



# 7 Diversity and Inclusion

**Key Targets by FY11:**

- ▶ **Leadership competencies and accountability**
- ▶ **Continuous learning**
- ▶ **Communications**
- ▶ **Work/life effectiveness**

Just as the direction and importance of corporate responsibility in the business model has evolved, so has our approach to diversity and inclusion. We are driven by the diversity of our employees, our communities and our consumers.

Our ability to lead in innovation and creativity hinges on our ability to attract and retain the best global talent. We firmly believe that diversity drives innovation, and that effectively managing diversity and creating an inclusive work environment results in high-performing teams and – ultimately – a competitive advantage.

To develop a unified vision of what diversity and inclusion means to our company and to our employees, we asked them what they thought.

Nike employees across the world from Beaverton, Oregon to Johannesburg, South Africa, have articulated a consistent, four-pronged business case for diversity:

- 1 Diversity drives recruitment of the most dynamic people.
- 2 Diversity enriches the creativity and innovation that shapes the brand.
- 3 Diversity grows competitive advantage.
- 4 Diversity heightens the stature and belief in the brand within the culturally nuanced consumer base.

Nike's Global Diversity and Inclusion vision is to see every team high-performing, diverse and inclusive.

To achieve this vision, our strategy is to:

- 🔗 Optimize who we are
- 🔗 Amplify creativity and efficiency
- 🔗 Develop world-class diverse and inclusive teams
- 🔗 Deliver revenue and value

Our strategy is based upon our intent to answer three core questions:

- 1 How do we attract the best talent in the world to work at Nike?
- 2 How do we retain the best talent?
- 3 How do we create a work environment that maximizes human potential?

Diversity and inclusion mean different things in different countries and to different people. How do we truly become a globally diverse and inclusive company? A core part of that requires reframing mental models and assumptions. We can achieve our goal of recruiting and retaining a best-in-class diverse workforce by investing in new approaches, policies and processes, demonstrating leadership, implementing new systems, and changing the way we behave.

Partnership with key external organizations to promote best-in-class work will enhance our ability to become strong internal partners within the business. We believe this strategy will create diverse and inclusive teams that enhance creativity and innovation and will enable more premium consumer experiences.

In FY05-06 Nike continued to explore how we take diversity and inclusion from a discussion to an institutionalized part of how we operate and grow our business.

We enhanced our systems and structures, including incorporating a consistent review of activity and progress within our regular business review cycles and implementing a global data management system that will help us gather, assess and report more accurate data across our business.

Overall in FY05-06 we believe that while we've made some gains, we are still tackling some of the big questions around attracting and retaining talent and creating the best work environment.

There are no quick fixes. Building a culture and an organization that institutionalizes respect for diversity and inclusion, and shows real results in terms of representation and employee feedback is a long-term challenge.

FY05-06's work can best be summed up as laying important foundation stones. FY07 and beyond will build upon that.

## Evolution

We documented in our last report that FY04 represented a milestone for Nike and its diversity and inclusion journey.

At the time of that report, we had just formed our Office of Global Diversity and were in our second year of a five-year Employer of Choice initiative, during which we'd developed diversity metrics focused on representation, hiring, promotion and retention of women globally, and people of color in the U.S. — two communities of employees that we felt were underrepresented in leadership roles.

As managers increased their awareness and understanding and we began to link diversity and innovation to the business case, the dialogue expanded from a compliance approach to a broader one of connecting deeper with diverse communities. We continue to evolve.

Significantly, at the end of FY06, we restructured and elevated the chief diversity role. By separating the diversity and inclusion function from human resources, we are now positioned to better integrate with corporate strategic planning. In November 2006, Nike appointed a new vice president of Global Diversity & Inclusion, with responsibility for leading Nike's diversity and inclusion strategy for business growth, leveraging the synergies of our workforce, workplace and marketplace. Our CEO has begun challenging the senior management team to identify actions to drive diversity and inclusion and to review results as part of quarterly business reviews.

