

With the term “community investments,” we refer to Nike’s philanthropic contributions. We’ve made these kinds of contributions throughout the company’s existence. And increasingly, our employees are also making these kinds of contributions.

In the early years of our company, we had a clear focus for our community investments – though we neither deliberately chose the focus nor clearly articulated it. We supported athletes and sport. More specifically, we supported athletes we respected and sports we liked. We also kept things fairly close to home. It was a reasonable and fun approach for a small company.

For the better part of two decades, we were much broader in our support. We made contributions connected to more groups, and did so on a global basis. Our approach has continued to evolve. As this section will show, we’ve narrowed our focus, at least in terms of the kinds of issues we believe we can best address. And we’ve begun to be more rigorous in assessing the value of the contributions we can make.

## IMPACTS AND ISSUES

### Right to Sport and Physical Activity

As a leading player in the sports world, we’ve spent 30 years gaining insights into the role of sport and physical activity in people’s lives. We’ve commissioned research on the topic, and have relied on research funded by others. The findings reinforce our own sense of sport and physical activity and plays an essential role in the overall development of young people into healthy, confident adults. It is vital to healthy self-esteem. Yet across the globe, young people – particularly those excluded because of disability, poverty, race, religion or other social and economic factors – simply don’t have access to good, safe, enriching physical activity.

It is an issue with massive personal and cultural consequences. As the following research has demonstrated:

- Inactive children are less likely to graduate from school, more likely to use drugs and more likely to develop an eating disorder.
- Girls participating in sports are less likely to enter into violent relationships, suffer depression, become unwillingly pregnant or smoke. Yet girls drop out of sport six times more often than boys.
- Fifty percent of overweight 6-year-olds and 80 percent of overweight 12-year-olds will become obese adults.

What we've come to understand is that there are key ingredients – access points – for young people to improve their lives through physical activity.

- Access to facilities that are safe, affordable and accessible to all
- Access to inspiration such as coaches, mentors, athletes and others who provide alternatives to destructive behavior
- Access to opportunity with clear pathways for young people to pursue their passion for a sport in whichever way they want
- Access to continuity in sports and physical activity programs that are ongoing and consistently funded

Across the globe, the challenges unfold in different ways, often reflecting distinct economic and social factors. In Asia and Latin America, a core issue is the lack of access to the basic resources for sport and physical activity: facilities, equipment and coaches. Our focus is to work in partnership with others to provide facilities. In the United States and many other countries, the trend to youth inactivity has been rising for a variety of reasons: school funding cuts, lack of physical education programs, shortage of sports and play facilities, computers and the Internet, TV, and, occasionally, apathy.

### **Globalization**

A second issue that our community work will increasingly aim to address is the challenge of globalization. We have chosen to focus on the specific challenges facing adolescent girls. The overwhelming majority of workers in our supply chain are women, most of them relatively young, and they live in cultures that have not always been inclined to expand the rights of women. Because of our supply chain's geographic distribution, some programs not specifically designed with gender in mind, nonetheless offer disproportionate aid to women. Our intent is to supplement those efforts.

We believe that investing in human capital complements our efforts to improve our fundamental business practices. We have learned that the most effective way for us to affect human capital may be to address the issues of poverty alleviation and gender equality, specifically by investing in efforts that empower the world's most disadvantaged girls to improve their well-being and participate more fully in life.

## **STRATEGY**

### **Focus**

A lengthy assessment of our community investments showed they were dispersed globally and by issue area. We decided to become sharper in our focus, and began assessing where we were having the most impact, where our values were best reflected and where our employees were most engaged. In 2002, we established two priorities for our community investment programs worldwide. The following two priorities guided our work in FY04 and will guide our work into the future.

First, we work to increase the participation of young people in physical activity, with a focus on the lifelong benefits it brings. We call this program NikeGO. We seek out opportunities to leverage all significant Nike resources, including athletes, products, cash grants, the power of our brand and employee passion in giving young people the opportunity to get active.

Second, we invest in innovative solutions that address the challenges of globalization, with a particular emphasis on women and girls. This acknowledges that Nike is often at or near the center of debates over globalization, that women are key to progress in the fight against poverty and inequity, and that women hold a majority of jobs in our supply chain. In FY04, this work was done through the Nike Foundation and the corporation. Going forward, it will be done through the Nike Foundation alone, the mission of which is to

# COMMUNITY

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contribute to poverty alleviation through improving the overall well-being of the world's most disadvantaged adolescent girls in the developing world.

