4,328	4,328
Netherlands	4,410	893	11,832	-	-	5,192	6,127
New Zealand	73	15	328	-	-	38	38
Norway	277	56	334	-	-	3	132
Panama	11	2	25	-	-	5	5
Philippines	62	13	365	-	-	245	245
Poland	992	201	1,246	-	-	889	1,015
Portugal	-	-	1,013	-	-	366	261
Russia	2,688	545	3,421	-	-	1,202	1,380
Singapore	760	154	1,994	-	-	791	791
South Africa	826	168	2,051	-	-	1,854	1,854
South Korea	6,986	1,561	9,933	-	-	5,359	5,359
Spain	3,450	699	6,779	-	-	1,964	1,084
Sri Lanka	4	1	9	-	-	6	6
Sweden	417	84	462	-	-	6	23
Switzerland	290	59	396	-	-	11	8
Thailand	482	98	1,031	-	-	492	492
Turkey	1,112	225	2,313	-	-	1,071	1,071
United Arab Emirates	7	1	16	-	-	11	11
United Kingdom	6,330	1,282	9,707	-	-	2,398	2,168
United States of America	113,193	23,858	391,707	628	-	173,790	70,302
Uruguay	198	40	443	-	-	6	6
Vietnam	184	39	3,002	-	-	1,086	1,086
Total	229,833	47,398	622,945	7,433	11,131	270,007	159,266



**Economic****FY20 Energy Consumption (MWh)**

<i>Consumption</i>	<i>Heating Value</i>	<i>MWh From Renewable Sources</i>	<i>MWh From Non-Renewable Sources</i>	<i>Total MWh</i>
Fuel (excluding feedstock)	LHV (lower heating value)	0	229,833	229,833
Purchased or Acquired Electricity		310,798	330,711	641,509
Total Energy Consumption		310,798	560,544	871,342

**FY20 Renewable MWh by Country and Type**

<i>Country</i>	<i>Onsite Solar</i>	<i>Onsite Wind</i>	<i>RECs: Biomass</i>	<i>RECs: Solar</i>	<i>RECs: Wind &amp; Solar</i>	<i>RECs: Wind</i>	<i>PPA: Oregon Avangrid</i>	<i>vPPA: North America Avangrid</i>	<i>Total</i>
Belgium	3,840	11,131	30,311	1,695	4,312	-	-	-	51,290
Brazil	382	-	-	191	-	-	-	-	573
Canada	-	-	-	-	-	-	-	3,213	3,213
China	2,583	-	-	502	-	-	-	-	3,085
Denmark	-	-	-	-	317	-	-	-	317
France	-	-	-	-	4,952	-	-	-	4,952
Greece	-	-	-	-	-	221	-	-	221
Ireland	-	-	-	-	251	-	-	-	251
Italy	-	-	-	-	3,522	-	-	-	3,522
Netherlands	-	-	-	-	832	-	-	-	832
Spain	-	-	-	-	1,981	1,647	-	-	3,628
United Kingdom	-	-	-	-	492	3,006	-	-	3,498
United States of America	628	-	-	-	-	-	119,458	115,330	235,416
<b>Total</b>	<b>7,433</b>	<b>11,131</b>	<b>30,311</b>	<b>2,389</b>	<b>16,659</b>	<b>4,874</b>	<b>119,458</b>	<b>118,543</b>	<b>310,798</b>

**Renewable Energy (MWh)**

	<i>FY15</i>	<i>FY16</i>	<i>FY17</i>	<i>FY18</i>	<i>FY19</i>	<i>FY20</i>
<i>Footwear Manufacturing (Tier 1) and Textile Dyeing and Finishing (Tier 2)</i>						
Renewable Energy	550,000	571,000	602,000	621,000	582,000	509,000
% of Total	14	13	13	14	12	11
<i>Owned or Operated</i>						
Renewable Energy	66,717	108,755	125,494	135,971	160,224	310,798
% of Total	14	20	22	22	27	48



## Economic

## FY20 Fuel Consumption by Fuel Type (MWh)

Natural Gas	210,545
Jet Fuel	11,257
Hi-Sene	3,397
Gasoline	1,730
Diesel	2,044
Propane	494
Bio Gas	365
Total	229,833

## FY20 Steam, Heat, Cooling Consumption (MWh)

Steam	0
Heat	0
Cooling	0

FY20 Biomass CO<sub>2</sub> Emissions (Metric Tons CO<sub>2</sub>e)

	10,912
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FY20 Scope 1 Emissions By Gas (Metric Tons CO<sub>2</sub>e)

CH <sub>4</sub>	129
CO <sub>2</sub>	46,874
N <sub>2</sub> O	32
Refrigerant CO <sub>2</sub> e	363
Total	47,398



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.



