
Nike was founded on a handshake. Implicit in that act was the determination that we would build our business based on trust, teamwork, honesty and mutual respect.

As we have grown from a two-man partnership to a global business, our task has been to maintain this same ethic across our operations. We have put in place corporate governance policies and practices to help us achieve this. In recent years, we have extended these to include corporate responsibility issues as a central part of our governance system.

Board of Directors

Nike's board of directors is responsible for corporate governance in compliance with the U.S. Sarbanes-Oxley Act and other laws, and the interests of our shareholders.

The board is currently composed of 10 members, eight of whom are independent non-executive directors as defined under the listing standards of the New York Stock Exchange. Six board committees share responsibility for overseeing specific policies and procedures, including audit, compensation, corporate responsibility, executive, finance and nominating and corporate governance.

Our Codes and Policies

Our code of ethics, *Inside the Lines*, defines the standards of conduct we expect of employees. The subjects it covers include the following:

- Equal opportunity
- Harassment and zero tolerance
- Environment, safety and health
- Sales agents, consultants and professional services
- Social responsibility
- Team equipment (Nike product)
- Product safety
- Export and import laws
- Protection of Nike information, ideas and intellectual property

CORPORATE GOVERNANCE

- Accurate records and reports
- Safeguarding assets and records
- Computing and information resources
- Fraud and theft
- Gifts and gratuities
- Conflict of interest
- Insider trading
- Antitrust and competition
- Compliance with laws and fair dealing
- Political contributions
- Sportsmanship
- No retaliation
- Performance violations

Every year, all employees are required to verify that they have read and understand *Inside the Lines*.

For more information on *Inside the Lines*, please visit our website at <http://www.nikeresponsibility.com/codeofethics>.

We operate a global toll-free *Alertline* for employees to confidentially report any suspected violations of the law or our code of ethics. Any reported concerns around accounting, auditing or internal control are communicated to the audit committee of the board.

We expect our suppliers to share our standards and to operate in a legal and ethical manner. While *Inside the Lines* covers the behavior of Nike employees, our Nike Code of Conduct covers contractors who manufacture Nike-branded products. It directs them to respect the rights of their employees, and to provide them with a safe and healthy work environment.

For a copy of our Code of Conduct for contract factories, please visit our website at <http://www.nikeresponsibility.com/codeofconduct>.

CR Management at the Board Level

One of the six committees on our board of directors is the corporate responsibility committee. Its members, as of May 31, 2004, include the following:

- Jill Ker Conway, non-executive director, committee chair
- Douglas G. Houser, non-executive director
- Jeanne P. Jackson, non-executive director
- John R. Thompson, Jr., non-executive director

The CR committee was established in 2001 to review significant policies and activities and make recommendations to the board of directors regarding labor and environmental practices, community affairs, charitable and foundation activities, diversity and equal opportunity, and environmental and sustainability initiatives. Nike's executive team attends the committee meetings.

The committee met four times in FY04 and reviewed strategies and plans for issues including:

- Communications and global issues management
- CR investments
- CR reporting and metrics
- CR strategic plan
- Diversity
- Environment, safety and health
- Establishment of a CR Business Leadership Team
- Evolution of our compliance programs
- Factory exit response plan
- MIT research collaboration
- Multi-Fiber Arrangement (MFA)
- Nike Foundation
- Stakeholder Forum
- Subsidiaries
- Value channel

CR Management at the Executive Level

In FY04, we established the CR Business Leadership Team. They set policies and oversee the work of our CR team and departments responsible for managing CR issues on a day-to-day basis.