Under the VP's leadership, Global Diversity & Inclusion will continue to be the catalyst for developing fair and consistent diversity and inclusion practices across Nike's business. The department is responsible for global strategy and policy development, leadership coaching and development, assessment and measurement, communications, and integrating with other units in the business, including supplier diversity, staffing and corporate responsibility, to leverage diversity and inclusion as a competitive advantage.

# Our Commitments: FY04

In our FY04 report, we said diversity could be a competitive advantage. We said we wanted to be recognized as an employer of choice. Through a cultural assessment survey of employees, we listened to their voices and shaped our priorities based on their feedback on the work environment, career advancement and diversity and inclusion.

In FY04's survey, employees told us their four priorities for workplace improvement. We listened and responded.

EMPLOYEE PRIORITIES	MILESTONES ACHIEVED
Management Accountability	Nike increased transparency and consistency of its corporate human resources planning process, established corporate diversity objectives and implemented semi-annual reviews.
Management Education	Nike implemented a comprehensive four-day management development curriculum and separate managers coaching skills training. Diversity and Inclusion are core messages throughout the trainings.
Career Development	Nike implemented several programs: an intensive leadership development program, a rotational program, a web-based system for employees to manage and track their professional development, and increased college and university outreach.
Flexibility and Work Life Effectiveness	Nike introduced a global work-life effectiveness policy to formalize existing practices and promote consistent application across businesses.

# Our Commitments: FY05-06

That assessment created the foundation for our long-term diversity and inclusion strategy and resulted in three major initiatives that we focused on in FY05-06.

## EMPLOYEE PRIORITIES

Build a business case for diversity and communicate leadership commitment.

Strengthen people management systems and processes.

Develop a global infrastructure.

## MILESTONES ACHIEVED

Established the business case for gender and racial diversity and how diversity drives innovation to fuel future growth, resulting in increased leadership commitment.

Established the global diversity mission, strategic plan, scorecard and definition of diversity.

Helped businesses determine and communicate their business-relevant diversity goals within their strategic plans. Progress is reviewed regularly by the Corporate Strategic Review Committee.

Demonstrated leadership commitment through increased communications, accountability, direct involvement and active support and discussions.

Revamped and improved the performance management system and provided training for employees and managers.

Established a global Matter of Respect policy, elevating a consistent set of global standards for acceptable behavior of employees beyond regulatory requirements.

Implemented an interactive course to help employees determine how well they are demonstrating their competencies to assist with the creation of an Individual Development Plan.

Implemented rotational programs in Global Brand Management and Global Human Resources, a U.S. Retail Development Program and an EMEA Management Development Program, all designed to increase the internal talent pipeline.

Advocated for U.S. leaders to mentor diverse employees. Implemented pilot programs.

Completed implementation of a global HR data management system.

Researched other opportunities for global consistencies and efficiencies, including global job codes (implementation in progress) and global talent management systems. Research continues.

# Performance:

## A story of modest change

We believe that the steps we have taken are a good start and have helped us considerably in improving the landscape for diversity and inclusion across our operations.

And in becoming a choice employer, we have begun making strides, including a jump in our ranking among Fortune's "Best Companies to Work For."

While we celebrate these successes as validation that we're going in the right direction, we recognize that we still have a ways to go. We're on a long journey.