## **Give Effectively**

We think we can best contribute to communities in at least three ways: by promoting employee volunteerism and by giving cash and product. A fourth way involves giving our corporate expertise – insights into sport, marketing prowess, business modeling, etc. Sometimes, this can help our nonprofit partners better perform or deliver grassroots programs more effectively.

## **Volunteerism and Matching Employee Donations**

Approaches to employee volunteerism and donations vary by global region, primarily for legal and taxation reasons, as well as the scale of the organizations involved. While there are established frameworks for corporations to match employee charitable donations in the United States, this is not the case in other countries. We are nonetheless committed to actively encouraging employees to be involved in the world around them. Globally, Nike managers are encouraged and actively support employee volunteerism.

If a U.S.-based employee contributes to a qualified nonprofit organization, we match their contribution, dollar-for-dollar, up to \$5,000 per employee per year. When a U.S.-based employee volunteers for a qualified nonprofit organization, we donate \$10 for every qualifying hour of volunteer work. In FY04, U.S. employees contributed 71,000 volunteer hours and gave more than \$2.5 million to hundreds of charitable organizations.

In Europe, employee activism is encouraged through our Sport4ACause Fund. When employees engage in charitable sporting events, Nike matches the funds they raise. In the UK, our EXTRA TIME program,

(started in FY05) gives employees six days per year for volunteer activities.

There are interesting implications in following the lead of employees. It can lead us to fund organizations we might not otherwise support. If such a contribution (directed by an employee) is taken out of context, it could drag Nike into controversy. We accept this as a possibility, and trust that, on the whole, encouraging our employees to be active will lead to positive ends for communities and for Nike.

## **EXAMPLES OF OUR WORK**

### *Sport and Physical Activity*

In Shanghai, most open-air basketball courts are located on school campuses where courts are locked up after school and on weekends, and at the times when young people most want to play. Since 1997, we've worked with Shanghai city and education officials to provide access to courts at five additional schools each year – with a total of more than two dozen playgrounds open as a direct result of Nike spending. This step inspired others. And hundreds of additional playgrounds are also open as a result of changed attitudes.

In Europe, middle-income families tend to have access to facilities and coaches while the poor and the excluded frequently do not. We focus on these excluded communities with programs that seek to directly serve refugees, migrants, the disabled or young people demonstrating behavioral problems. Much of our work is also focused on efforts that specifically aid girls from those communities.

The NikeGO Afterschool program, developed in collaboration with SPARK (Sports, Play and Active Recreation for Kids) focuses on those hours in the day when many young people find trouble. Designed

for YMCAs, local parks and recreation centers, Boys & Girls Clubs and others, Nike and SPARK provide training, custom curriculum and equipment to after-school program staff. It's fun, provides sport and physical activity options in which young people are constantly moving and helps each person feel successful. Staff and coach training is critical to ensuring that participants stay active once they are engaged. In addition, NikeGO has partnered with Stanford University's Positive Coaching Alliance to train coaches and parents to deliver enhanced coaching experiences to young people.

### ***Globalization, Women and Girls***

Nike contributions have helped develop solutions to the challenges globalization brings to women and girls.

- From 1997 to 2004 in Southeast Asia, our support of micro-loan programs has played a small but direct role in diversifying the ranks of small business owners. With the help of NGO partners, our funds become small loans, typically a hundred dollars or less, to individuals starting or growing a business. The vast majority of loan recipients have been women, who gain the flexibility to work at home. Since 1997, we have invested more than \$2 million in support of micro-loans. With our support, nearly 15,000 largely female borrowers in Vietnam, China, Indonesia and Thailand have received loans. In many cases, the loan recipients also benefit from training and education provided by the NGO. For more information on these partners, please visit our website at <http://www.nikeresponsibility.com/community>.
- In Thailand, we work with a key supplier and an NGO to bring production jobs to rural areas. Most Thai production jobs are based in major cities, and young people must leave home to find work. We recently renewed partnerships to expand the Nike Village Development Project in Nakhon Ratchasima province. Through the creation of a small stitching

center in the community, Nike Village offers about 500 villagers, primarily women, the opportunity to return to their homes and families from jobs once held in Bangkok. In addition to micro-loans, components will include a mobile AIDS unit, environmental reforestation to promote forest conservation, school lunch programs, mini-farms that produce high-quality products using limited natural resources available, sports activities and facilities, and development and training programs for women. By shifting away from the massive factories typical of our industry, we help families stay whole.

