

# LETTER FROM OUR CEO

## We live in a time of unlimited opportunity and relentless change.

The connection between the digital and physical worlds is closer than ever. The design process is faster and more personal. And the challenge of climate change demands everyone's ingenuity.

At NIKE, we unite these forces through sustainable innovation – a powerful strategy that drives us to dream bigger and get better. But to achieve the impossible, we have to rethink the fundamentals. Every day I challenge my team to do just that, guided by a single, moonshot question: “Can we double our business, while halving our environmental impact?”

Getting there means strengthening every aspect of our business. It means inventing closed-loop products; moving to 100% renewable energy; pioneering a manufacturing revolution that puts workers' voices at the heart of the business model; and fostering a diverse workplace and an inclusive culture that unleashes innovation.

Incremental change won't get us there fast enough. We have embraced sustainable innovation as a powerful engine for growth and a catalyst for change – not only for our own business, but across industries.

That's why we're partnering with innovators who help us accelerate systemic change at scale. With Flex, we're taking a fresh approach to footwear manufacturing. With DreamWorks and their technology company NOVA, we're building a 3D digital design system to transform our product creation process. And with the Ellen MacArthur Foundation we're exploring new business models that keep materials in play through reuse and regeneration.

These partnerships help us realize our own potential – because if we dare to design the future, we must do it together.

The NIKE, Inc. FY14/15 Sustainable Business Report, which details NIKE's progress in multiple areas, shows where we exceeded expectations, and where we came up short.

There is much to be proud of.

We've worked for over 15 years to understand, track and decrease carbon across our value chain. Since 2008, our revenues have increased by 64% and we've limited our absolute emissions to only 20% growth across product manufacturing, logistics and our owned facilities. This represents a decrease of our per-unit carbon emissions by 19%.

We continue to work with fewer and better factories that are committed to moving beyond compliance. We're investing in green, equitable and empowered workplaces – even as our business grows. And we're sharing the lessons we've learned across the industry, so everyone can work together to advance change.

We have continued our focus on decreasing waste dramatically. Today, Nike Grind – a palette of premium recycled materials – is used in 71% of NIKE footwear and apparel products, in everything from yarns and trims, to soccer kits and basketball shoes.

This work is challenging and we don't have all of the answers. But, it starts with focusing on where we can drive change.

From an impact standpoint, materials matter the most. In fact, in one pair of NIKE shoes, 60% of the environmental impact comes from materials. One of the keys to our success will be to develop a new palette of sustainable materials. To do that, we're innovating with others, such as the Sustainable Apparel Coalition and LAUNCH – a partnership with NASA, the U.S. Agency for International Development and the U.S. Department of State.

By creating low-impact and regenerative materials, we can continue to move toward a high-performance, closed-loop model that uses reclaimed materials from the start. Coupled with smarter designs, we can create products that maximize performance, lighten our environmental impact and can be disassembled and easily reused.

We plan to take the next step in our closed-loop vision with a bold target for FY2020: zero waste from contract footwear manufacturing going to landfill or incineration without energy recovery.

But that's just the start. We know that the transition to a low-carbon growth economy will be driven by a mix of business innovation, industry collaboration and government policies. That's why we are reducing carbon emissions through increased efficiency and renewable energy. To support smart policies, we signed onto the American Business Act on Climate Pledge and co-founded We Mean Business – representing the voice of businesses at the global climate negotiations.

Over time, an impressive story has unfolded: as we reduce our carbon footprint, we continue to drive amazing growth. Looking ahead, we're setting a target to reach 100% renewable energy in owned or operated facilities by the end of FY25.

But we're not stopping there. One of NIKE's most profound transformations is in how our products are made. We call it a manufacturing revolution.

It starts with our customers' rising expectations. Powered by mobile, they want every experience to be personalized and at their fingertips. Meanwhile, technology is accelerating. New tools, such as digital knitting and 3D printing, are rewriting the rules of performance engineering and manufacturing. This promises to increase efficiency, customization and speed to market for consumers everywhere.

While NIKE's manufacturing model is rapidly evolving, our fundamental principles remain the same. None is more important than contract factory workers who are valued and engaged.

We have worked alongside others for over 20 years to improve labor standards in contract factories. We've learned a lot in that time. And we've seen the limitations of the existing system. Compliance to our Code of Conduct is a foundational requirement, but it can't end there. We expect any contract factory partner we work with to understand that an empowered and engaged workplace is a productive and profitable business model. The factories that make these investments will be the ones that join the manufacturing revolution.

A decade ago, NIKE was the first company in our industry to publicly disclose our factory base. It embodied one of our core beliefs: that progress starts with transparency and collaboration. As the next step, we are advocating for a convergence of compliance standards across the entire industry as a way to help factories to accelerate progress for workers. By joining together, we can raise standards in far more factories, and affirm far more workers are protected, valued and engaged.

We have ambitious business targets for the future. To make them happen, we know it's going to take creativity, passion and leadership from our own people.

At NIKE, we believe that diversity fosters creativity and accelerates innovation. We value the unique backgrounds and experiences everyone brings, and want all who join us to realize their full potential. Because different perspectives can fuel the best ideas, we are committed to a workplace that is increasingly diverse and inclusive. We are strengthening our recruitment, promotion and retention of diverse talent throughout the world, with the goal of reflecting the diversity of the consumers we serve and the communities where we live and work. While we've made progress, we will accelerate our efforts by expanding representation of women and people of color to start, while continuing to increase diversity of all dimensions across our business long term. And we're advancing inclusion in the U.S. through a new Family Care benefit that will support all new parents, and also those caring for sick family members.

I'm proud of what we have achieved and, in many areas, we've made major transformations in our business. In others, we're still at the starting line. No matter if we miss, hit or surpass our targets, we will never stop trying to achieve our ultimate vision of the future.

A future where we produce closed-loop products – created with renewable energy and recyclable materials.

A future where supply chains are fueled by skilled and valued workers – all of them supported by industry's unified standards.

And a future where NIKE's creative, driven and diverse teams continue to push the boundaries of what's possible – while engaging deeply with local communities.

This represents a new business model, driven by sustainable innovation. I believe it will accelerate change like the world has never seen. It means leveraging all of our talents. It means taking the long view. And above all, it means embracing an innovation mindset, where we push the limits of our business – and our collective potential – in unprecedented ways.

Best,



Mark Parker  
President & CEO  
NIKE, Inc.