## Diversity measures

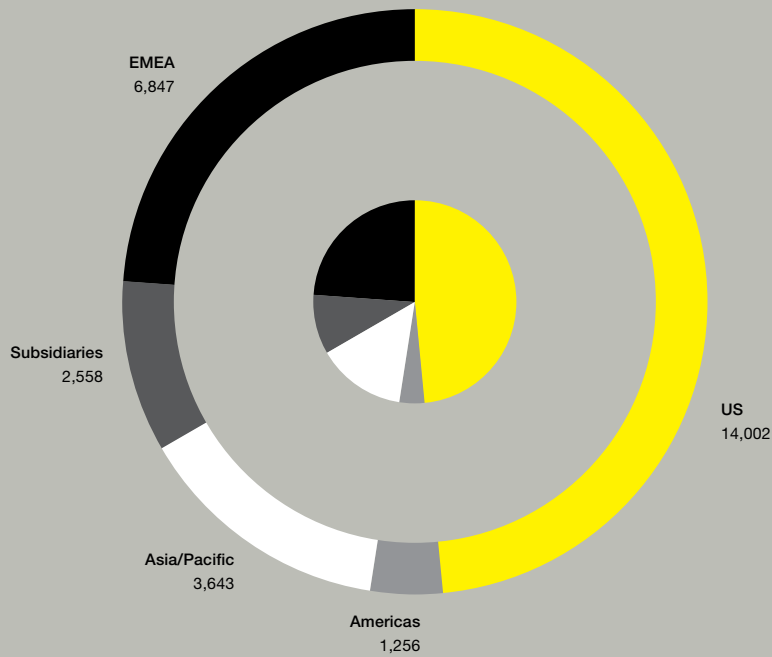
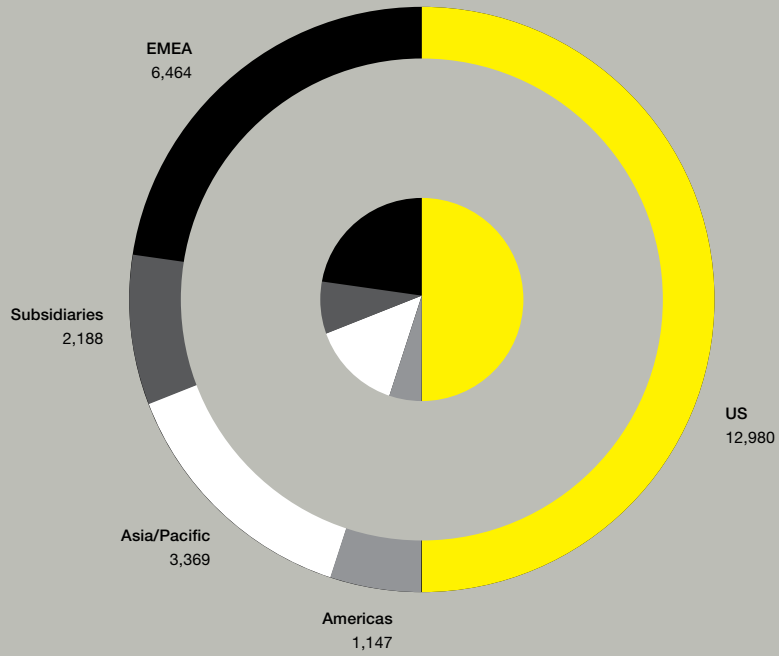
Worldwide, Nike Inc. had more than 28,000 employees on May 31, 2006. Below is a breakdown of these employees. We track and report on workforce representation to help us determine where we can improve, such as increasing outreach and enhancing internal developmental opportunities.

In the U.S., which accounts for about 50 percent of the Nike, Inc's global workforce, employees were basically evenly divided between men and women. This was a relatively small change from FY05.

As we go deeper, we see there is less balance to the numbers by ethnicity, and less diverse representation higher up the management chain. We see this as a significant challenge, one that can not be met overnight.

We have just begun to collect comprehensive information on employee demographics by region, country and position. We are further along in the U.S. where we have been tracking data longer. Although the U.S. demographics are just one element of diversity at Nike, because they represent a significant challenge, we'll start here.