Moving forward, the focus on globalization will be absorbed into the Nike Foundation.

## **BUSINESS INTEGRATION**

Community investment programs are part of a delicate balancing act in every corporation. They can be integrated into the business in order to leverage business expertise for community programs. But when a community program is driven only by business objectives, it can sometimes skew the outcomes of a program. We're clear: Community programs should measure success in terms of the impact they have on the ground and the difference we make. Marketing objectives flow from the extent to which we are successful on the ground. They're an outcome, not a driver.

At present, we have a community team based within both the United States and the EMEA regions, with a global community function carrying out both local (Oregon-based) activities and some global activity in regions where we don't have a strong community team in place. Going forward, better integration into the regional business teams in the Asia-Pacific and Americas regions is needed. More regional ownership of these programs is essential.

# COMMUNITY

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## **MULTI-STAKEHOLDER INITIATIVES**

The majority of our community affairs programs are carried out in partnership with NGO's, and often with governments. That makes community affairs a hotbed of learning for us around multi-stakeholder partnerships. In working with the United Nations High Commission for Refugees (UNHCR), the U.S. Surgeon General and Mercy Corps, we've learned that each partnership is unique and requires unique attention. We've learned that if we're to take best practices to scale, we must occasionally work with our partners to engage in public policy advocacy.

In several global regions, we have advocated public policy changes, recognizing that solutions will be complex, long-term and will require support from all sectors of society. In the United States, Shaping America's Youth (SAY) was co-founded by the Surgeon General, Nike, the American Academy of Pediatrics and others; it is a national initiative devoted to promoting childhood sport and physical activity and healthy lifestyles. In Europe, we helped start the GO Network, which brings practitioners together to create a common voice and to share best practices. Examples of some of our external partnerships are as follows:

### ***King Baudouin Foundation***

The mission of the King Baudouin Foundation is to help improve living conditions for the population of Belgium and Europe. Nike funding provides support for sports programs that demonstrate the value of sport as a tool for social cohesion and integration.

### ***Mercy Corps***

Mercy Corps is an international organization that provides emergency relief, supports sustainable communities and promotes civil society initiatives in 76 countries. Since 1979, they have provided \$710 million in assistance, attempting to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities. In FY04, Mercy Corps received over \$3.18 million in support from Nike.

### ***United Nations High Commission for Refugees (UNHCR)***

Nike's EMEA offices partnered with the UNHCR to pilot a sports program for young girls in refugee camps in Kenya. The goal is to use sports to promote girls' integration in education; sports can begin a process of opening doors and building respect.

### ***National Head Start Association***

Created in 1965, Head Start is the most successful, longest-running, national school readiness program in the United States. It provides comprehensive education, health, nutrition and parent involvement services to low-income children and their families. More than 21 million preschool-age children have benefited from Head Start. Nike is one of several organizations that has been honored for its commitment to Head Start and support of early childhood education. For the past six years, Nike has worked with Head Start on a state-of-the-art educational outreach program, making Nike one of the largest corporate supporters of the national school readiness program. Nike funded \$800,000 in FY04 as an investment in all communities.

### ***Youth Sport Trust***

Youth Sport Trust is a nonprofit organization that develops and implements quality physical education and sports programs for all children ages 18 months to 18 years. They believe that all children have the right to experience and enjoy physical education and sports. In this spirit, Nike donated \$410,000 in cash and \$360,000 in product throughout FY04.

### ***Opportunity International***

Through Opportunity International in Indonesia, Nike's micro-enterprise efforts have benefited approximately 11,500 borrowers. According to Opportunity International, Nike's partner to help deliver micro-loans to individuals near Jakarta, Indonesia, since 1998, Nike is one of the largest corporate funders of micro-enterprise development programs in the world.

### **Population and Community Development Association (PDA)**

In Thailand, we support work by the PDA designed to improve lives in rural areas. While more businesses are relying on larger contract factories in already-crowded cities, PDA is helping build networks of smaller factories in rural areas, which means families stay united, and young people can stay at home and find meaningful work.

### **Positive Coaching Alliance**

NikeGO creates and supports programs for inactive kids and the people who can influence their behavior: parents, teachers and coaches. The Positive Coaching Alliance is a Stanford University program that trains coaches and parents to deliver enhanced coaching experiences to kids in sports, so they have fun and are more likely to stay in the sport.

### **The Nike Foundation**

The Nike Foundation's mission is to contribute to poverty alleviation through improving the overall well-being of the world's most disadvantaged adolescent girls in the developing world.