## Economic

Scope 3 Emissions By Category And Operational Boundaries			In SBT Scope ●	Not in SBT Scope ●	
Emissions Sources	FY20 Metric Tons CO <sub>2</sub> e and/or Evaluation Status	Scope of Reported Emissions	Emissions Calculation Methodology		% Of Emissions Calculated Using Data Obtained From Suppliers or Value Chain Partners
<b>Upstream</b>					
1 Purchased Goods and Services	● 9,500,000	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 <sub>2</sub> e emissions include CO <sub>2</sub> , CH <sub>4</sub> , and N <sub>2</sub> 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 <sub>2</sub> e emissions factors for electricity purchased from the local utility grid by the country/region in which the factory resides. For onsite generation and other fuels: CO <sub>2</sub> e emissions are calculated using the IPCC bottoms up calculation methodology. CO <sub>2</sub> 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.	20%	
			To evaluate NIKE's value chain footprint, we identified and quantified CO <sub>2</sub> 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 Materials Sustainability Index and Enablon.		
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. Does not include upstream electricity emissions, T&D losses, or other onsite fuels besides natural gas (propane, diesel, biogas, hi-sene).	Emissions data is calculated using primary activity data, extrapolated consumption, and publicly available CO <sub>2</sub> e emissions factors. Consumption is multiplied by the emissions factor, using an identical global factor across all countries and regions.	58%	
4 Upstream Transportation and Distribution	● 1,300,000	Includes ~95% of global inbound transportation and ~95% of global outbound transportation via the following modes of transportation: air, ocean, truck, and rail. Excludes non-NIKE paid freight. Also included is the shipment via air freight of Nike AirBags produced in North America and shipped as components for footwear manufacturing to manufacturing partners in Asia.	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	● 2,300	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	● 81,000	Includes emissions from commercial air travel.	Air CO <sub>2</sub> 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%	



## Economic

## Scope 3 Emissions By Category And Operational Boundaries

In SBT Scope ● Not in SBT Scope ●

Emissions Sources	FY20 Metric Tons CO <sub>2</sub> e and/or Evaluation Status	Scope of Reported Emissions	Emissions Calculation Methodology	% Of Emissions Calculated Using Data Obtained From Suppliers or Value Chain Partners
7 Employee Commuting	● 107,000	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 and compensate for the COVID slowdown during FY20 Q4.	19%
8 Upstream Leased Assets	● Not relevant	NIKE does not have significant emissions from upstream leased assets.	N/A	N/A
<b>Downstream</b>				
9 Downstream Transportation and Distribution	● 92,000	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 calculating the difference between Inbound and Outbound freight and using the outbound freight emissions factor to determine total emissions.	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 35% 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. 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 <sub>2</sub> e was based on regional conversion factors applied to the estimated energy usage.	0%
12 End-of-Life Treatment of Sold Products	● 445,000	These emissions are associated with the disposal of products including landfill 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 <sub>2</sub> 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, NIKE's Materials Sustainability Index and EPA's Waste Reduction Model (WARM). 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
13 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	● 11,500,000			
Total Full Footprint S3 Emissions	● 17,800,000			



## Economic

GRI Standard	Number	GRI Disclosure	Location and Notes	Omission	UNGC Principle
<b>Effluents And Waste</b>					
<i>Material Aspects: Material Waste</i>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: pages 101-102 Waste (2020): pages 51-55 Waste (2025): pages 93-95 <u>Waste</u>		
	103-2	The management approach and its components	Waste (2025): pages 93-95 <u>Waste</u>		
	103-3	Evaluation of the management approach	Waste (2020): pages 51-55 Waste (2025): pages 93-95		
GRI 306: Effluents And Waste	306-2	Waste by type and disposal method	Waste (2020): pages 51-55 Waste (2025): pages 93-95		8, 9
<i>Additional Information</i>					
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.					
<b>Total Weight of Hazardous Waste (Tons) Generated in Footwear Manufacturing<sup>1,2</sup></b>					
FY20					
Total Weight					
9,992					
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.					
<b>Occupational Health And Safety</b>					
<i>Material Aspects: Employee Health &amp; Safety</i>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: pages 101-102 Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76		
	103-2	The management approach and its components	Issue Prioritization: pages 101-102 Health & Safety (2025): page 76 <u>Culture of Health and Safety</u>		
	103-3	Evaluation of the management approach	Priority Issues: Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76		



