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## Let Me Play

Unleashing  
Potential  
through Sport

**Key Targets by FY11:**

- ▶ **Invest an additional \$315 million in community programs to provide youth with greater access to sport.**

We now align our Nike, Inc. community investment portfolio closely to our core business model and interests, and focus on leveraging sport as a tool for youth inclusion. In FY07, we will align all of this work under the banner of Let Me Play.

In our FY04 report, we shared how our advocacy around sport and individual rights of athletes have led us to focus our community investments in two key areas: supporting the right of young people to participate in physical activity and addressing the challenges of globalization, primarily as they impact young women and girls.

In FY05-06 we explored these notions further. We defined these focus areas more clearly and developed two core strategies, going deep in each of them.

Meanwhile the Nike Foundation, a distinct 501(c)(3) organization, drives advocacy for and investment in adolescent girls, catalyzing their ripple effect in breaking cycles of poverty in the developing world. We detail the Nike Foundation's work in a separate section of this report, but it's important to note that while efforts within Nike, Inc. and the Nike Foundation are focused on distinct areas of expertise and social change, they share common practices that leverage social innovation, including deploying Nike staff and brand resources. While both have a global scope, Nike, Inc. focuses primarily on emerging and developed markets that are key to the brand and the business, while the Nike Foundation operates in developing countries and areas of emerging markets stricken by poverty.

# Let Me Play

We believe that Nike's role is as a funder of innovation and advocacy to help spark real change on the ground and unleash human potential through sport.

As a global youth and sport brand, Nike has spent 30 years building relationships based on the role sport plays in people's lives. When we look at future global trends for both youth and sport, we see cause for concern.

Youth unemployment and exclusion is a global trend that is set to increase at an alarming pace. Today's young people live in a deeply complex world – on the one hand a world of great instability and fragmentation, on the other hand a world that is more connected and interdependent than ever before.

Meanwhile, we see a decline in youth participation in traditional sport and fitness activities, frequently due to cuts in infrastructure, curriculum and coaches. At the same time, we see dramatic increases in youth obesity and diabetes – both linked to diet and inactivity – with potentially devastating consequences for future generations. These are depressing scenarios.

As a company focused on young people, we considered how we could apply our core competencies to tackle some of the issues. We see clearly how sport brings health and fitness benefits. We also see further-reaching benefits, including building teamwork, leadership, self-esteem, inclusion and confidence. A growing number of examples demonstrate how sport can be used to address the world's most pressing challenges, as represented by the [Millennium Development Goals](#) that cover issues as diverse as gender equity and HIV/AIDS.

Although we recognize that sport by itself will not solve the world's challenges, we believe that sport and Nike's role as a funder of innovation and advocacy can help spark real change on the ground.

To do so, we focus on leveraging our core business competencies, including funding, research and development, innovation, marketing, employees, products and partners.

In the following section, you will find more details on the types of programming we are supporting around the world.

# Our Overall Commitment:

In FY05-06, Nike's worldwide cash and product contributions totaled about \$100 million to communities and charitable organizations, including the Nike Foundation. We have set a target of committing a minimum of \$56 million per year over the next five years into social capital investments after \$56 million per year (add) and a total of \$315 million (over the next 5 years).

We will also work to inspire domestic and international policy changes through Let Me Play.

We will work with others to establish targets that demonstrate social impact and anticipate setting additional targets with their input by the end of FY09. Along with these new processes, we hope to further elaborate on how we intend to leverage our financial targets to have the greatest possible impact.