The Nike Foundation partners with private foundations, governments, NGOs and other organizations to ensure policies, strategies and investments reflect the critical needs of adolescent girls living in the developing world including education, health, economic opportunity, rights, voice and security. Among the Foundations's partners are the International Center for Research on Women, the Population Council, Mercy Corps, the World Bank and the United Nations Foundation.

The work is focused in countries where the need is greatest. In some cases, this coincides with areas where we have a contract manufacturing presence. In

Bangladesh, for example, the Nike Foundation partners with BRAC, one of the world's largest and most respected NGOs; BRAC reaches 1,500 communities and provides approximately 45,000 girls with access to safe places and economic opportunity. Also in Bangladesh, we are partnering in a \$50-million, five-year World Bank ROSC (Reaching Out-of-School Children) project to reach the hardest-to-reach children, especially girls, in ultra poor communities. The objective is to reduce the number of out-of-school children by about half a million, through improved access, quality and efficiency in primary education. In Ethiopia, the Nike Foundation will be investing with partners around issues surrounding child marriage.

For more information on the Nike Foundation, please visit the website at <http://www.nikefoundation.org>.

## **PERFORMANCE**

### **A Commitment to Community: Nike's Three Percent Target**

While community engagement has been a part of Nike's culture since the beginning, in 1999 we formalized this commitment with a global target for contributions to nonprofit organizations and community partners. The target is three percent of the preceding fiscal year's pre-tax profits. These gifts are a combination of cash, products and in-kind services.

#### **Data**

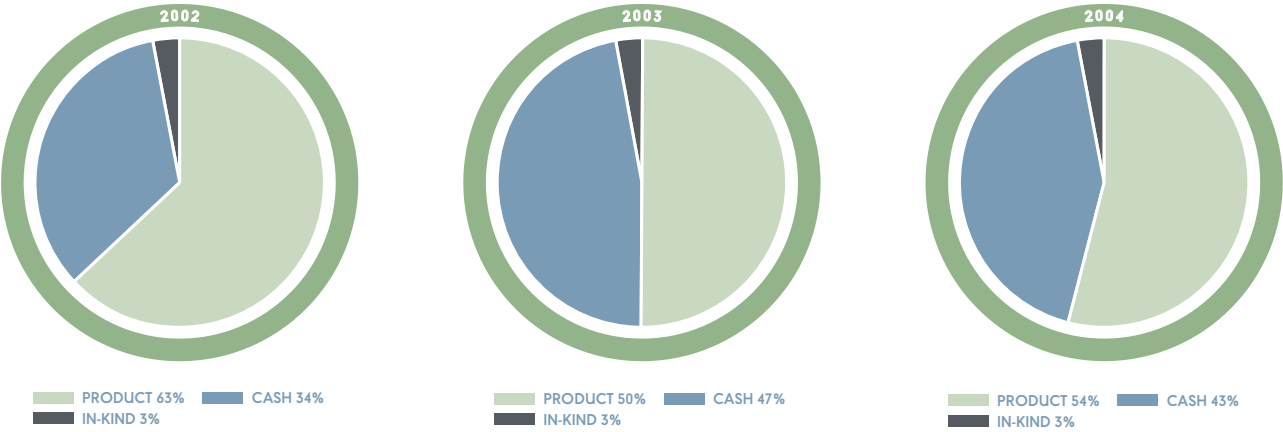
<b>Total Donations (millions)</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>
<b>Cash</b>	10.2	14.4	16.2
<b>Product/In-kind</b>	19.4	16.3	21.1
<b>Total Donations</b>	29.6	30.7	37.3
<b>As % of prior year's pretax profits</b>	3.2%	3.0%	3.3%

