



# 8 Public Policy

# We believe strongly in the value of transparency - in our reporting and for the issues on which we work.

Nike like other companies, is engaged in public policy advocacy on a range of issues affecting our business, the industry and other areas of concern. The overriding objective of our public policy work is to use our ability to advocate for, promote and protect our business objectives with governments as well as other companies, trade bodies and political and public policy-oriented non-governmental organizations.

Our government relations work is a good demonstration of integrating corporate responsibility into our everyday business. While our government relations team around the world is small by design, we maximize our impact by drawing from resources around the company. We describe the collaborative process of forming our advocacy positions in greater detail below, but the overarching themes are set by our history, culture, business interests, new trends in public advocacy and our experience. Those themes can be grouped broadly as follows:

## Free trade

Nike was founded on the principle of free trade. As a global company, this principle remains our life-blood and mantra today. We firmly believe that while there are unintended economic and environmental consequences of free trade, the greatest good can be realized when producers and consumers have unfettered access to goods and services on a global basis. Our challenge is to promote this access in a way that also improves people's lives and does not harm the environment. We recognize this position may be controversial for some, but we are transparent about our aims and our advocacy on international trade issues.

## Physical fitness

We believe physical fitness is vital to healthy life and society and the lack of it is a growing and daunting problem facing many countries. True, a physically active consumer is good for our business. A physically active consumer is also more likely to be healthier, make better life choices, be more productive and be less likely to pose a burden on governments. This reality makes physical fitness a public policy priority. We also believe that sport can be an effective catalyst for social understanding and change. We support programs that use sport to convene people with different views and outlooks on how the world should function.

## Playing by the rules

We believe in playing by the rules – which in some political systems has unfortunately not been the case. Alongside our legal team, we train employees on the Foreign Corrupt Practices Act (FCPA), Organization for Economic Co-operation and Development (OECD) guidelines on corruption and bribery, U.S. and European sanctions regulations, and lobbying rules and protocol.

### Transparency.


We believe strongly in the value of transparency — in our reporting and for the issues on which we work. We also seek to ensure that the trade associations and multi-stakeholder platforms we participate in publish their position papers and other key communications. We follow federal guidelines for reporting our public policy activity and release information. You can review Nike political donations online at [www.FEC.gov](https://www.FEC.gov).


Because Nike is managed by a matrix comprised of geographic regions, product engines and categories of sport and functions, the development of our positions is somewhat complex.

In general, policies result from dialogue among a number of internal and external organizations and with relevant stakeholders. Trade policy, for example, usually results from dialogue between government affairs, manufacturing, supply chain, and regional and country management teams. Where we face labor and environment issues, we also engage our corporate responsibility, design and human resources teams.

We use similar collaboration and vetting processes for setting public policy positions and determining which political candidates we support financially.

We use two general rules in determining our support for political candidates:

 We only support candidates financially in the United States (where such support is more accepted, regulated and routine).