**Chart 34**

Contributions, by Type (\$, millions), FY02-06

	FY02	FY03	FY04	FY05	FY06
Cash	10.2	14.4	16.2	22.5	22.0
Product/In-Kind	19.4	16.3	21.1	23.6	32.0
Total Contributions	29.6	30.7	37.3	46.1	54.0

**Chart 35**

Contributions, by Type (%), FY02-06

	FY02	FY03	FY04	FY05	FY06
Cash	34%	47%	43%	49%	41%
Product/In-Kind	66%	53%	57%	51%	59%
Total Contributions	100%	100%	100%	100%	100%

**Chart 36**

Contributions, by Geography (%), FY02-06

	FY02	FY03	FY04	FY05	FY06
Americas	1%	4%	2%	3%	2%
Asia	4%	8%	9%	7%	6%
EMEA	33%	27%	29%	34%	28%
Other International	0%	0%	0%	3%	8%
US*	62%	61%	60%	53%	56%
Total	100%	100%	100%	100%	100%

\*US includes global and subsidiaries

## Top Giving

### FY06 Top Organizations Supported

Mercy Corps  
 Gifts in Kind  
 CAF America  
 American Youth Football  
 World Vision  
 American Red Cross

### FY05 Top Organizations Supported


Lance Armstrong Foundation  
 Jordan Fundamentals  
 National Head Start  
 US Soccer Foundation  
 Mercy Corps  
 Gifts in Kind  
 World Vision

# Sport for Youth Inclusion:


## Approach

In the past, we disbursed funds, product donations and in-kind support through a traditional philanthropy model. Our approach was more reactive than proactive, providing checks rather than building partnerships and making one-time contributions to a wide variety of projects and organizations rather than building long-term work through focused strategies.


In FY05-06 we reviewed and refocused our social investment strategies in line with our broader strategic thinking about social change and how we can help bring about social change through innovation. We refined our approach during that period, giving us a clearer set of principles, which include:

-  A belief in cross-sector collaboration and partnerships as the best model of viability and scalability


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-  A focus on bringing our core competencies and assets to the table in support of our partners


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-  A focus on building models that are not reliant on any one partner's support and can ultimately thrive after Nike's input

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-  Recognition of our role in supporting high-risk, innovative initiatives through seed funding

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-  Supporting our partners' need to access capacity building as part of how we enable self sufficiency and sustained models of social entrepreneurship

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We work with various partners on this approach, each bringing specific expertise, including multi-laterals (such as United Nations agencies) and multi-nationals and multi-regionals (such as [Mercy Corps](#), [CARE](#) and the [King Baudoin Foundation](#)).


## The Case for Sport as a Tool for Youth Inclusion

Our partners and programming seek to remove barriers, enable access and create opportunities for sport to provide the pathway to social innovation and change. We draw upon a growing body of work in both the governmental and non-governmental sectors that reference sport for social change or development.


We support research and evaluation to build the body of evidence of sport as an effective tool for social change. Our commitment to sport for youth inclusion is grounded in our belief that access to sport and play is a fundamental right. This principle is also recognized by the United Nations Convention on the Rights of the Child.

# Let Me Play


The core principles guiding our Let Me Play efforts are:

-  Sport and physical activity are essential for any young person.


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-  When young people are excluded from sport, it is usually either overt discrimination or discrimination due to circumstance, such as poverty, natural disaster or conflict.

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-  When youth engage in sport, they are provided with opportunities to internalize values such as teamwork, discipline, leadership, tolerance and inclusion.

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-  Beyond individual empowerment and development, sport in a young person's life can become the pathway to addressing broader social issues that lead to societal change.

## Leveraging our Assets

We leverage company assets, including the power of our brand, to create social value. The assets we put to use include highly skilled employees, athletes and supply chain partners, as well as product design and communication capabilities.

Let Me Play provides:

-  Inspiration through employees, athletes and clubs.

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-  Facilities and products required to play.

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-  Opportunity for the acquisition of skills and education.

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-  Incubation through seed funding, organizational support, capacity building and the creation of robust multi-sector partnerships.

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-  Advocacy through events that demonstrate the power of sport and participation in the global sport for development movement.

We're now working to understand how we can be sure that we are bringing about real change where it matters most: at the individual level. We want to understand the full impact that sport can have, and why it has such an impact. To do so, we're examining how we leverage our assets (our people, brand, voice, money and product) to bring about the greatest change.