**Chart 38**  
FY05-06 Global Employee Data



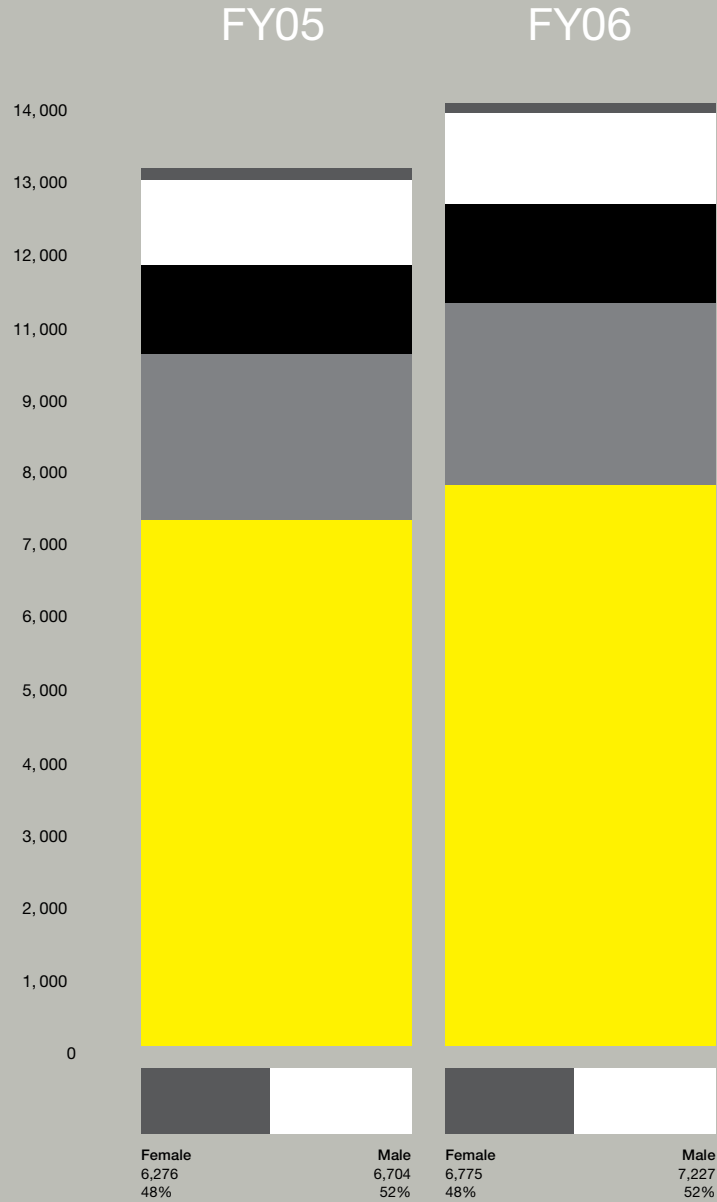
# One Set of Results: Demographics in the United States

We have seen no year-on-year change in gender balance at senior management levels. Women account for 29 percent of senior management. When expanding that pool to include managers and supervisors, the share of women occupying those positions rises to 40 percent, a slight decline from the previous year.

When reviewing the balance of ethnicities for the same two years in the U.S., we find a similar pattern: virtually no year-on-year movement, with Caucasians predominating (85 percent of senior management; 76 percent when the pool is expanded to include managers and supervisors). There have been no significant changes in the proportions represented by African-Americans, Hispanics, Asia and Pacific Islanders, and Native Americans.

**Chart 39**  
U.S. Employee Diversity Data

	FY05	FY06
American Indian	1%	1%
Asian/ Pacific Islander	10%	9%
Hispanic	10%	11%
African American	19%	20%
Caucasian	60%	59%