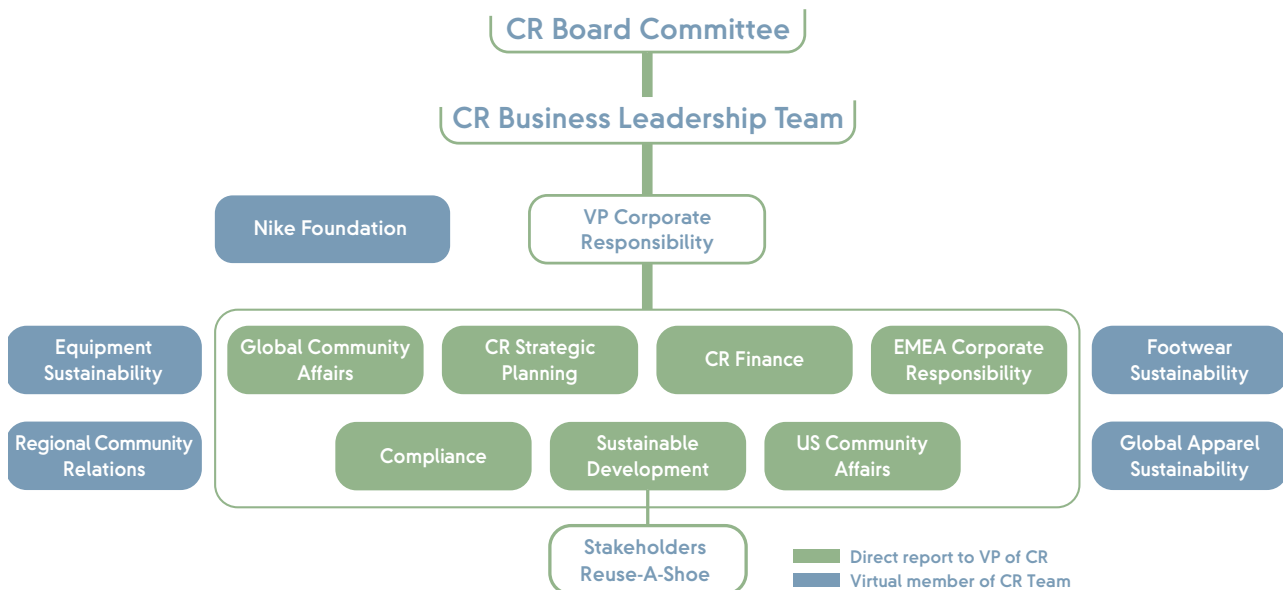
Business Leadership Team members during FY04 include the following:

- Co-Presidents, Nike Brand
- VP, Corporate Responsibility
- VP, Global Apparel Operations
- VP, Subsidiaries and New Business Development
- VP and General Counsel
- VP, Global Equipment
- VP, Global Footwear
- VP, Corporate Communications
- Director, Global Apparel Operations and Corporate Responsibility

Responsibilities of the Business Leadership Team include the following:

- Assisting in developing overall CR policies and strategies
- Reviewing and approving policies and strategies prior to board approval
- Reviewing and approving overall CR investments, divestments and reinvestments
- Reviewing and monitoring progress against overall CR objectives and plans and helping promote/direct achievement of those objectives
- Reviewing and approving global, regional and country CR organizational structure and accountabilities
- Helping promote further integration of CR into the business through active advocacy for CR, both internally and externally

Corporate Responsibility Organization



*Some of the positions have dual reports to other departments and regions.

CORPORATE GOVERNANCE

Integration of Corporate Responsibility at the Operational Level

Corporate responsibility encompasses a broad range of subjects and requires a broad range of skills. At the operational level, it is managed by full-time CR employees and other relevant departments. These include labor and environment, safety and health compliance (ESH); community affairs, corporate communications, government affairs, legal, human resources and diversity; reporting, stakeholder engagement, environmental initiatives, strategy development and product sustainability.

As of December 2004, nearly 150 Nike employees work on CR issues as their primary function or have CR work as a significant portion of their workload.

Leadership Changes

In October 2004, Hannah Jones, former director of Corporate Responsibility in Europe, Middle East and Africa (EMEA), became vice president of Corporate Responsibility. She will serve as a representative to the Nike Corporate Responsibility Business Leadership Team and our board of directors' corporate responsibility committee.

Hannah will focus on integration, making corporate responsibility the job of every employee at Nike and incorporating it into strategic plans throughout the business.

Maria Eitel, our first vice president of Corporate Responsibility, became President of the Nike Foundation. After seven critical years of helping build our CR strategy and programs, she will focus the work of the Nike Foundation on addressing poverty alleviation and gender inequality.