### Funding

For the five years prior to FY04 we had set and met a standard of contributing 3 percent of the prior fiscal year's pre-tax income in the form of cash grants and in-kind donations to charitable organizations around the world. That made us some friends, and got us onto the right lists.

But we had two issues with this formula. First, we believe that measuring a company's community success by the dollar amount it spends keeps companies locked in a traditional philanthropy model. Equally, we believe that the formula for budget allocation was too uncertain, too volatile and encouraged short-term transactions, rather than long-term commitments. Put simply, if you don't know how your budget might fluctuate from one year to the next, how can you commit to multi-year partnerships? This may work for a traditional philanthropy model but we found it wasn't working for our new model.

In FY05, with finance team, CEO and Board approval, we restructured our budget process and created a more gradual but sustained and transparent commitment, forecast over a rolling five-year period. We also began exploring how we could help develop best-of-class assessments on social impact. This is work in progress and we are partnering with others to create a global measurement and evaluation framework for our community investment work over the next three years.

As we continue to evolve our work beyond FY05-06, we are exploring how we can act more as a social venture capitalist, making strategic investments in organizations and looking to quantify ROI. We aim to provide initial funding that will help a promising idea get off the ground and inspire other investment by funders with more substantial resources. Nike may be a large brand, but like most companies, our resources pale in comparison to those available by governments and international development institutions.

### Partnerships

We believe collaboration is the best approach, and partner with leading global, national, regional and grassroots organizations to innovate and build momentum around the sport for youth inclusion movement.

These powerful networks are comprised of non-governmental organizations engaged in sport for youth inclusion, international development leaders on social issues and other players in our industry, sports federations and athletes. The networks deliver common frameworks and agreements that will make including youth access to sport something that more organizations can add to their toolkit in both developing and developed countries. By working with partners, we're able to fuel their innovation, leverage our core competencies and test concepts that can be scaled up by bringing other partners on board.

### Let Me Play: key focus issues

Channeling our social investment funds, business expertise and in-kind support into a global Let Me Play movement is one step. Additional focus is the next step.

In FY06 we determined the entry point for our involvement would be economic exclusion. Economic exclusion is one of the biggest drivers of inequity and exclusion. We see that for communities that are doubly excluded – economically as well as through gender, ethnic or cultural injustice or through disaster, disability, conflict or HIV/AIDS – exclusion is reinforced and magnified.

We are focusing our Let Me Play efforts to address these areas of exclusion. To do this, we invest in programs and projects that focus on specific populations to enable individuals to manage their own well-being and become forces for change in their lives and communities.

## Refugees

A good example of how we focus on key communities is our work with the [ninemillion.org](http://ninemillion.org) campaign. Perhaps the most significantly excluded in the world today is the refugee, especially young people in refugee camps, whose make-shift existence and fenced enclosures exclude them from any hope of normal development. Their plight is massive and lingers far too long.

There are an estimated 9 million refugee youth in the world. Nike is a founding partner of [ninemillion.org](http://ninemillion.org), an initiative led by UNHCR (the United Nations High Commissioner for Refugees) to help raise awareness and funds for sport and education programs for these children. The campaign aims to raise awareness of the plight of young refugees, to raise funds for education and sport programming in refugee camps, and to enable the UNHCR to develop its capacity to run similar campaigns as part of its strategy for long-term success.

In FY06, Nike employees donated thousands of hours to help develop and plan the awareness campaign, which launched on World Refugee Day, June 2006. Employees traveled to refugee camps to help deliver programming. They also gathered stories and creative assets to launch and sustain the year-long campaign, which included print and broadcast public service announcements, retail and partner information, and a campaign website.

In addition, the Nike Foundation announced a \$1 million challenge grant to support activities for girls in the camps to keep them on a formal path of learning and pave the way for economic livelihoods.