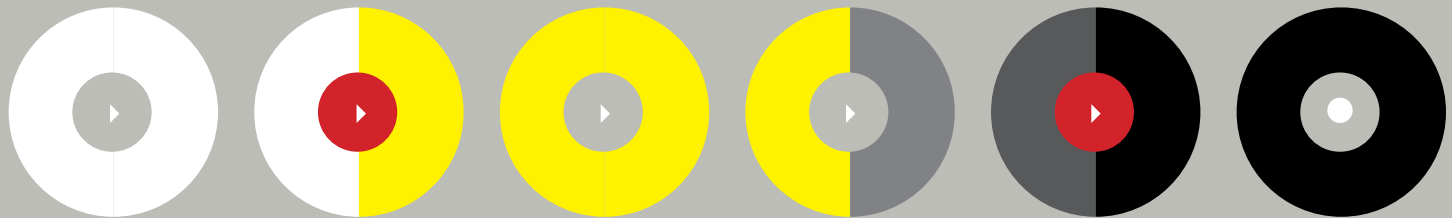
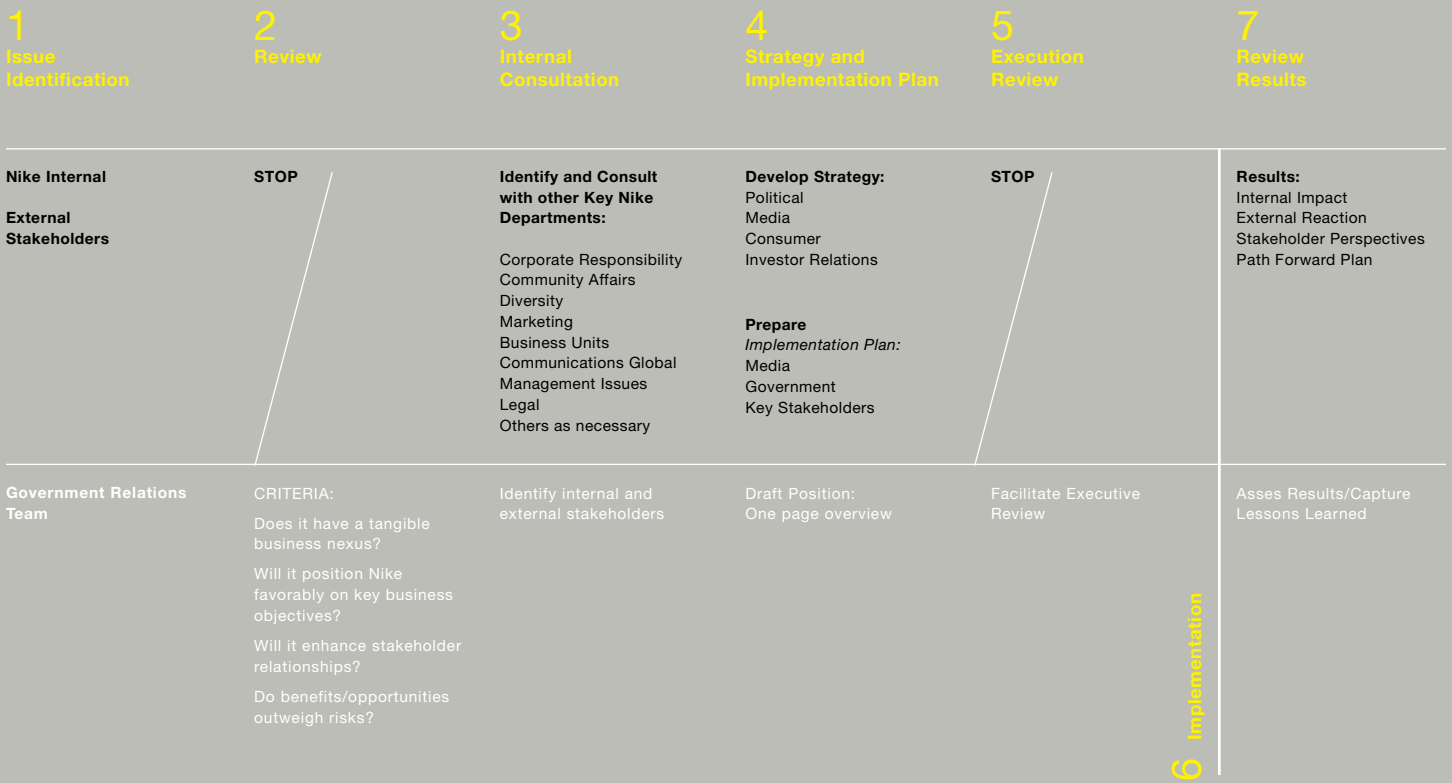
 We support candidates who support our business goals and objectives regardless of their political affiliation.

### Public policy process

We constantly grapple with the selection of issues to influence and the positions we take. We face the age-old dilemma: there are risks and downsides to every position, including the potential of alienating a group of employees, a non-governmental organization partner or a political ally on another issue.

To address this concern and bring some clarity to our decision-making deliberations, we have developed a process for systematic and timely policy decision making. The chart below outlines the basics of that process, which is still evolving as we determine what does and doesn't work.

**Chart 42**  
Public Policy Process



# International Trade:

## Nike is a strong advocate for free trade and has been since our inception.

We believe that when countries open their markets and developed countries eliminate protectionist barriers, the potential rises for improvements in living standards, wages, working conditions and environmental practices. As a result, over the last two years, we have supported the following market-opening trade agreements:

### U.S.-Central American Free Trade Agreement (CAFTA)

While it didn't have a significant business impact to Nike, we supported the CAFTA agreement because it was the next logical step in the creation of a Western Hemisphere Free Trade Area. In addition, we believed it would build sorely needed momentum for the World Trade Organization talks, and, in theory, rebuild some collaboration on how Congress views international trade agreements. We support all of these aims. The agreement passed Congress by a narrow margin after a very divisive debate. While we are pleased the agreement passed, we were disappointed with the debate. We believe a constructive dialogue can bring about important linkages that will enhance trade and improve labor and environmental standards.

