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Governance, Accountability & Reporting

Reporting Practices:

Nike sees reporting as an important means of sharing information about its commitments, successes and targets regarding corporate responsibility.

We prepare information, taking account of our business impacts and the desires of stakeholders, to provide an open, clear picture about our aims and progress in incorporating responsible practice into our operations.

The Board of Directors and the Corporate Responsibility Committee

Nike's Board of Directors is responsible for corporate governance in compliance with the U.S. Sarbanes-Oxley Act and other laws, and representing the interests of our shareholders. As of May 31, 2006, the board was composed of 11 members, nine of whom are considered independent non-executive directors under the listing standards of the New York Stock Exchange.

The Corporate Responsibility Committee of the Board of Directors was established in 2001 to review significant policies and activities and make recommendations regarding labor and environmental practices, community affairs, charitable and foundation activities, diversity and equal opportunity, and environmental and sustainability initiatives. Either the company Chairman or the Chief Executive Officer attends the Corporate Responsibility Committee meetings. The Committee meets three times each year to review strategies and plans for corporate responsibility.

As of May 31, 2006, the members of the [Corporate Responsibility Committee of the Board](#) were:

-  Jill Ker Conway, non-executive director, committee chair
-  Douglas G. Houser, non-executive director
-  Jeanne P. Jackson, non-executive director
-  John R. Thompson, Jr., non-executive director
-  Johnathan A. Rodgers, non-executive director

Ethics and Conduct:

As stated in our FY04 Corporate Responsibility Report, Nike has a code of ethics for all employees called [Inside the Lines](#). It defines the standards of conduct we expect employees to follow and includes a range of topics on employee activity, ethical behavior, product safety, legal compliance, competition and use of resources.

Each year, all Nike employees are required to verify that they have read and understand Inside the Lines. Nike also operates a global toll-free Alertline for employees to report confidentially any suspected violations of the law or our code of ethics. Any reported concerns around accounting, auditing or internal control are communicated to the Board's audit committee, which determines appropriate action.

We expect our suppliers to share our standards and operate in a legal and ethical manner. While Inside the Lines addresses the behavior of Nike employees, the Nike [Code of Conduct](#) addresses contractors that manufacture Nike-branded products. It directs them to respect the rights of their employees and to provide them with a safe and healthy work environment.

Stakeholder Engagement and the Report Review Committee Process:

Our stakeholders help us prioritize key issues and develop and implement our corporate responsibility policies. We learn a great deal from our interactions. We find that constructive engagement with stakeholders is most often the approach that brings about the best insight to the challenges we all have an interest in addressing.

We have an ongoing dialogue with a large number of stakeholders. We do this informally, through networks and organizations that we participate in, or are members of, and as a structured part of our outreach strategies on issues and challenges. We also do this through our formal partnership work.


Each of our key partnerships is governed by agreements, contracts and/or operating principles, promoting the accountability and governance of each partnership. We have also worked to understand how multi-sectoral partnerships are best brokered, and how to make them succeed, working with the Partnership Brokers Accreditation Scheme (PBAS) through The Prince of Wales International Business Leaders Forum (IBLF).


Following Nike's first Stakeholder Forum in February 2004, we have employed a consistent stakeholder engagement process through the issuance of our Corporate Responsibility Report and the dialogue surrounding its contents with our Report Review Committee (RRC).

Data & information verification


It is beyond the scope of the Report Review Committee to provide verification of the information contained in this report.


Nike works with a variety of organizations to evaluate the quality of our systems and data in different areas of corporate responsibility. These include:

-  Fair Labor Association: Independent auditing of working conditions in certain contract factories

-  CH2M Hill: Certain environmental data

-  Center for Energy and Climate Solutions: Climate Savers Program

-  Environmental Resources Trust: Greenhouse Gas Emissions

-  Program Evaluation Across the Nation Using Technology (PEANUT): NikeGO – US Region

Report Review Committee:

As with our FY04 report, we asked an independent Report Review Committee – comprised of volunteer experts from the non-governmental organization, academic, trade union, investor and business communities – to advise us in the development of this report. Based on a feedback process led by SustainAbility Ltd., the facilitator of both our 2004 and the 2006 Report Review Committee processes, and Ceres, who convened and chaired the processes. We added members to the committee this year to address missing voices from our first process. Specifically, we added experts in diversity, Chinese labor markets and sport-for-development measurement and evaluation. We asked the Report Review Committee to utilize [AccountAbility's AA1000 Assurance Standard](#) for guidance.

The short bio of each Report Review Committee member appears in the next column:

Maggie Burns Freelance consultant in the non-governmental organization field of labor rights with a specialization and commitment to ensuring that the voice of the poor is heard within policy debates.

