

Nike Inc. (Nike)

	GHG EMISSIONS	WATER	WASTE	CHEMICALS
ACKNOWLEDGE	● ● ● ●	● ● ● ●	● ● ● ●	● ● ● ●
PRIORITISE	● ● ● ●	● ● ● ●	● ● ● ●	● ● ● ●
SET STRATEGY & GOALS	● ● ● ●	● ● ● ●	● ● ● ●	● ● ● ●
TRACK	● ● ● ●	● ● ● ●	● ● ● ●	● ● ● ●

Background on Nike

Nike is an American multinational corporation that designs, manufactures, markets, and sells footwear, apparel, equipment, accessories, and services. It was founded in 1964 and is headquartered in Beaverton, Oregon. It is the world's largest supplier of athletic shoes and apparel and is a major manufacturer of sporting equipment. It employed 70,700 people worldwide and reported revenues of US\$32 billion in 2016. It is a publicly company and is listed on the New York Stock Exchange.

How did Nike come to start thinking about context?

During the 1990s, Nike was the focus of heavy criticism for its affiliation with factories that allegedly underpaid workers and used child labor¹. Many other leading global brands were also swept up in this unprecedented controversy but this period forced Nike's management to spend time re-evaluating how the company operated¹. Nike began to work with [The Natural Step](http://www.thenaturalstep.org/) in 1998 to help it apply the principles of sustainability across its business activities and to also train its employees in the use of The Natural Step's framework². The company began internally calculating its environmental footprint in 2002 before making the results publicly available in its 2012/2013 sustainability report³. Then in 2005, Nike announced an initiative called North Star, which encompassed the company's first set of long-term sustainability goals aimed at positioning it as a leader in sustainable product innovation¹.

¹ The Natural Step (2003). Case Study: Nike. Accessed at: http://www.naturalstep.ca/sites/default/files/case_study_nike.pdf

² The Natural Step (n.d.). Project: Nike. Accessed at: <http://www.thenaturalstep.org/project/nike/>

³ Nike (2016). Sustainability Report 2016. Accessed at: <http://about.nike.com/pages/sustainable-innovation>

Nike launched its Energy and Carbon program in 2008 as it began to become increasingly concerned about the impacts climate change could have on its business^{4,5}. That same year, the company was forced to close four factories in Thailand due to flooding resulting from shifting global weather patterns^{5,6}. Later in 2008, Nike again partnered with The Natural Step to help it assess and further develop its approach to product development by defining a long-term vision for its sustainable products². In 2008, Nike became a founding member of the [Business for Innovative Climate and Energy Policy](#), which aims to bridge the gap between business and members in the U.S. congress to support the development of meaningful energy and climate legislation⁷.

Then in 2010, Nike announced that it was revisiting its goals around carbon neutrality and would no longer purchase carbon offsets⁷. The company explained this decision by commenting that the concept of climate neutrality was not widely accepted by the scientific community and that it would prefer to achieve its GHG emissions reduction goals through greater energy efficiency and more direct purchases of renewable energy⁷. In 2011, Nike committed to the elimination of the release of hazardous chemicals from the life cycles of its products and its value chain by 2020⁸. The company joined with other well-known fashion companies to release a joint roadmap towards [Zero Discharge of Hazardous Chemicals](#) (ZDHC). This effort became a global program aimed at eliminating priority chemicals across the value chains of the textile and footwear sectors⁹.

Leading up to [COP21](#) in 2015, Nike signed up to the [RE100](#) initiative with a commitment to power its business activities with 100% renewable energy by 2025, and also signed the [White House American Business Act on Climate Pledge](#)^{10,11}. Nike's response to the agreement reached at COP21 was to comment that "we see strong emerging signs that we're at the dawn of a fundamental economic and societal shift³." In 2016, Nike was one of 300 companies that signed an open letter to President-elect Trump urging him not to repeal any policies that would safeguard against the impacts of global warming and to continue

⁴ Nike (n.d.). Environmental Impact. Accessed at: <http://about.nike.com/pages/environmental-impact>

⁵ Harvard (2016). Technology and Operations Management: Nike: A Poster Child for Climate Change? Accessed at: <https://rctom.hbs.org/submission/nike-a-poster-child-for-climate-change/>