**Chart 40**  
FY05-06 U.S. Management Breakdown by Gender/Ethnicity

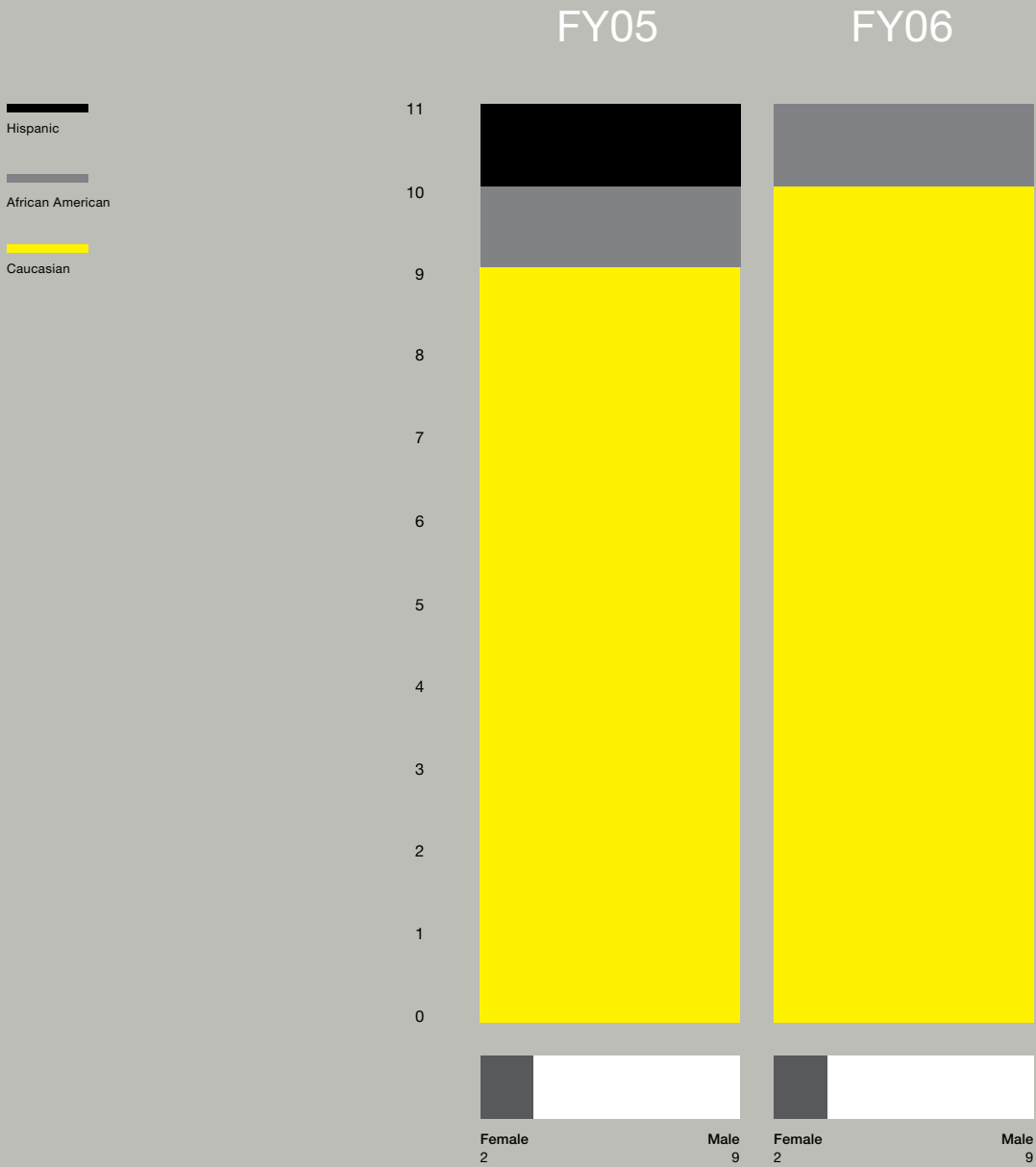


BREAKDOWN	EXECUTIVES & SENIOR MANAGERS				MANAGERS & SUPERVISORS				TOTAL MANAGEMENT			
	FY05		FY06		FY05		FY06		FY05		FY06	
	#	%	#	%	#	%	#	%	#	%	#	%
<b>Gender</b>												
Women	109	29 %	114	29 %	669	43 %	687	43 %	778	41 %	801	40 %
Men	273	71 %	278	71 %	869	57 %	906	57 %	1142	59 %	1184	60 %
<b>Total</b>	<b>382</b>	<b>100 %</b>	<b>392</b>	<b>100 %</b>	<b>1,538</b>	<b>100 %</b>	<b>1,593</b>	<b>100 %</b>	<b>1,920</b>	<b>100 %</b>	<b>1,985</b>	<b>100 %</b>
<b>Ethnicity</b>												
White (Non-Hispanic)	320	84 %	335	85 %	1179	77 %	1223	77 %	1499	78 %	1558	78 %
African-American (Non-Hispanic)	26	7 %	27	7 %	140	9 %	148	9 %	166	9 %	175	9 %
Hispanic	10	3 %	11	3 %	109	7 %	116	7 %	119	6 %	127	6 %
Asian Pacific Islander	24	6 %	17	4 %	100	6 %*	101	6 %	124	6 %	118	6 %
American Indian	2	0 %*	2	1 %	10	1 %	5	1 %**	12	1 %	7	1 %**
<b>Total</b>	<b>382</b>	<b>100 %</b>	<b>392</b>	<b>100 %</b>	<b>1,538</b>	<b>100 %</b>	<b>1,593</b>	<b>100 %</b>	<b>1,920</b>	<b>100 %</b>	<b>1,985</b>	<b>100 %</b>

