



Ethical Statement

NIKE, Inc.'s success as a growth company is tied directly to our culture of innovation. Today we believe that sustainable innovation that benefits the athlete, the company and the planet will play a key role in the future of our business.

This principle shapes how NIKE does business. The results we see continue to motivate us. As you will read in this report, we are pushing the boundaries to decouple our growth from constrained resources in order to leave the lightest possible footprint, while driving uncompromising performance for athletes everywhere.

We are constantly integrating more sustainable ways of working across our business – from design to production, to logistics and retail. While this work propels us forward we also recognize that NIKE is positioned to leverage the power of our brand to drive positive change across our entire value chain, within our industry and beyond.

Sustainable Innovation Insights

Spanning almost 20 years, NIKE's sustainability journey has been dynamic, marked by an ever-evolving set of challenges and opportunities. As we continue to raise the bar on our approach, we see new opportunities. Three that stand out as I reflect on our FY12/13 progress are:

1. Sustainability and business growth are complementary. Our strategy to create value while pursuing innovation that reduces our impact on the environment, is delivering measurable results. For example, the natural assumption is that as revenue goes up so does a company's greenhouse

gas emissions as more sales translates to increased product manufacturing and freight activity. However through a variety of initiatives we have been able to change the results of that equation, reducing absolute greenhouse gas emissions by close to 3 percent while simultaneously increasing revenues by 26 percent over the time period covered by this report. This motivates us to push even harder for sustainable innovation across the business.

Breakthrough technologies like NIKE Flyknit, which dramatically reduces waste compared with traditional footwear manufacturing, and ColorDry, which eliminates water and process chemicals from dyeing while also driving down energy consumption, increasing productivity and improving quality, provide just a snapshot of the game-changing innovation that will help fuel NIKE's sustainable growth.

2. Materials Matter. Six years ago we identified that nearly 60 percent of the environmental impact of a pair of NIKE shoes was in materials used to make it. That insight, along with our commitment to design with purpose, has helped sharpen our focus on the need for disruptive innovation in the world of materials.

Arguably, the last major breakthrough in materials that reshaped the industry at scale, was the introduction of polyester about 50 years ago. We believe there are significant innovation opportunities ahead and are working to unlock the barriers to developing and scaling a new palette of more sustainable materials, but we cannot do so alone.

To effectively drive systemic change we know we must collaborate and seek out unconventional partnerships. Through our LAUNCH partnership with NASA, US Agency for International Development, and the US Department of State, we are working to uncover innovations in sustainable materials that can have a positive impact on people and the planet.

3. Climate change requires business change. At NIKE, everything we do begins with the athlete. We know that climate-related issues, like pollution and extreme weather conditions, impact an athlete's ability to perform and the changing environment presents a unique set of innovation challenges. Similarly, as a business with diverse global operations, NIKE's supply chain is exposed to a range of changing risk factors. This means that our products, as well as how and where they are made, are fundamental considerations in the long-term success of our business.

NIKE's approach to meta-trend analysis, future-casting and innovating for long-term growth, will help drive performance in the short term, while also positioning us to continue to turn risks into innovation opportunities over the long term.

From Reputation Management To Innovation Opportunity.

As NIKE has grown and changed, we have fundamentally shifted our sustainability strategy. Early on, we learned that rather than just managing our reputation by reacting to criticism about our supply chain, we could create real opportunities for change by creating an environment of industry collaboration, partnership and transparency.

This approach has continued to evolve to one where we are harnessing the power of innovation to manage risks, create opportunities and meet our sustainability and social goals, adding value to our business and brand.

In 2013, in recognition of the importance of sustainability to NIKE's Innovation strategy, we transitioned our Sustainable Business & Innovation organization into NIKE's core Innovation function, signaling the enterprise-wide role sustainable innovation will play in NIKE's future.

During the period this report covers, we also worked with two leading academic institutions – Harvard Business School and Stanford Graduate School of Business – on case studies that examine NIKE's journey since the 1990s. As these teaching instruments are more widely adopted, we hope



NIKE's experience as one of the first brands to respond to the challenges of responsibility associated with globalization, will positively inform the decisions of tomorrow's business leaders.

Enhancing Performance Through Transparency

In our previous report, we established new sustainability targets across all impact areas in our value chain; most of which are 2015 targets. In the interim, this report provides a detailed account of the progress we have made and where we have faced challenges.

Our performance against targets is detailed extensively throughout this report. We believe that disclosing our targets and reporting against them provides a strong mechanism to continue to drive internal integration and build external understanding among all of our stakeholders.

We established a new norm by disclosing our factory base back in 2005, and we still believe transparency is essential for industry change. We also continue to work with global influencers, including the United Nations Global Compact, in support of global principles in the areas of human rights, labor, the environment and anti-corruption.

It's Not A Question Of Less; It's A Question Of Better

NIKE is dedicated to serving athletes and helping them reach their full potential. As a growth company we are dedicated to creating value for our shareholders. The world in which athletes and

companies compete is changing fast. We believe business has a critical role to play in meeting the challenges of a changing world - addressing climate change, preserving the earth's constrained resources, enhancing global economic opportunity - not by reducing growth but by redefining it. To do this we believe businesses must embrace sustainability as an innovation opportunity and governments should act to create the right policies and incentives to accelerate change at scale.

By sharing our experience, documenting our progress, noting where we have fallen short and identifying the challenges that lie ahead, we hope NIKE can help positively shape the future.

The challenge to create a sustainable economy is global and requires a global response. We believe it begins with a simple idea: invent better solutions.