⁶ Water Footprint Network (2008). Coke and Nike Call Climate Change a Commercial Threat. Accessed at: <http://waterfootprint.org/en/about-us/news/news/coke-nike-call-climate-change-commercial-threat/>

⁷ GreenBiz (2010). Nike Shrinks GHG Footprint to 2007 Levels and Dumps Carbon Offsets. Accessed at: <https://www.greenbiz.com/news/2010/01/22/nike-shrinks-ghg-footprint-2007-levels-dumps-carbon-offsets>

⁸ Sustainable Brands (2013). Nike, Levi Strauss Publish Updated Hazardous Chemical Plan. Accessed at: http://www.sustainablebrands.com/news_and_views/articles/nike-levi-strauss-publish-updated-hazardous-chemical-plan

⁹ Nike (2011). Adidas Group, C&A, H&M, Li Ning, Nike and Puma Partner to reach Zero discharge by 2020. Accessed at: <http://news.nike.com/news/adidas-group-ca-hm-li-ning-nike-and-puma-partner-to-reach-zero-discharge-by-2020>

¹⁰ Financial Times (2015). Global companies sign White House pledge on climate change action. Accessed at: <https://www.ft.com/content/ed2c2682-763a-11e5-933d-efcdc3c11c89>

¹¹ Fortune (2015). Walmart, Nike, Starbucks commit to 100% clean energy. Accessed at: <http://fortune.com/2015/09/23/fortune-500-clean-energy/>

to regulate GHG emissions in accordance with the COP21 agreement¹². The company then announced in early 2017 that it had developed a new type of sustainable packing for its footwear made with recycled consumer and industrial waste as part of its drive to integrate circular economy thinking into its business activities¹³.

What does context look like at Nike?

1 ACKNOWLEDGE the need to operate within global, regional, and/or local socio-ecological thresholds.

GHG EMISSIONS



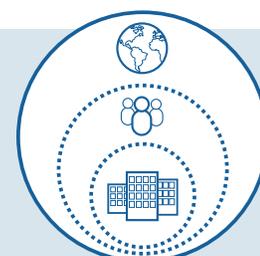
WATER



WASTE



CHEMICALS



GHG emissions: Nike acknowledges that it believes that the science relating to climate change is right, that this ecological issue is real, and that the world needs to radically redesign its industrial and economic systems to effectively respond to this issue³. Despite this clear acknowledgement, the company has yet to make an equally clear statement that commits it to operate within the limits of this threshold or to work with its value chain to support their adherence to this threshold.

Water: Nike acknowledges its agreement with the World Economic Forum's assessment that water quality and quantity is the most important global issue facing the globe over the next decade^{3,4}. Nike has only committed to reduce its water footprint and has yet to commit to operate within the limits of the thresholds associated with this ecological issue. It has, however, committed to work with its value chain to support them in ensuring that plans are in place to mitigate the impacts that this ecological issue could impose on them³.

Waste: Nike acknowledges that waste is generated through its business operations, the operations of its value chain, and the use and disposal of its products³. It acknowledges that this waste impacts the planet, and through its vision to create a closed-loop business model, it commits to work towards minimising its impact on this threshold³. While the company will need to work closely with its value chain to achieve this, it has yet to clearly outline its commitment to work with its value chain to support their adherence to the limits of this threshold.

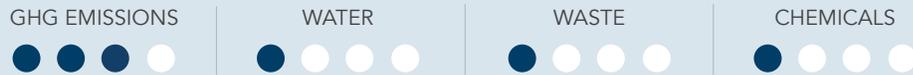
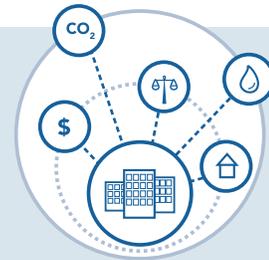
Chemicals: Nike acknowledges that the release of hazardous chemicals impacts the health of humans and the environment, and commits to work to decrease the use and discharge of toxic chemicals arising from the business activities of its value chain³. It has committed to work with its value chain, through the ZDHC program, to support it in adhering to the limits of this threshold⁹.