\* Rounded down for balancing purposes

\*\*<1% rounded up for balancing purposes

**Chart 41**  
U.S. Board of Directors Diversity Data



# Cultural Assessment Survey:

In FY06, Nike repeated its global cultural assessment survey to determine how we could more fully capitalize on the talents of all employees and to measure our progress against work begun following the FY04 survey.





In addition, we aimed to identify groups and issues for further exploration, and to use insights to refine the diversity and inclusion strategy. The survey covered three areas:

-  Work environment
-  Career advancement
-  Diversity and inclusion

We translated the confidential survey into 14 languages and engaged a third party, Catalyst, Inc., for oversight. The study had two phases: first a survey, then focus groups. Our response rate improved in FY06 to 62 percent with 13,729 responses, up from 51 percent for our last survey.

## Survey Results

The results showed modest change from FY04. Among the FY06 survey highlights were the following:


-  Overall job satisfaction continues to be high.
  -  Employees perceived slight improvements in management's commitment to creating an environment where all employees can advance through increased opportunities to learn skills for advancement, regular feedback and coaching from managers, and clearer career path ideas.
  -  Employee perceptions, while very favorable, remain constant on how Nike management appreciates diverse perspectives and experiences, recognizing and respecting the value of human differences.
  -  Employees perceived achieving work-life effectiveness as more challenging.

Following the survey, we invited employees from around the globe who reported lower perceptions of workplace inclusion to participate in externally facilitated focus groups. We asked them to share specific actions and situations that enhanced or detracted from their perceptions of inclusion and to recommend specific actions Nike leadership can take to enhance feelings of inclusion. We chose this approach because the survey revealed a positive correlation between inclusion and job satisfaction, and between job satisfaction and intent to stay. We are hopeful that by learning more we can close the inclusion gap and enhance high-performing teams.


# Cultural Assessment Survey:

## Focus groups results


The sessions revealed further insights on the data results. Common themes and highlights include:

-  Employees are engaged and committed to Nike's success and they want to help the company move forward.

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-  Employees defined factors that, when present, create a feeling of inclusion.

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-  Employees perceive that certain aspects of Nike's culture act as barriers to inclusion, impacting employees' perceptions of career advancement, cross-cultural effectiveness and work-life effectiveness.

We have shared findings from the survey with employees around the world. Our Global Diversity & Inclusion team continues to work with leaders and groups to help with focused planning efforts.

We're now working on goals that we established following the FY06 survey. This input is a critical part of how we plan for the future and establish goals that take account of employees' perceptions and desires for the company, which include:

-  Ensuring human resources processes are applied and communicated consistently.

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-  Addressing cultural norms that contribute to work-life effectiveness barriers such as valuing face time in the office.

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-  Ensuring work-life effectiveness programs are available and transparent globally, and are implemented consistently within offices.

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-  Expanding mentoring programs for employee development.

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-  Improving supervisors' people management skills.

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-  Increasing accountability for managing and leveraging diversity well.


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-  Increasing diversity of representation in leadership and high-visibility roles.

# Employee-Driven Action:

Nike has a history of employee involvement in placing and keeping diversity and inclusion on the company's agenda.