### Least developed country legislation.

We supported legislation that would expand U.S. market access to the very poorest of developing countries, many of which were devastated by the 2004 tsunami. Trade is vital for least-developed countries, a fact underscored by the recent Hong Kong declaration by the World Trade Organization that developed countries should provide duty-free access to the least-developed countries. We assumed swift legislative approval would help offset the impact the 2005 phase out of trade quotas under the Multi-Fibre Arrangement and the impact of the tsunami. To our disappointment, the legislation lost momentum and was used as a topic of debate over broader issues, including trade and reinstatement of quotas on China-made apparel. We believe this legislation deserves continued support and will continue to work for its passage.

### Vietnam's World Trade Organization entry.

Nike has been a strong supporter of legislation that would admit Vietnam into the World Trade Organization. It is important to our business that Vietnam be fully integrated into the world's trading system, just as it was for China's entry. Both are important sources for Nike product manufacturing, and China is a major and developing market while Vietnam will develop into a market of some potential eventually. Vietnam was officially admitted into the WTO in January 2007 and it is now bound by a wide array of market access, business and trade commitments.

# Legislative and Advocacy Agenda:

We believe we have a responsibility to use the power of our brand to pursue corporate responsibility policy objectives through advocacy.

Over the past two years we have focused the power of our brand to drive legislative and public policy initiatives that reflect our commitment to these goals.

## United States issues:

### Non-discrimination based on sexual orientation/civil unions

We have, and will continue to work at the state and federal levels to ensure that all employees, regardless of their sexual orientation, are treated fairly in the workplace and that they have a right to legal recognition of same-sex relationships. We believe this is the right thing to do and benefits our employees and our business, allowing us to recruit and retain a broader base of employees and boost employee morale. In FY05-06, Nike supported the:

Federal Employee Non-Discrimination Act which would make job termination and discrimination based on sexual orientation illegal. While this legislation was not considered in Congress this session, it will be raised in the next Congress and we will continue to support and work toward passage.

Federal Domestic Partner Health Benefits Equity Act which proposes providing the same tax treatment to health care benefits for permanent partners as those legally married. This legislation has not yet been considered by Congress, but we are continuing to work with other coalition members to press Congress to pass this important piece of legislation.

Washington state non-discrimination legislation which prohibits employment discrimination based on sexual orientation in the State of Washington. Nike worked with a broad coalition of businesses from the Pacific Northwest on this legislation which was passed and signed into law in the 2006 legislative session.

Oregon State non-discrimination legislation which prohibits discrimination based on sexual orientation in employment, housing and public accommodations in Oregon. In 2005, Nike helped pass the non-discrimination legislation in the Oregon Senate, but it was not considered in the Oregon House. In 2007, Nike created a supportive employer coalition and provided leadership to pass similar non-discrimination legislation as well as legislation to provide gay, lesbian, bisexual and transgender (GLBT) citizens with a basic set of rights. Both pieces of legislation were approved by the Oregon legislature and signed into law by Oregon's governor in May 2007.

### Head Start reauthorization

We have a long-standing partnership with Head Start, an early childhood education and wellness program. Nike worked to defeat federal legislation that would have removed parents, particularly in inner cities, from the governance structure of Head Start programs. Those governance structures remain in place, but the debate will likely reemerge. We will continue to work with Head Start to help ensure that its legislative agenda is successful and the program remains strong.

### Title IX

One of our major continuing initiatives is to overturn a U.S. Administration guideline that we believe weakens Title IX. This vital legislation was enacted more than 30 years ago to ensure that girls and women have equal opportunities to play sports in school. We believe Title IX works and that it has changed the face of sports for the better. The new administrative guidelines allow schools and universities to employ new methodologies to measure their compliance with Title IX. Along with other historic supporters of Title IX (including the National Collegiate Athletics Association), we believe that the new methodologies are faulty and could lead to artificially low participation/interest rates in women's sports. If these rates drop, funding for women's sports likewise drops. Along with a broad coalition of non-governmental organizations, Nike successfully spurred Congressional hearings on the guidelines and secured letters supporting our position from key members of Congress. Despite these efforts, support for the Administration's guidelines remains strong and the guidelines remain in place.

### Support for issues in our home state

Oregon is home to Nike. We are proud of that fact – it's a part of who we are. We take seriously our obligation as the only Fortune 500 company headquartered in Oregon to help the state pursue development and impact far beyond its population and natural resources. There are a number of Oregon issues of great importance to Nike, including:

#### Stabilizing school funding

Adequate funding for public schools is a constant challenge for much of the United States. In Oregon, most of Nike's 6,100 employees have children in Oregon's public schools. We believe strong, healthy public schools create vibrant, strong communities. Nike's state legislative agenda in FY05 included support for adequate funding for Oregon public schools. We have placed employee representatives in leadership positions on key school foundations in the Portland-metro area. In 2006 Nike made financial contributions to critical local funding ballot measure campaigns. Also, we launched the Nike School Innovation Fund, a five-year, \$9 million effort to support innovation in schools.