Vidette Bullock Mixon Director of Corporate Relations and Social Concerns for the General Board of Pension and Health Benefits of the United Methodist Church.

Anita Chan Visiting Research Fellow at the Contemporary China Centre, Australian National University, and labor rights advocate promoting programs that may lead to workers' empowerment.

Liz Cook Vice President for Institutional Strategy and Development at the World Resources Institute. World Resources Institute is an independent nonprofit organization working to protect the earth and improve people's lives.

Tom Gladwin Max McGraw Professor of Sustainable Enterprise and Co-Director of the Erb Institute for Global Sustainable Enterprise, jointly in the Ross School of Business and School of Natural Resources and Environment at the University of Michigan.

Debra Hall Report Review Committee chair and Chief Operating Officer of Ceres, a network of investors, environmentalists and other public interest groups that work with companies and investors to address sustainability challenges.

Neil Kearney General Secretary of the International Textile, Garment and Leather Workers' Federation (ITGLWF). The ITGLWF is an International Trade Secretariat bringing together 245 affiliated unions in 130 countries worldwide, with a combined membership of more than 9 million workers.

Rolf Schwery Independent consultant in the sport for development measurement and evaluation field.

Sandra Taylor Senior Vice President, Corporate Social Responsibility, at Starbucks Coffee Company.

Chris Tuppen Head of Sustainable Development and Corporate Accountability at British Telecom.

Michael Wheeler Strategic management consultant and author specializing in workforce diversity and organizational effectiveness.

Liz Umlas Senior research analyst specializing in human rights and labor issues at KLD Research & Analytics, Inc. KLD is the leading provider of environmental, social and governance (ESG) research for institutional investors.

Since the publication of our last report, we have taken the recommendations of the FY04 Report Review Committee into consideration as detailed below.

For the development of this report, the Report Review Committee met in April 2006, during our report planning stages. The Committee met again in October 2006 to comment on a draft report and assess our

response to their suggestions. The Committee met again in March 2007 to review and prepare its statement regarding this report. You can read its feedback, unedited by Nike, on page 135-136. Their feedback, as in FY04, helped us set the scope, coverage and focus for this report and will help inform our reporting processes in future years.

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FY04 CR report: Report Review Committee Recommendations

Report Review Committee Recommendation (as documented in the FY04 Corporate Responsibility Report)	FY05-06 Status Update
Improve information systems	In FY06, we invested in the development and implementation of an online information system for corporate responsibility. We continue to prioritize the effective use of information systems in our work.
Report on progress of corporate responsibility integration into the business	Throughout this report, we highlight our business integration efforts and where we have additional work to do.
Expand coverage of subsidiaries' performance	We have not made the progress we would have liked to with respect to corporate responsibility programs within Nike, Inc. subsidiaries due to the significant changes to the Corporate Responsibility team. We intend to include subsidiary companies in future reporting cycles and have developed a FY08 strategy to expand corporate responsibility coverage in our subsidiaries.
Continue to report on supplier performance	A refined focus and new tools provide us with more in-depth information about factories. For more information, please see the Workers in Contract Factories chapter of this report.
Address verification and assurance	Besides investing in a new data management system, we are working with our stakeholders (the Report Review Committee and others) to determine what a robust assurance process will entail in the future. Our participation in the Global Reporting Initiative's Apparel and Footwear Sector Supplement process is also enabling us to seek better reporting standards for our industry.
Expand coverage of stakeholder engagement	While we have focused heavily on internal integration, systems and organization, we also have continued to reach out to a diverse set of stakeholders and have built and sustained key partnerships. Those partnerships are detailed throughout this report.
Discuss consumer issues	Stakeholder feedback is central to our approach to deciding what is included in this Corporate Responsibility Report. Consumer issues are discussed throughout the report where appropriate.

The Investment Community:

Throughout this report we have shared elements of our commercial strategy that provide real opportunities for corporate responsibility to create value for the company. Today, Nike gets very little demand for information from the mainstream investment community about our social and environmental performance. However, as we demonstrate corporate responsibility's return on investment to shareholders, we hope to see our conversations with mainstream investors about corporate responsibility merge into the broader conversation about our competitiveness and relevance in the marketplace.

Meanwhile, the socially responsible investment community and other research and rating organizations regularly request information from Nike and/or rank Nike using publicly available information. As such, these organizations are one of the intended audiences for this report. We engage with these communities by attending conferences and other gatherings to discuss best practice as well as through our regular response to surveys and profiles that are created by external research and rating organizations. Below is a list of some of the rankings and organizations that have ranked us. While this is not a complete list, we have called out the highlights.

Calvert Social Index The Calvert Social Index is a broad-based, rigorously constructed benchmark for measuring the performance of large, U.S.-based socially responsible companies. In September 2005, Calvert added Nike to its reconstituted Calvert Social Index and praised the company for its ongoing shareholder advocacy and disclosure efforts.