One effective channel over the past decade has been employee networks with vice presidents as executive sponsors. These networks focus attention on diverse communities within Nike, fostering professional development, enhancing work performance, identifying mentors, assisting in recruiting diverse professionals, and increasing community involvement. In the U.S., Nike has six employee networks:

-  Latino & Friends (established 1993)

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-  Asia Pacific (established 1994)

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-  African-American (established 1997)

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-  Gay, Lesbian, Bisexual, Transgender & Friends (established 1998)

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-  Native American (established 1998)

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-  Disabled Employees & Friends (established 2000)

These networks have become a vibrant part of the Nike campus, an important advocacy grouping on behalf of individuals and communities, actively sponsoring activities that reach a broad cross section of employees and community members.

Recent achievements include: youth leadership training, job shadow opportunities, mentoring, sponsorship of physical activity programs for minority youth and community members, regional and national speakers, and cultural heritage events.

## *Business learns from employee insights*


*When employee action leads to business success, it's a tangible example of the value of driving diversity and inclusion within organizations.*

*Take, for example, our Native American Network. We've linked this network with our Native American business. By building strong, authentic relationships in Native American communities, we've been able to build a business presence that is founded on trust, understanding and cultural awareness. As a part of our integration into those communities, we quickly began to see some of the specific issues they face. One of those is the prevalence of Type II Diabetes. In the last two years, we've worked to connect with Native American athletes and promote health excellence by designing walking footwear for diabetics and by fueling sports programming for the community out of our community investment portfolio. But the story doesn't stop there.*


*Nike keeps a close eye on emerging sports. In the U.S., we see the rapid growth of interest in lacrosse, a sport we traditionally hadn't focused on. Lacrosse is a sport born of Native American culture and heritage, and steeped in Native American philosophy. As we planned our entry into lacrosse, our connection to Native American communities became the clear pathway. We worked closely with the community, resulting in a partnership between Nike and the Iroquois Nationals team. The sponsorship includes a commitment to produce product that is sustainable and innovative and to fuel Native American youth access to the sport.*

*It's a great example of how the union of diversity, environment, social and business innovation can lead to new ventures that bring a clear return on investment to Nike and the community.*


In addition to the formal employee networks led by Global Diversity & Inclusion, Nike has other employee committees that drive the diversity and inclusion strategy. Committees include:

-  Multi-Cultural Awareness Committee at the Memphis, Tennessee, distribution center (established 1998)


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-  Wilsonville Diversity Committee at the Wilsonville, Oregon, distribution center (established pre-1998)


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-  Global Women's Leadership Council, including nine geographically disbursed advisory councils (established 2003)


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-  US Leadership Team Diversity Steering Committee (established 2004)


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-  USA Retail Diversity Council (established 2004)


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-  EMEA Diversity Task Force (established 2004)


Employees around the world lead and participate in a number of other forums to understand and promote diversity. Highlights of efforts during the FY05-06 reporting period include:

-  Europe, Middle East and Africa (EMEA) Region set diversity gender targets at all levels in the organization with a goal of driving the percentages of women in leadership roles upwards within the next three years.


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-  EMEA held a diversity summit in July 2006 to redefine its diversity strategy and engage leadership. Diverse talent acquisition efforts will include enhanced outreach to university graduates and the Netherlands' migrant population.


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-  Nike Iberia implemented an office-wide program titled WORKBETTERLIFE in 2006 to support and promote balance between employees' private and professional lives.

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-  The Americas and Asia Pacific regions held career networking events for women in their regions.

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-  The Asia Pacific region established gender and local national diversity goals for country-based leadership and management positions.

### Supplier diversity

*One example of how Nike's approach to diversity extends beyond its employee base is the work we undertake with suppliers. We launched a U.S. Supplier Diversity Program in 1998 and have made strides in providing value to the business through this effort. In FY06, we appointed a new Supplier Diversity Program manager to develop a robust operational backbone in the program which supports U.S. supply purchases from minorities and women business owners.*

*Nike works with several national and regional partners on its supplier efforts, including the National Minority Supplier Development Council, the Oregon Association of Minority Entrepreneurs and the Women's Business Enterprise National Council to help expand our minority or woman-owned business enterprises (MWBE) supplier base. This program provides Nike better visibility to minority- and woman-owned businesses that provide goods and services at competitive prices, and an opportunity to support a variety of businesses. We have seen and expect to continue to see significant progress in the area of supplier diversity. We are incorporating certified Gay Lesbian Bisexual Transgender-owned supplier dollars into addressable spend by collaborating with the National Gay and Lesbian Chamber of Commerce to determine proper certification processes.*