#### Government transparency and accountability

In 2004 the City of Beaverton, which borders Nike's campus in unincorporated Washington County, began forcibly annexing streets and other portions of the county. This practice took place without notice or dialogue with impacted businesses and residential property owners. Nike's World Headquarters was part of this plan. Once we discovered the plan, we sought and successfully received relief from the

Oregon State Legislature on behalf of ourselves and other businesses. We believe legislative relief was necessary because the annexation challenged conventional land use policy and property ownership, would substantially increase our taxes with no reciprocal benefit in services and would bring no value to our company, shareholders or employees.

### International issues:

Outside of the United States, Nike applies the same principles and supports related activities that we believe will be good for our business. Among the public issues, Nike has supported:

#### Europe, Middle East and Africa (EMEA) sports platform

As in other parts of the world, sports participation, access to places to play and social inclusion are major challenges facing European countries. Nike works with other companies and non-governmental organizations to establish policy platform on sports participation and social inclusion. The initiatives, once implemented, will focus on three key activities:

-  Additional research into the drivers of declining or stagnating levels of sports participation in three European Union countries.
-  Defining a policy agenda and new stakeholder policy consultation tools.
-  Developing and exchanging best practice in sports participation programs.

We are working with partners from the corporate, non-governmental organization and government sectors to build these initiatives in the United Kingdom, France and the Netherlands in 2007.

#### SF<sub>6</sub>/Perfluoropropane (PFP) phase-out

As Europe adopted legislation to implement the Kyoto Protocol on greenhouse gases, Nike has worked with the European Commission and key European Union member states to ensure the legislation the European Union considered allowed Nike adequate time to convert to new Nike Air cushioning technology using nitrogen instead of fluorinated gases. Consistent with European Union legislation, our transition to nitrogen is now complete for all footwear. Please see the Considered Design and The Environment section of this report for more details.

#### Malaysia girls soccer program

To promote increased cross-cultural understanding and improved relations between people of different nationalities, Nike participated in the implementation of a Cultural Exchange Program funded by the U.S. Department of State. American female coaches traveled to Malaysia to teach girls about soccer. Subsequently, a group of Malaysian girls traveled to the U.S. to train and participate in a variety of cultural outreach activities. While this is just one program, we believe that its replication can foster greater understanding of cultural differences around the world and we are currently exploring how to expand and replicate this program.

#### Employment of people with disabilities in Vietnam

In Vietnam, we have worked closely with the government to increase employment opportunities for people with disabilities. Alongside a contract footwear factory, Nike worked with Vietnam's Ministry of Labor, Invalids and Social Affairs to review and revise policies on the employment of people with disabilities. Well-intentioned government regulations were inadvertently limiting employment opportunities and channeling people with disabilities into less-desirable jobs. We worked closely with the Ministry on a pilot program to expand employment opportunities. We anticipate expansion of the pilot program, as well as legislative changes that will increase opportunities with other companies.

# The Future:

We remain committed to integrating our corporate responsibility objectives further into our public advocacy efforts. Among the areas we believe have the greatest opportunity are:

## Globalizing Nike's public policy positions

Most of our advocacy work has been in the United States. We will continue our work to globalize this strategy so that our policy initiatives have influence in other developed and developing countries. In FY07-08 we will focus on China where our Government Affairs and Corporate Responsibility teams are closely aligned and have worked together on the issue of labor rights. [See AMCHAM letter](#). [See World Federation of the Sporting Goods Industry release](#).

## Public policy advocacy innovation

It is important for us to stay on the cutting edge of public policy practices. Innovative work in this area by companies and non-governmental organization provide great models against which to benchmark our work and further incorporate best practices into our ongoing advocacy program. We can accomplish this by collaborating with other businesses and non-governmental organizations that are working in this area.

## Sport for youth inclusion advocacy

We will broaden our support for access to fitness programs, places to play and the use of sports as a means of youth inclusion.

## Emerging issues

We remain vigilant in identifying new and emerging issues. We recognize that corporate responsibility definitions will broaden and we intend to broaden our advocacy work accordingly. Examples include tax policy, issues facing professional sports or corporate governance.

## Building broader business support

We will educate trade associations and other businesses on the significance of their support for positions we believe are responsible and in the interests of our stakeholders.