Dow Jones Sustainability Indexes The Dow Jones Sustainability Indexes (DJSI) assess the opportunities and risks deriving from a company's economic, environmental and social developments, based on a defined set of criteria and weightings. The indexes only select and rank companies that are among the sustainability leaders in their field. Sustainable Asset Management includes Nike, Inc. as a component of the DJSI.

KLD Research & Analytics, Inc. KLD Indexes, a division of KLD Research & Analytics, Inc., constructs indexes for investors who integrate environmental, social and governance factors into their investment decisions. KLD's indexes are designed to be transparent, representative and investable. In July 2005, KLD announced Nike's inclusion in its KLD Broad Market Social TM Index and its KLD Large Cap Social Index. In December 2005, KLD announced that it had also added Nike, Inc. to KLD's Domini 400 Social Index (DS 400 Index). KLD's scores draw on both financial and non-financial information and measure corporate environmental, social and governance (ESG) performance.

FTSE4Good Index Series The FTSE4Good Index Series measures the performance of companies that meet globally recognized corporate responsibility standards, and facilitates investment in these companies. Listed companies must be working toward environmental sustainability, developing positive relationships with stakeholders, and upholding and supporting universal human rights.

Awards and Recognition

“Nike named as 100 Best Companies to work for the second year in a row.”

The Global 100 Most Sustainable Corporations in the World

The Global 100 Most Sustainable Corporations in the World is a project initiated by Corporate Knights Inc., with Innovest Strategic Value Advisors Inc. The annual Global 100 is announced each year at the World Economic Forum, and Nike was honored in this ranking in both 2006 and 2007.

Innovest Strategic Value Advisors is an international investment advisory firm specializing in analyzing non-traditional drivers of risk and shareholder value including companies' performance on environmental, social and strategic governance issues.

100 Best Corporate Citizens

The 100 Best Corporate Citizens list, created by Business Ethics Magazine, is a ranking of leading ethical performers publicly listed in the U.S. Released every spring, the 100 Best Corporate Citizens list is designed to recognize firms that excel at serving a variety of stakeholders with excellence and integrity. Nike was honored in this ranking in 2005, 2006 and 2007. KLD Research and Analytics, Inc. provides the information and analysis for this ranking, which is based on how well companies perform in eight stakeholder-service categories: shareholders, community, governance, diversity, employees, environment, human rights and product. The rankings are created from both financial information and measures of corporate social performance.

World Wildlife Fund (WWF) Climate Savers Award

In February 2007, Nike was recognized for its leadership in climate change from [World Wildlife Fund – U.S.](#) As a founding partner of the [Climate Savers Program](#), Nike attained its company-wide target, achieving annual CO₂ emissions reductions 13 percent below 1998 levels by the end of 2005. The World Wildlife Fund noted our efforts to reduce greenhouse gas emissions by pursuing energy conservation projects, purchasing clean power from renewable sources, investing in community energy efficiency projects, extending reduction activities to suppliers and subcontractors, and eliminating SF₆ from footwear, and demonstrating that climate protection is good business.

Fortune Magazine Best Companies

Fortune announced in January 2007, that Nike, for the second straight year, has been named to its annual “100 Best Companies to Work For” list. Nike ranked 69th on the 2007 list, moving up 31 places from the prior year where it first appeared at number 100. *Fortune* noted that Nike is one of 22 companies on this year's list to offer fully paid sabbaticals. In 2006, *Fortune* also noted Nike's compliance efforts and response to overseas manufacturing conditions, writing, “Responding to criticism from activists, this sports giant now has 90 full-time employees monitoring overseas factory conditions.”

Cooper-Hewitt National Design Awards

Nike earned the Corporate Achievement Award in 2006 as part of the annual Cooper-Hewitt National Design Awards. The Air Max 360 was cited in coverage about Nike's accomplishments. The National Design Awards are given each year by the Smithsonian's Cooper-Hewitt National Design Museum to honor the best in American design. The Corporate Achievement Award recognizes a corporation that uses design as a strategic tool of its mission and exhibits ingenuity and insight in helping to advance the relationship between design and quality of life in the United States.

PR News Corporate Social Responsibility Awards

PR News awarded Nike its highest honor in Philanthropy Communications at its first Corporate Social Responsibility Awards in March of 2007 at the National Press Club in Washington, DC. Nike was recognized for its role as founding partner of [ninemillion.org](#), the UNHCR-led campaign to raise awareness and funds for education and sport programs for refugee youth around the world. Winners were awarded in a dozen categories critical to CSR success, from Branding to Employee Communications to Community Relations.