*To assess the proportion of our business and financial impact on minority suppliers, we evaluate the amount of addressable spend on indirect goods and services – that which our procurement department is able to influence directly, such as general office supplies – and the proportion of that spend that goes to MWBEs. Nike spends approximately \$2.7 billion annually in the U.S. on indirect goods and services, of which \$1.1 billion is classified as addressable spend. In FY04, Nike spent approximately \$33 million, or 3.7 percent of total addressable spend, with MWBEs. In FY06, Nike spent approximately \$67 million, 6.3 percent, with diverse businesses. This increase is partially due to a reevaluation of the calculation which resulted in the removal of taxes from the denominator.*

*In FY06 we instituted a second-tier supplier diversity program that strongly encourages our primary suppliers to subcontract with woman- and minority-owned suppliers for goods and services supplied to Nike. As a result, this program yielded a little under \$1 million in diverse spend. In the next three years, we will set targets to increase these amounts and work toward achieving those targets.*

Some of the challenges we face are not specific to our business. We compete for top talent – both in sourcing and retaining the talent we have.

Other challenges are in the areas of career planning and development and work-life effectiveness. Our employees continue to tell us that opportunity is one of the main reasons they choose to work at Nike and that work-life effectiveness is an important factor in their ability to maximize their contributions at work. In order to recruit and retain top talent, we need to continue investing in outreach, people management skills, learning and development, systems, processes and policies in support of a diverse and inclusive work environment.

An example of an investment in improving outreach is the needs analysis we conducted in FY06 to determine our greatest challenges in attracting talent. Results show our biggest hurdle is our location in Oregon. We have developed a strategy and are working to overcome misconceptions about the Portland-Metro area, including updating our recruiting materials with more information about the area's benefits.

Our investment in the complex global rollout of our human resources data management system is scheduled for completion by the end of FY07. This will enable us to better measure and assess the effectiveness of our diversity and inclusion initiatives.

One of Nike's biggest assets is our employees' passion for the brand and commitment to making Nike an even better place to work. Employees understand the business case for diversity and inclusion and want to be a part of a winning team. We use our maxims as our guiding principles and continue to build upon our increased employee engagement around diversity and inclusion. The rise is evidenced by increased network membership and participation, business goal setting around diversity and inclusion, and "best" of recognition by opinion leaders such as Fortune. Our employees consistently and clearly understand that diversity isn't about compliance. Rather, it's a driver of innovation and well-managed diverse teams thrive in an inclusive environment, which results in high-performing teams.

# Future Approach: Goals

Reflecting employees' feedback and the company's broad strategy, in the next three years we plan to focus our diversity and inclusion work in the following areas:

## Leadership competencies/accountability

We will work to establish accountability at the senior-most levels for creating and leading high-performing diverse teams and inclusive work environments. We are challenging leaders to be educated, be involved and be mentors.

## Continuous learning

To be a true multicultural organization and leverage the power and creativity of diverse teams, we will work to include, in management training and performance measures, cross-cultural managerial competency. We will work to provide training for non-managers to develop and enhance their cross-cultural interpersonal skills.

## Communications

Open, honest, continuous dialogue is critical to creating and maintaining an inclusive environment. We will encourage leadership to regularly highlight, through words and actions, their commitment to building and benefiting from a diverse and inclusive workforce. Success stories, challenges and opportunities will be transparent to employees.

## Work-life effectiveness

We need to better understand the barriers – work load, processes and company norms – and take steps to address them. These efforts are aimed at positively impacting Nike's recruitment and retention efforts and likely will increase employee morale, productivity and perceptions of inclusion.

In addition, we will continue building on our work of improving people management and career development systems. We also will look to engage with consumers to understand their diversity and inclusion priorities, gaining their perspectives as both consumers and potential employees.