**Social**

<i>GRI Standard</i>	<i>Number</i>	<i>GRI Disclosure</i>	<i>Location and Notes</i>	<i>Omission</i>	<i>UNGC Principle</i>
GRI 403: Occupational Health And Safety 2018	403-1	Occupational health and safety management system	Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76		
	403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76		
	403-3	Occupational health services	Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76		
	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76		
	403-5	Worker training on occupational health and safety	Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76		
	403-6	Promotion of worker health	Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76		
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76		
	403-8	Workers covered by an occupational health and safety management system	Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76		
	403-9	Work-related injuries	Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76		
	403-10	Work-related ill health	Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76		

**Diversity And Equal Opportunity***Material Aspects: Employee diversity, equity & inclusion*

GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Issue Prioritization: pages 101-102 Employees (2020): pages 16-23 Pay and Benefits (2025): page 75		
	103-2	The management approach and its components	Employees (2020): pages 16-23 Pay and Benefits (2025): page 75 <u>People at NIKE</u>		
	103-3	Evaluation of the management approach	Employees (2020): pages 16-23 Pay and Benefits (2025): page 75		
GRI 405: Diversity And Equal Opportunity	405-2	Ratio of basic salary and remuneration of women to men	Employees (2020): pages 16-23		

**Forced Or Compulsory Labor***Material Aspects: Forced Labor*

GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Forced Labor (2020): page 65 Foundational Expectations (2025): page 81 Issue Prioritization: pages 101-102		
	103-2	The management approach and its components	Forced Labor (2020): page 65 Foundational Expectations (2025): page 81 Issue Prioritization: pages 101-102 <u>Code of Conduct</u> <u>Code Leadership Standards (CLS)</u>		
	103-3	Evaluation of the management approach	Forced Labor (2020): page 65 Foundational Expectations (2025): page 81 Issue Prioritization: pages 101-102		



## Social

GRI Standard	Number	GRI Disclosure	Location and Notes	Omission	UNGC Principle
GRI 409: Forced Or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Forced Labor (2020): page 65 Foundational Expectations (2025): page 81 Issue Prioritization: pages 101-102 Sustainable Sourcing (2020): pages 28-31		

**Human Rights Assessment***Material Aspects: Labor Rights In The Supply Chain*

GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Representation (2025): pages 72-74 Pay & Benefits (2025): page 75 Foundational Expectations (2025): page 81 Issue Prioritization: pages 101-102		
	103-2	The management approach and its components	Representation (2025): pages 72-74 Pay & Benefits (2025): page 75 Foundational Expectations (2025): page 81 Issue Prioritization: pages 101-102		
	103-3	Evaluation of the management approach	Representation (2025): pages 72-74 Pay & Benefits (2025): page 75 Foundational Expectations (2025): page 81 Issue Prioritization: pages 101-102		
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	Appendix: Our Commitment to Respecting Human Rights page 105		
	412-2	Employee training on human rights policies or procedures	Sustainable Sourcing (2020): pages 28-31 Engaged Workforce (2020): pages 32-34 Occupational Health & Safety (2020): pages 62-64 Forced Labor (2020): page 65 Foundational Expectations (2025): page 81 Health & Safety (2025): page 76 Appendix: Our Commitment to Respecting Human Rights: page 105		

*Material Aspects: Health And Safety In The Supply Chain*

GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundaries	Health & Safety (2025): page 76 Foundational Expectations (2025): page 81		
	103-2	The management approach and its components	Health & Safety (2025): page 76 Foundational Expectations (2025): page 81		
	103-3	Evaluation of the management approach	Health & Safety (2025): page 76 Foundational Expectations (2025): page 81		
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Occupational Health & Safety (2020): pages 62-64 Health & Safety (2025): page 76 Foundational Expectations (2025): page 81		



*purpose<sup>25</sup>*



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