## Homeless World Cup

The Homeless World Cup is an annual tournament that brings together teams of homeless people from around the world. In 2006, 48 nations convened in South Africa for the fourth competition. The Homeless World Cup was established by Mel Young, an accomplished social entrepreneur who founded the Big Issue Scotland (a weekly paper sold by homeless people) and has led the International Network of Street Papers.

Nike has sponsored the [Homeless World Cup](#) since its inception in 2003. We provide cash and product support to this football tournament that brings together teams of homeless people. The tournament has become a first-class sporting event, delivering a mechanism where homeless people can change their life circumstances through the inspiration of sport and providing a model for local programs that build self esteem and community. More than 90 percent of players involved told researchers that the tournament had a strong impact on their lives.

In September 2006 the fourth Homeless World Cup took place in Capetown, South Africa, with teams from 48 countries participating. The increase in participation has been exceptional: in 2005, 5,400 homeless people from 27 countries participated; 18 countries took part in 2004.

A study of players was conducted a year after the Edinburgh 2005 Homeless World Cup. Research demonstrated that sport has enormous power to create real, lasting change:

 94% of players report they had a new motivation for life


 77% say they changed their lives significantly


 38% found regular employment

 40% improved their housing situation

 28% opted to develop their education

 62 players addressed drug or alcohol dependency

 12 players now make their living partly from football as coaches or players with professional or semi-professional teams

 16 countries run or plan to develop a national street league following the 2005 Homeless World Cup, rising from 12 set up after 2004 and five after 2003

### Excluded young women

Nike has supported the right of women to participate in sport for decades. In the early 1980s we petitioned the International Olympic Committee to allow women to compete in long-distance running.

We believe sport can be a powerful tool for empowering women and girls. Research suggests that participation in sport can have a significant impact on building self esteem and providing a social network that can help women overcome many of the challenges they face. Indeed, many women in positions of leadership around the world participated in youth sports, particularly team sports. This is also true for boys, but in societies where women are in positions of inequality, sport can contribute toward gender equity.

We recognize there are many places in the world where women and girls have no access to sport. We believe they need safe spaces to play, coaches who can be trusted and the reduction or elimination of cultural barriers to their participation in sports. We advocate for these rights, including in the U.S. where we support Title IX legislation which sets out gender-based funding balances in public schools.

We address gender issues through Let Me Play programs in countries where we do business, largely but not exclusively in more developed parts of the world.

For example, in 2004 Nike and the United Nations High Commissioner for Refugees (UNHCR) launched the Together for Girls partnership, combining UNHCR's expertise in providing services for refugees with Nike's experience inspiring young people through sport and physical activity.

Together for Girls educates more than 1,700 Somali girls in Kenya's Dadaab refugee camps (which house 110,000 Somali refugees), using sports programs as an inducement to participating in education. The program led to teaching girls how to make appropriate sports apparel, integrate more into camp life and take skills with them when they repatriate.

Four Nike designers worked with Somali girls to design culturally and religiously appropriate and comfortable apparel in which to play volleyball. The volunteers taught the girls how to create the clothing and volleyball has since become one of the most popular sports among girls in the camps.

### Inactive American youth

We have made considerable strides in building a U.S.-based program, known as NikeGO, that focuses on the benefits of physical activity and the lessons young people can learn from sport. NikeGO targets at-risk communities and helps get young people active. NikeGO PE (formerly called Nike PE2GO), is delivered in 85 schools in New York City, Chicago, Los Angeles, Memphis, Akron and Portland. In addition, we fund training for hundreds of additional teachers and volunteers on PE curriculum through SPARK (Sports, Play and Active Recreation for Kids).

In FY05-06 we expanded NikeGO Head Start. This program, a partnership with the National Head Start Association, brings developmentally appropriate physical activity programs to children aged 3 to 5. Programs currently operate in 42 locations in New York City, Chicago, Los Angeles, Memphis, Akron, Portland and Alaska. In FY07, we will expand NikeGO Head Start to 60 new locations.

