



February 16, 2011

Innovate. Scale. Change. These themes define our sustainability journey. We've been on this journey long enough to know that real change – long-term, lasting change – will only be possible with by taking new paths and making breakthroughs.

As we review our progress over FY10 and into FY11, and prepare to report on our progress against the ambitious goals we set in FY05/06, we also have our sights set on what's next. We are setting the vision and the targets that will help us to measure progress along the way. We will challenge ourselves and everyone around us – suppliers, customers, even competitors – to do better.

In the meantime, we offer some highlights on our progress and commitments, including those set out by partners including the UN Global Compact(UNG), Fair Labor Association(FLA), Business for Innovative Climate and Energy Policy (BICEP) and many, many others.

### **Human Rights & Labor**

In 2010 we updated our [Code of Conduct](#) and [Code Leadership Standards](#), with detailed guidelines and directions for factories and management. We provided documentation and training on the new standards to all contracted factories and began assessing factories' performance against the Code in January 2011. Our [Code](#), available online, specifically calls out human rights protections, including provisions against abuse and discrimination, rights to free association and protections against forced and child labor. The Code covers more than 1 million workers in contracted factories in 49 countries across the globe.

The Code sets out our expectations and we monitor against those both through our own audits and contracted 3<sup>rd</sup> party monitors, as well as collaborative work with other FLA brands in developing and using a sustainable and shared audit tool. When needed, we require contract factories to address areas of non compliance and we use information gathered to understand and assess the root causes of noncompliance, aiming to uncover and resolve problems, not just have factories respond to violations. We also tie performance information to the way we assess and select contract manufacturers, providing incentives for performance.

We see increasing value in investing in and delivering comprehensive training to factories to help them build managerial capacity to meet and exceed our expectations on Human Resource Management, labor, human rights, health and safety, LEAN and environmental performance. We work with contracted factories to help them become sustainable manufacturing enterprises improving their performance, our partnership and opportunities for workers. Through FY10, 68 factories covering nearly 25,000 workers participated in this training.

We are now working on automated systems and reporting that put factory performance against workers' rights and environmental issues on par in our sourcing with other measures of performance such as costing, quality and on-time delivery. This will ensure that decisions about sourcing are always considered in the context of factory performance against our targets for Labor and Sustainability.

### **Environment**

Our Environmental responsibility starts with the impact of our operations, and extends to the impact of our business throughout our value chain, from design and materials to manufacturing and shipping to consumers' use of product. We also consider our impact within our industry and globally as we continue to advocate for legislation that calls for strong climate and energy policy through BICEP and other partnerships. We have continued to work with CERES to expand the BICEP coalition which now has over 20 consumer facing brands dedicated to ensuring that the US passes energy and climate related legislation, and we are working with Oxfam on clarifying the role that companies and governments need to play as we face the inevitability of climate adaptation.

Nike developed the Considered Apparel Index to score the environmental attributes of its apparel in 2007. The index is used by designers early in the product creation process to help inform design and development decisions to reduce the environmental impacts related to materials, manufacturing waste, and garment treatments. In late 2010, Nike released the [Environmental Apparel Design Tool](#) (EADT), which is a web-based version of the Index. It was developed primarily to enable other companies to understand Nike's approach to scoring apparel products and to provide a working tool to score their products. The EADT was tested and well received by a number of retailers and brands. We hope that by sharing this knowledge it will accelerate collaboration and encourage broader adoption of sustainability principles.

Nike continues its investment in its climate & energy program with implementation of an enterprise climate & energy database to better understand and report our footprint. We continue our focus to the areas of most significant impact, including within contracted manufacturing where Nike is increasing proliferation of a continuous improvement plan, increased training program and implementation of tools to increase energy efficiency and decrease carbon intensity. Similarly, we continue to implement improvements in our logistics program as well. We anticipate our investment will help to shape our approach and the industry as we share what we are doing and what lessons we learn along the way.

### **Communities**

We focus our community involvement on sport, recognizing the benefits it brings to individuals, communities and society. In FY10 we invested \$46M in the community; out of which, \$13.6M was specifically invested in sports programs reaching 976,000 individuals. The focus of our work is to continue supporting youth by helping them fight for the issues they care about, whether it is gender, cultural or economic exclusion, health and wellness or simply being able to realize their human potential as a result of the power that sport provides.

### **Our Approach**

From the start, Nike has sought to bring innovation and inspiration to every athlete; and as our co-founder, Bill Bowerman said, “if you have a body, you are an athlete”. We recognize that no time in our 40-year history has the need been greater. We believe innovation will bring new processes, materials and products. We believe inspiration will drive that innovation.

We recognize our impact is greater than our physical boundaries and we continue to hold ourselves and our suppliers to high standards. We also know that we can help bring about bigger, broader change for the industry and the world and that requires scale, collaboration and shared knowledge. We do this by releasing tools we’ve developed, including our [Environmental Apparel Design Tool](#), [Code of Conduct](#) and [Code Leadership Standards](#) – and building new platforms, including the Manufacturing Index (currently being developed) and the [GreenXchange](#). Together with Creative Commons, we launched the GreenXchange as a digital platform and system that promotes the creation, sharing and adoption of technologies that have the potential to solve important industry, and potentially wider global, sustainable challenges. We continue to explore how creating platforms for sharing information can bring about a better world.

We report on our progress to share our journey – the achievements, the strategy, the goals that drive us, the lessons we learn and the challenges we encounter. We believe this information helps us improve and assist others to gain insight into our business. Our next reporting – due in early 2012 – will report on our performance against our last round of targets and what lies ahead: new targets, ambitious strategies for achieving them and new innovative ways of engaging.

Until then, more information on our impacts and performance is available in our previous reporting at [Nikebiz.com](https://nikebiz.com) and at [Nikebetterworld](https://nikebetterworld.com). I invite you to track our journey with us.

Kind regards,

A handwritten signature in black ink, appearing to read 'Hannah Jones', with a stylized, cursive script.

Hannah Jones  
VP, Nike Sustainable Business + Innovation