

A few years ago we did not look beyond our corporate walls for much input on anything we were doing in the area of corporate responsibility. Although we have a team-oriented culture within the company, we were fiercely competitive externally, and the Just Do It culture didn't lend itself naturally to dialogue, sharing ideas and consensus building. Input into business decisions was limited almost exclusively to those stakeholders with whom we had some type of financial relationship—employees, consumers, retailers, suppliers, investors and recipients of corporate giving.

We've learned the hard way that our view of the world was not as informed as it should have been. In the last few years we have had dialogue with the vast range of stakeholders in civil society.

If anything, the pendulum has swung too much the other way, connecting with over 100 external non-profit stakeholder groups, including environmental organizations, human rights groups, students, colleges, trade unions, socially responsible investor groups, government, academia and consumers. Engagement ranges from information and dialogue to collaborative projects and multi-year programs.

There are too few hours in the day to do justice to all these relationships without a more formalized approach to stakeholder engagement, which we are just starting to explore. As a starting point

we are using a framework evolved by SustainAbility Ltd., which is helping us to consider the type and level of engagement that is needed in order to satisfy multiple and diverse needs. Common to all levels of relationships, however, there are some fundamental principles that we believe in:

1. Engagement, even that which may begin in conflict, should be mutually beneficial. Many of the issues around corporate citizenship are extremely complex and there is much to be learned by all the players.
2. We seek common ground and look for ways in which creative solutions can arise out of conflict.
3. A relationship should lead to real value both for the business and the stakeholder.

Although there are a large number of stakeholders and stakeholder forums in which we are engaged, four hold particular promise. Though their areas of focus are in some ways quite different, they share one thing in common: at the same table sit an assortment of organizations that can provide us with a diversity of feedback and advice, and programs of action to help make our corporate responsibility activities and investment meaningful.

Among these organizations or forums are:

The Coalition for Environmentally Responsible Economies (CERES), a program of 10 environmental principles to which Nike was accepted as an endorsee in late 2000. We believe this step brings us into positive engagement with a broad and highly credible forum, whose board includes Trillium Asset Management, the AFL-CIO and the Interfaith Center on Corporate Responsibility. Other companies endorsing the CERES principles include Coca-Cola, Sunoco, General Motors, Polaroid and American Airlines.

The Global Compact is a stakeholder process initiated by UN Secretary General Kofi Annan, who called on

businesses to endorse a set of global principles on responsible behavior, drawing from universally-recognized standards in the areas of human rights, labor rights and environmental principles. In the process,

Phil Knight called upon Global Compact endorsers to move toward a worldwide system of accepted social accounting principles... not a particularly popular concept in the business community.

he made it possible for business, the NGO community and trade unions to have a common table for both dialog and action. Nike endorsed the Global Compact, alongside BP Amoco, Rio Tinto, Manpower, the Prince of Wales Business Leaders Forum, Amnesty International, the World Wildlife Fund, Conservation International, the International Confederation of Free Trade Unions, Business for Social Responsibility and four dozen other businesses and organizations. It is one organization that holds out the promise of global dialog between major players in all three sectors, and on all three issues, and the Global Compact operates under the moral authority of the UN.



To be effective, the Global Compact will have to move beyond dialog and transparency to action on the ground. One area of our greatest interest was expressed by Phil Knight in his remarks to Global Compact endorsers at the inaugural meeting at the UN in July 2000. In that session, he called upon endorsers to move toward a worldwide system of accepted social accountability principles, and a system of monitoring company performance against those principles. Although not a particularly popular concept in the business community, it is on this sort of ground that the Global Compact could have lasting impact.

The Fair Labor Association is a monitoring coalition of apparel and footwear companies, NGOs and human and labor rights organizations that was born out of a concern for sweatshop practices during the Clinton Administration. The FLA was first established as the Apparel Industry Partnership in 1996, and Nike was a founding member. For four years, the AIP struggled to develop a Code of Conduct, monitoring protocols, an accreditation process for monitors, and an operational and staffing plan that led to the establishment of the

FLA. In early 2001 Nike was accepted by the FLA board as a participating company alongside others in the industry including Liz Claiborne, Phillips Van Heusen and Levi Strauss. Other organizations affiliated with the FLA and represented on its board include the Lawyers Committee for Human Rights, the International Labor Rights Fund, the Robert F. Kennedy Memorial Center for Human Rights, the National Consumers League, and Business for Social Responsibility. More than 100 colleges and universities also are participating members of the FLA.

The goal of the FLA is to oversee the independent monitoring of factories producing for member companies, using a rigorous monitoring protocol, and requiring that the monitoring involve local NGOs. The FLA also requires and will monitor the quality of Nike's internal oversight process, and will report publicly on the ability of each member company to effectively monitor and correct violations of the Code. Nike will have at least 10% of its factory base monitored under the FLA each year for the first three years.

**WEBSITES OF ORGANIZATIONS REFERRED TO IN THIS REPORT
OR ON NIKE.COM ***

100blackmen.org	naaee.org
accountability.org.uk	natlconsumersleague.org
amnesty.org	naturalstep.org
BGCA.org	new-academy.ac.uk
biomimicry.net	nike.com
bsr.org	nikebiz.com
ceres.org	nikeworkers.org
certifiedwood.org	nmgf.org
citizenparty.org	opb.org
cleanclothes.org	opportunity.org
coastalrainforest.org	ortns.org
cof.org	oxfam.org
conservation.org	partnership/report.htm
delta.com	polarislearning@msn.com
dol.gov/dol/esa/public/nosweat/	polymergroupinc.com
ebnsc.org	pps.k12.or.us
epa.gov/climatewise	pwglobal.com
erm.com	rfkmemorial.org
fairlabor.org	rmi.org
gaia.org/lists/ecobalance	savethechildren.org
globalexchange.org	scus.org
greenpeace.org	seedsys.com
hapdx.com	selfenhancement.org
icftu.org	sol-ne.org
iisd.org	solv.org
ilo.org	sustainability.co.uk
internationalsos.com	teleport.com/~police/
intrescom.org	theglobalalliance.org
itglwf.org	thinksmart.com
kathleenwood@compuserve.com	tnc.org
laborrights.org	unglobalcompact.org
lchr.org	uscib.org
lgc.org/wri	wfsgi.org
mbdc.com	worldvision.org
mcdonough.com	workersrights.org
mil.state.or.us	worldwildlife.org

THE EXTERNAL CONSULTATIVE COMMITTEE

Many people have given us guidance and suggestions as we have worked to put together this report. Although they do not as a group or individually agree with all of what we have done here, four people in particular have been especially helpful and have acted as an ad hoc Consultative Committee. ** They are:

John Elkington, Chairman, SustainAbility (UK)

Reynold Levy, President and CEO, International Rescue Committee (US)

Christine Loh, CEO, Civic Exchange (Hong Kong)

Simon Zadek, Acting CEO, Institute of Social and Ethical AccountAbility (UK)

**The committee has not approved the report and is not responsible for the accuracy or completeness of its contents. Institutional affiliation is for identification purposes only .

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