# COMMUNITY

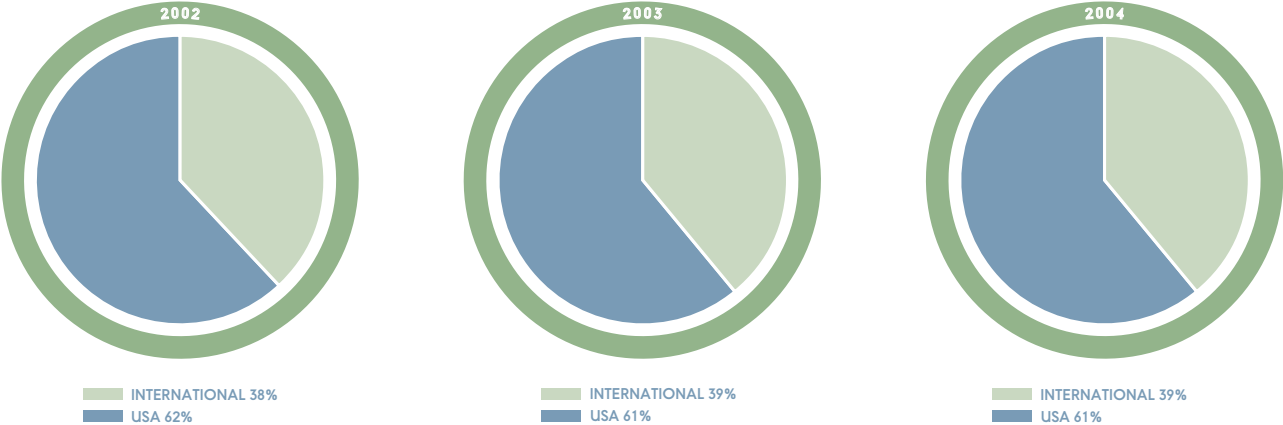
## Employee Contributions and Company Match

	Employee contributions	Employee hours match	Total company	Increase over previous year
FY02	\$1.8M	51,165	\$2.2M	11%
FY03	\$2.3M	67,212	\$3.0M	38%
FY04	\$2.5M	71,017	\$3.1M	6%

## Total giving by type



## Geographic distribution of giving



Fiscal Year

## Assessing Impact

Beyond tracking measures of activity, we have been exploring various methods of assessing the impact of our community investments and their success in achieving stated objectives. In many cases, Nike relies on third-party experts to conduct these assessments.

In the United States, NikeGO has relied on experts from the Centers for Disease Control and Prevention to evaluate the impact of our programs. In Europe, Citizenship CSR Consultancy has conducted an extensive evaluation of our programs. We plan to continue to expand these types of assessments in the future.

### THIRD PARTY EVALUATION OF NIKE COMMUNITY AFFAIRS PROGRAM IN EMEA

Citizenship CSR Consultancy was hired by Nike in 2003 to conduct a third-party assessment of the impact of its EMEA program.

#### Program Objectives

The stated aim of Nike's community program in EMEA is to support projects that use sports as a catalyst for social inclusion, especially among young people. This is an ambitious goal, since social inclusion depends on people developing life skills as well as job skills, and having positive attitudes, good behavior and work opportunities. It is only when we start to assess all these factors that we can judge the real impact on the lives of young people.

#### Methodology

Our aim was to go beyond simply reviewing the resources invested and to assess real social impact. We found this was best measured by the participants themselves saying how they felt better or different, and by third parties saying how they saw changes taking place in people they knew.

#### A snapshot of activities and impact

- Projects in seven countries with diverse social settings
- Ninety-five different community initiatives
- Contributions from 1,500 to 400,000 Euros per project
- Projects managed through foundations with community partners and via volunteering
- Fifteen thousand disadvantaged individuals touched through over 1,500 sports or sports-related sessions

Nike's projects included helping get young people into employment or full-time education in Belgium; touched over 2,200 disadvantaged young people in the Netherlands and significantly affected about 75 percent of them in terms of social integration; worked with kindergarten and disabled people in Germany; promoted large projects for primary school children and girls in sports in the UK; assisted people with disabilities in Spain; and led a range of sporting initiatives for disadvantaged young people in South Africa. At the time of the review, the program in France was still under construction.

## Conclusions

The program responded well to Nike's objectives:

- Nike's sports and sports-related projects were clearly effective in reaching disadvantaged groups, and often gained sustained levels of participation even among disaffected youngsters.
- Project assessments showed many examples of real social impact, with demonstrable results in terms of life skills, socialization and self-esteem.

At the same time, the program had flaws:

- Many of these assessments could be greatly strengthened by clearer objective-setting and a focus on tracking outcomes.
- There was also a case for reviewing the rather wide diversity of project sizes, national focus topics and project management mechanisms.

Finally, Nike's work suggested some lessons for others:

- The program's results give real backing for the value of sports in reaching disadvantaged groups.
- This may have special merit among young people, for whom sports are cool and can bridge divides of culture, language, race and color.

*Source: Nike's Community Investment Impact, 2002-2003, Citizenship CSR Consultancy, Stephen Serpell, Director, Citizenship CSR Consultancy, UK*

For more information on Nike's work in this area, you can download our FY04 community development report at <http://www.nikeresponsibility.com/reports>.