¹² Fortune (2016). Starbucks, Gap, and Nike Have a Warning for Donald Trump. Accessed at: <http://fortune.com/2016/11/18/donald-trump-starbucks-gap-nike/>

¹³ Environmental Leader (2017). Nike, Circular Economy Firm Miniwiz Develop Sustainable Packaging from Trash. Accessed at: <https://www.environmentalleader.com/2017/03/nike-circular-economy-firm-miniwiz-develop-sustainable-packaging-trash/>

Other thresholds: Nike acknowledges the importance of other socio-ecological issues including energy, diversity, and wellbeing but does not yet discuss them with reference to thresholds.

2 Transparently understand and **PRIORITISE** a set of focus areas in relation to key socio-ecological trends at the global, regional, and/or local level.



To prioritise its key socio-ecological issues, Nike begins by undertaking an exercise aimed at mapping the socio-ecological issues across its entire value chain and the importance of each of these issues to both its internal and external stakeholders³. To strengthen this prioritisation approach, the company also considers: 1) the interconnections between the issues; 2) outputs from quantified scenarios of potential impacts that could result from the issues; 3) the financial impacts the issues could have on the company; 4) external science-based information; and 5) the results of life cycle assessments to ensure it understands the full range of possible impacts before it prioritises each issue³. Nike presents its understanding of the impacts it has on its prioritised ecological issues within its sustainability material (Figure 1).

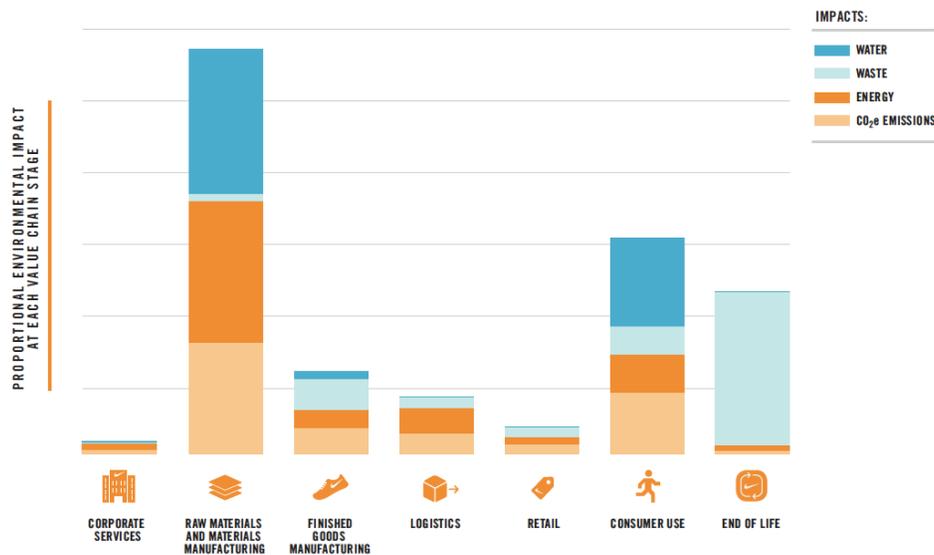


Figure 1: Nike’s understanding of its impacts on ecological issues across its value chain³.

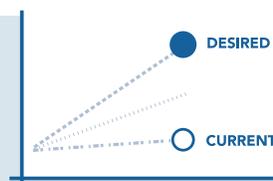
GHG emissions: Nike prioritises GHG emissions because it believes that it is a pressing global issue that will have lasting impacts on the world³. The company outlines that its biggest impacts on this threshold arise from the raw material stages of its value chain and from product manufacturing³. With that in mind, the company recognises that most of its manufacturing takes place in areas where there is low access to or low incentives to introduce renewable energy and so these impacts drive Nike to prioritise this ecological threshold³.

Water: Nike recognises that it can no longer take access to water for granted and that it has an impact on this threshold in all stages of its value chain activities³. The company has recognised that it needs to improve its understanding of this threshold and has recently completed an initial exercise to better understand where its operations are in relation to water stress³. It aims to begin working with its value chain to further develop this understanding and to develop an action plan for responding to this ecological issue and its associated thresholds³.

Waste: Nike recognises that its products often rely on virgin and non-renewable raw materials for their production³. While the company describes how it impacts this threshold, it has yet to clearly outline its detailed understanding of these impacts or how it has or will be developing its understanding of these impacts. It also has yet to clearly outline how it intends to expand its sphere of influence with its value chain with respect to this threshold³.