As part of our approach to affecting systemic change across the U.S., we play a leading role in Shaping America's Youth (SAY), a public-private advocacy partnership addressing childhood physical activity and healthy eating. SAY supports obesity prevention programs across the country and gathers input for a national action plan to provide unified direction for efforts to improve nutrition and increase physical activity among children. In FY07, we will help present recommendations from SAY town meetings to congressional officials as a proposal for a national action plan to reverse the rate of childhood obesity.

# Using our voice to enable young people's voices and choices:

At the core of the Nike brand is passion for sport and the role it can play in life. Walk into any Nike office and you'll see, touch and hear that passion reiterated. It goes beyond a desire to compete. It's a belief – rooted in experience – that sport plays a critical role as a source of empowerment to help people reach their full potential.

In particular we see sport as a means of challenging racism, resolving conflict and building life skills for youth who face discrimination and economic inequality. Used to these ends, sport becomes a powerful tool for youth inclusion, ensuring they can fully participate in the social and economic opportunities in their communities.

Our business relies on people having the opportunity to participate in sport. The insights we gain in addressing this need help us build relationships with our consumers. The relationship is only meaningful, however, if we have an authentic impact on their lives and open doors to potential. This is where our community investment activity pays dividends to the company, to society and to individuals.

Part of how we do this is by using our voice carefully and strategically. We recognize the power of our brand, and our ability to communicate with young consumers. Occasionally, it becomes very clear that leveraging that voice in partnership with the community can be a powerful approach.

In South Africa we used the power of advertising to endorse safer sex around events for World AIDS Day. Studies show our message was seen and embraced by young South African men much more effectively than a government public service announcement.

In the United States, we honored a disabled athlete-activist with the annual Casey Martin Award. As a result, we can help change attitudes about athletes with disabilities.

# Product Donations:

We recognize that product donation programs present a number of challenges. These include wide geographic spread and desirability of the brand, which can lead to unintended consequences and adverse effects such as community division. For example, giving product to a program targeted only to girls or to elite players rather than to everyone in a school. Similarly because Nike product is attractive and can be seen as a status symbol to young people who have few possessions, it can prove a temptation too great to bear. In some instances, the result has been theft, creating an atmosphere of distrust and negativity.

We are reviewing methods for measuring the impact of product donations and to improve our practice in this area and challenge ourselves to find ways to bring experience gained from product donation into the business. We have an evaluation that will be complete in June 2007. Interim findings suggest that while our product donations can have extremely positive effects, they also can lead to divisiveness, exclusion and even displacement of local economic development efforts. These outcomes can occur if we replace items that otherwise would be purchased. We hired a global product donation director to bring greater oversight to our product donations to ensure that we are maximizing positive returns and minimizing those approaches that can unintentionally do more harm than good.

Two of the primary obstacles to our donations are customs duties and transport costs that together can total far more than the value of the product itself. We are searching for solutions and partnerships that will enable us to get needed product to more difficult-to-reach locations. This involves working closely with governments to communicate the social benefits of sport programs and the benefits that having access to product can provide in the implementation of these programs.

# Disaster Response:

Disasters – natural and manmade – can strike anywhere, at any time. They can be unexpected and brutal and have a devastating impact on communities and business operations. Our risk management activity at Nike includes plans to keep the business going in the face of disaster, from checking on employees and contract workers to ensuring supply chains continue to operate. We apply the same business expertise, including policies, strategies and processes, to our work with communities facing the daunting tasks of rescue, relief and recovery.

During FY05-06 we watched along with the world as extreme disasters hit, including the 2004 tsunami and Hurricane Katrina. We also saw devastation rock some of the regions where we have a significant business presence, such as the earthquake in Pakistan.

Traditionally, private-sector response during sudden-onset natural disasters has been to donate cash or product during the initial rescue and relief phases. While often considered an appropriate response, product can actually cause long-term structural harm by disrupting the markets that are the engine of long-term recovery.

