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Letter from Mark Parker, CEO

We see corporate responsibility as a catalyst for growth and innovation.

This report covers a crucial period, and not just for Nike. Specifically, we saw heightened attention worldwide on corporate responsibility and the key challenges of climate change, poverty and equity. Simultaneously, we began to transform our vision of Nike's role in contributing to positive change in communities around the world.

The opportunity is greater than ever for corporate responsibility principles and practices to deliver business returns and become a driver of growth, to build deeper consumer and community connections, and to create positive social and environmental impact in the world. We have made tremendous progress over the past two years in more deeply integrating corporate responsibility into our business model. We see corporate responsibility as a catalyst for growth and innovation, an integral part of how we can use the power of our brand, the energy and passion of our people, and the scale of our business to create meaningful change.

This expanded mindset evolved from an intense review of how corporate responsibility operated at Nike — its leadership, teams, accountabilities and skill sets. We initiated this review immediately following the release of our last Corporate Responsibility Report in April 2005.

Among the many things we learned were two significant truths.

First, as a result of the organizational and strategic changes made in FY05-06, corporate responsibility at Nike has grown beyond its role as a tool to define, discover and address compliance issues, or to manage risk and reputation. Today, corporate responsibility no longer exists on the periphery as a check on our business, but is assuming its rightful role as a source of innovation within our business. Corporate responsibility is no longer a staff function at Nike. It's a design function, a sourcing function, a consumer experience function, part of how we operate.

Second, we know that incremental progress isn't good enough. Nike is competitive. We don't want to get better, we want to win. If real change is to occur in our supply chain and contract factories, in the communities in which we operate and in the broader world we influence, then small steps will always fall short of our potential. Big goals are needed to realize big achievements. So we've set a series of strategic business targets for ourselves that are aggressive but achievable by FY11.


We continue to focus our efforts in three areas:


- 1 Improving working conditions in our contract factories through a holistic, integrated business approach to our supply chain.
- 2 Minimizing our global environmental footprint through sustainable product innovation and supply chain innovation — both in our direct operations and our contract factories.
- 3 Using the power of our brand to give excluded youth around the world greater access to the benefits of sport.


We have focused our efforts in each area:


Bringing about systemic change for footwear, apparel and equipment manufacturing workers remains our primary focus. Through integration with our lean manufacturing business strategy, we believe we can achieve significant positive change for workers.

By FY11 we aim to:


-  Eliminate excessive overtime in contract factories – one of the most serious ongoing compliance issues factories face.

-  Implement tailored human resources management systems in contract factories, which will include management training on workers' rights, women's rights, and freedom of association and collective bargaining.

-  Encourage other brands to join us in partnering. Our aim is that by FY11, 30 percent of our supply chain be monitored in partnership with other brands and through multi-stakeholder collaboration.

-  Transition 90 percent of our footwear lines to lean manufacturing processes.

We are firmly committed to addressing environmental challenges in the world today, both in how we manage our footprint and in the design of our products. Over the past two years, we exceeded our CO2 emissions reduction target through the World Wildlife Fund's Climate Savers program. We eliminated F-gases across all Nike products following 14 years of research and development in our Nike Air cushioning system. And we defined our environmental footprint – for our direct operations and our contract factories. By FY11 we expect to:

-  Make our Nike brand facilities climate neutral; all Nike, Inc. facilities are targeted to be climate neutral by 2015.

In our products, we continue to pursue waste reduction and sustainable design through Nike innovation. We have embedded our "Considered Design" ethos across our design organization and set aggressive targets for footwear. By FY11 we expect to:

-  Meet targets for waste reduction in product design and packaging, use of volatile organic compounds, and the increased use of environmentally preferred materials in all Nike footwear. We are targeting all Nike footwear and apparel product to meet these standards by 2015.

Our designers are focused on creating products that will exceed our targets. As Nike innovation proves what's possible in sustainable product design, we'll raise our standards.

We believe passionately in the power of sport to change a young person's life. Nike invested more than \$100 million in product and cash donations over the past two years in community-based sport initiatives. We're targeting a minimum investment of and additional \$315 million in community programs through FY11.

This is the journey we're on.

Our company is complex. We have multiple brands, categories and product types. Our supply chain builds and delivers more than 50,000 different product types per year. Our footprint impacts millions of people directly and indirectly each year. Our operations touch thousands of smaller businesses within multiple industries, all part of an established global trading system dependent on a host of other partners, and all governed by the framework of a publicly traded company. This complexity will only increase as we grow toward our projected \$23 billion in revenue by FY11.

To meet these challenges, we will leverage our business model, our products, our natural strengths and our voice to be a vehicle for change. We believe that design and innovation can deliver the most valuable solutions. We believe that entrepreneurship is the best source for sustainable solutions. We believe that now is the time to seek and create radical collaborations between global businesses, social entrepreneurs and activists, governments, non-governmental organizations, and civil society. Everybody has part of the answer.

I hope you'll join us, through healthy debate, innovative collaborations and multi-stakeholder partnerships.

Thank you,



Mark Parker