Chemicals: Nike recognises that the chemicals that are used to make its products can make their way into the air and water³. The company explains that there are considerable challenges in tracing every chemical that goes into its products and that many of the impacts on this threshold occur far back in its value chain³. While the company states that it is working to develop its understanding, it has yet to clearly outline the actions it is taking to do so. Nike aims to expand its sphere of influence on its value chain with respect to this threshold through the ZDHC program³.

3 SET STRATEGY AND GOALS by transparently articulating the current performance gap and what portion of this gap the business will address.



GHG EMISSIONS



WATER



WASTE



CHEMICALS



GHG emissions: Nike commits to reduce its absolute scope 1 and 2 GHG emissions by 50% between 2015 and 2025³. The company consulted with the World Resources Institute, who confirmed that its goal is aligned with the reductions that would be needed to support efforts to limit global temperature rises to under 2°C above pre-industrial levels³. While Nike has a contextual goal for this threshold, it has yet to outline the assumptions and rationale it used while developing this goal. It has also yet to set a goal to influence its value chain in adhering to the limits of this threshold.

Water: Nike has committed to reduce the water used in textile dyeing and finishing by 20% by 2020, but this only covers a portion of its value chain³. Nike would like to get a point where its value chain achieves a zero level of industrial wastewater discharge³. The company has yet to

outline how it intends to work to understand the gap between its current performance and the performance that is needed to operate within the limits of the thresholds associated with this ecological issue.

Waste: Nike commits to eliminate all footwear waste from its manufacturing going to landfill or incineration by 2020³. It has yet to outline how it intends to work to understand the gap between its current performance and the performance that is needed to operate within the limits of this threshold, or if it aims to extend this commitment more broadly across its value chain and product range.

Chemicals: Nike commits to a zero discharge of hazardous chemicals for all products across all pathways in its value chain by 2020³. Nike has yet to outline how it developed this goal or its understanding of the gap between its current performance and the performance that is needed to operate within the limits of this threshold.

Other thresholds: Nike has not yet set contextual goals in relation to any other thresholds.

4 Transparently **TRACK** performance against realistic trajectory targets.

GHG EMISSIONS



WATER



WASTE



CHEMICALS



GHG emissions: Nike has a history of reporting its GHG emissions performance through its sustainability reports³. It has yet to use this data and its contextual goal to set realistic annual trajectory targets that could be used to monitor its progress towards achieving its goal. Nike has not yet outlined it if intends to set metrics that it could use to monitor its influence on its value chain in their adherence to the limits of this threshold.

Water: Nike has a history of reporting its use of water through its sustainability reports³. It has yet to use this data to set realistic annual trajectory targets that could be used to monitor its progress towards achieving its goal. Nike does report on the levels of participation of its value chain within its water program, but it has yet to outline if it intends to set metrics against this reporting to better monitor its influence on its value chain in their adherence to the limits of this threshold³.

Waste: Nike has a history of reporting its waste performance; however, it has yet to use this data to set realistic annual trajectory targets that could be used to monitor its progress towards achieving its goal³. Nike has not yet outlined it if intends to set metrics that it could use to monitor its influence on its value chain in their adherence to the limits of this threshold.

Chemicals: Nike has a history of reporting its performance against this threshold and across a few aspects of this issue, namely: industry collaboration, training, positive chemistry, and traceability³. However, it has yet to use this data and its contextual goal to set realistic annual trajectory targets that could be used to monitor its progress towards achieving its goal. The company has also yet to outline it if intends to set metrics that it could use to monitor its influence on its value chain in their adherence to the limits of this threshold.

Other thresholds: Nike reports its performance against other socio-ecological issues including energy, diversity, and wellbeing but does not yet report its progress in relation to their associated thresholds.

What is the road ahead for context at Nike?

Nike states that it is now able to translate its product index metrics into equivalent GHG emissions metrics and believes that this will further allow it to drive change³. It aims to do this by incorporating GHG emission impacts into product and material innovation decisions³. The company also seeks to continue to explore ways that it can capture and harness the value of waste materials in a way that creates new innovative products, and plans to focus on materials such as leather³. Nike has also established a Chemistry Centre of Excellence aimed at supporting it in the coordination of resources and expertise that it believes it needs to further mitigate the risks of the impacts arising from the chemicals it uses in its manufacturing processes³.