For example, sending long-term supplies of rice to countries where there is already abundant production capacity may mean local farms never return to production. Sending well-meant but nonessential shipments of clothes and other items can be similarly damaging when they clog the disaster relief pipeline, meaning that essentials such as water, food and medicine cannot reach the scene.

What communities need most often is cash and willing expertise. Nike supplies both.

In the immediate aftermath of the tsunami, non-governmental organizations told us their most urgent need was cash. Together with our Foundation, Nike contributed a total of \$1 million to four international relief agencies: Mercy Corps, World Vision, International Federation of Red Cross and Red Crescent Societies, and Northwest Medical Teams.

In addition, we secured essential product for immediate donation and distribution to various relief organizations as they indicated they needed it and made warehouse space available across Southeast Asia for use by relief organizations for storing clothing, food supplies and medicine.

Nike employees also contributed to the effort, donating cash, time and product to relief agencies. Even Nike designers stepped in, creating the recycled-material Nike Slice.

When Hurricane Katrina struck the U.S., our immediate efforts focused on the needs of our affected employees and their families, as well as supporting the broader community need for relief and rebuilding. Nike support topped \$4 million in cash and product support for on-the-ground efforts in Louisiana and Mississippi, as well as the company's backyard communities when evacuee relocation began. Working with agencies, including the Bush-Clinton Katrina Relief Fund, we donated \$500,000 in sports equipment including soccer balls, footballs, baseballs and gloves, as well as shorts and shirts, to help hasten the ability for people and communities to get back to normal activity.

Following the devastating earthquake that struck Pakistan and Northern India in October 2005, we first worked to assure the safety of employees of our manufacturing partners, all of whom were accounted for. We then coordinated efforts with our aid agency partner Mercy Corps, our sourcing partner Matrix and our largest supplier in the area. Mercy Corps coordinated relief operations in the Seraan Valley which includes many areas accessible only by foot, requiring local scouts to deliver goods. As the harsh winter approached and many refugees had only tents to live in, Nike supplied needed products including socks and women's and children's clothing distributed directly in affected areas just days after the disaster struck.

In addition to cash, products and assistance with logistics, we believe we can play a role in the transition from disaster to redevelopment. Post-disaster analysis demonstrates inefficiencies and harm resulting from uncoordinated relief efforts. Often the long struggle for redevelopment is hindered by lasting impacts from initial missteps and is compounded by a lack of attention once the immediate danger has passed.

We are working with researchers and international non-governmental organizations to study new approaches to coordinated emergency response. As part of this study, we are exploring when and how sport can be used to both assess the extent of trauma experienced in a disaster zone and to help overcome that trauma and build resiliency. We are especially interested in the potential to use sport to study the impact of disasters on young people.

# Employee Engagement:

In addition to financial and product support, Nike leverages a very important and valuable commodity: our people. In FY05-06, employees volunteered more than 150,000 hours in their communities. This total has increased each year that we have tracked involvement.

Our employee engagement strategy has not changed significantly since our FY04 Corporate Responsibility Report. We are seeking opportunities to align employees and their skills more formally with our community investment strategy. We have identified many opportunities with existing initiatives and partner organizations that could greatly benefit from creative minds at Nike, including designers, marketing professionals and others.

In FY06, we tested this approach in several initiatives, including the Homeless World Cup, the Somali refugee community design project, our partnership with the Iroquois Nationals lacrosse team and our role as a founding partner in the UNHCR-led ninemillion.org campaign. We continue testing and plan to formalize an employee involvement program in the U.S. next year. We will continue to test this approach globally.

**Chart 37**

Employee Contributions and Nike Match, (\$, millions), FY02-06

	FY02	FY03	FY04	FY05	FY06
Employee contributions	\$1.8	\$2.3	\$2.5	\$3.2	\$2.6
Employee hours qualifying for match	51,165	67,212	71,017	75,955	81,169
Total company match	\$2.2	\$3.0	\$3.1	\$3.6	\$3.2