SustainAbility's Global Reporting Initiative and Ceres-ACCA North American Award for Sustainability Reporting

Nike's FY 2004 corporate responsibility report earned top honors in 2006 by SustainAbility's Global Reporting Initiative as one of the world's top reporters and the top U.S. Reporter. Nike was also earned Ceres-ACCA North American Award for Sustainability Reporting in 2005, also for its FY 2004 report.

Reporting Guidance:

As noted in FY04, we strongly support the [Global Reporting Initiative](#) (GRI) and continue to work with the GRI to develop specific guidelines for the apparel and footwear industries. Formal meetings for this sector supplement kicked off in 2005, and at the time of publication, the draft guidelines are available for pilot use. We developed this report with reference to the Global Reporting Initiative's third generation of indicators. Additionally, we were guided by our participation in the Global Reporting Initiative Apparel and Footwear Sector Supplement process.

As noted in our FY04 report, we also endorse the Ceres principles and the principles of the United Nations Global Compact. This report describes actions we have taken to implement these principles, and serves as our Communication on Progress as required for all companies that do so.

Please see the Guidelines and Principles Index at the end of this report for more information regarding our use of the Global Reporting Initiative Guidelines and United Nations Global Compact Principles.

Reasons for Reporting:

We believe transparency is a central component to a responsible business strategy and that reporting is key for delivering transparency. We are committed to measuring and reporting our performance. Reporting is the main tool we use to provide critical information to our stakeholders about how we manage corporate responsibility issues and impacts, and we aspire to create reports that are also a tool for ongoing dialogue and continuous improvement. A broader discussion of why we report on our corporate responsibility performance was included in our [FY04 Corporate Responsibility Report](#).

Materiality

There has been much discussion about the concept of materiality and the question of what should be included in corporate responsibility reporting.

We believe the question of materiality – what should be reported on and what can be omitted – must reflect the key strategic conversations in a company about the application of resources when considering how to build corporate responsibility into the business and the company's greatest impacts on society. We believe a company should focus its efforts on social and environmental change where it has unique and core competencies to bring to the table, and where it has responsibility or an ability to bring about change because of direct or indirect involvement through its business model. Where the business model touches a community or creates an impact in the environment should guide the effort.

So, we see two sequential assessments that must be made:

1 Footprint Assessment:

An analysis of a company's unique footprint and its greatest impacts. Please refer to the Global Corporate Responsibility Strategy chapter for more detail regarding the assessment of our footprint and greatest impacts.


2 Reporting Materiality Assessment:


A determination of what the report should contain based on a decision-making process through which we seek outside counsel from our stakeholders. This process is on the following page.


Determining what to report to stakeholders


The footprint assessment coupled with stakeholder interest make up the two key considerations we've used to determine what to include in our reporting.

Other filters we use to identify issues to include in our reporting are:

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Business relevance: Information used to manage corporate responsibility internally.

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External commitments: Global Reporting Initiative Guidelines, United Nations Global Compact and the Ceres Principles.

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Regulation: Existing and emerging regulation in various jurisdictions around the world.

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Best Practice/Benchmarking: A review of industry and peer corporate responsibility reporting, efforts and best practices.

Our Report Review Committee process, the formal and informal feedback we received from our FY04 report and other stakeholder consultations have been the primary external contributions to our decision-making process around report content.

While we may have left out topics important to individual stakeholders, the topics presented in this report reflect an assessment of issues and opportunities raised frequently by multiple stakeholders. Our approach to materiality will continue to evolve.

Audience for this report

Our intended audiences for this report include members of the socially responsible investment (SRI) community, employees, academics, students, suppliers, contract factory partners, customers, consumers, non-governmental organization and advocacy organization leaders, and individuals with an in-depth knowledge of corporate responsibility. As we continue our work, we anticipate seeing the audience for Nike's corporate responsibility information expand.

Scope

Consistent with our FY04 Corporate Responsibility Report, this report focuses primarily on activities and data related to the Nike brand, which comprised approximately 87 percent of Nike, Inc. revenue at the end of FY06. The Nike brand, along with Brand Jordan and Nike Golf, are expected to drive 75 percent of the company's growth through FY11. Except where noted, this report does not cover information related to the following subsidiaries owned by Nike, Inc.: Cole Haan, Nike Bauer Hockey, Hurley International, Converse and Exeter Brands Group.

We have set a target of bringing the other Nike, Inc. brands into our reporting scope within the next four years.

Timeframe

This report covers two fiscal years: 2005 and 2006, ending May 31, 2005, and May 31, 2006, respectively. Unless where otherwise noted, all references to dates in this report are made on a fiscal-year basis. Some important events that took place after the close of FY06 are also covered here; their inclusion reflects the impact or influence the events may have on Nike's future direction, or requests from our Report Review Committee.