



# Nike

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Ours is a language of sports, a universally understood lexicon of passion and competition. A lot has happened at Nike in the 30 years since we entered the industry, most of it good, some of it downright embarrassing. But through it all, we remain totally focused on creating performance opportunities for everyone who would benefit, and offering empowering messages for everyone who would listen.

We feel lucky to have a genuine, altruistic reason to be: the service of human potential. That's the great benefit of sports, and we're glad to be in the middle of it.

What started with a handshake between two running geeks in sleepy Eugene, Oregon, is now the world's most competitive sports and fitness company. The World Headquarters is in Beaverton, Oregon. The Pacific Northwest is Nike's hometown, but like so many ambitious souls, we have expanded our horizons to every corner of the world. Nike employs around 22,000 people, and every one of them is significant to our mission of bringing inspiration and innovation to every athlete in the world.

Along the way Nike joined up with some great partner companies that help extend our reach within and beyond sports.

- Cole Haan offers casual luxury footwear and accessories out of New York City and Yarmouth, Maine.
- Bauer Nike Hockey, based in Montreal, Quebec, is the world's leading manufacturer of hockey equipment and a wholly owned subsidiary of Nike, Inc.
- Nike partnered with Hurley International, a premium teen lifestyle brand founded by 20-year industry veteran Bob Hurley based in Costa Mesa, California.
- Recently Nike completed the acquisition of Converse, the globally recognized footwear brand with nearly a century of sports heritage, and home of the perennially popular Chuck Taylor All-Star and Jack Purcell footwear.
- Separate business units within the Nike brand include The Jordan/ Jumpman 23 brand and Nike Golf.

As small as we feel, the Nike family is a fairly vast enterprise. We operate on six continents. Our suppliers, shippers, retailers and service providers employ close to 1 million people. The diversity inherent in such size is helping Nike evolve its role as a global company. We see a bigger picture today than when we started, one that includes building sustainable business with sound labour practices. We retain the zeal of youth yet act on our responsibilities as a global corporate citizen.

If you have a body, you are an athlete. And as long as there are athletes, there will be Nike.

## **Factories & Workers**

Our business model in 1964 is essentially the same as our model today: We grow by investing our money in design, development, marketing and sales, and then contract with other companies to manufacture our products.

We currently produce our products in more than 900 contract factories throughout the world, including the United States. This model has helped provide jobs for more than 660,000 contract workers who make Nike goods in more than 50 countries around the world.

Nike is committed to being a responsible corporate citizen. We work to improve the lives and working conditions of all workers. We don't own these factories, but we take pride in our relationships with them. Nike's relationship with its contract factories is guided by our Code of Conduct and the Code Leadership Standards, a set of labour, health and environmental standards. We direct each factory to post our Code in major workspaces – translated into the languages of the workers – and to endeavour to train workers on their rights and obligations as defined by the Code Leadership Standards and applicable labour laws. Additionally, the goal of Nike's New Source Approval Process is to consider compliance issues prior to the placement of orders. Before directing business to a facility, Nike conducts a pre-sourcing audit, and Nike's production staff must articulate a business justification – describing the benefits gained in doing business with a new factory and identifying costs associated with managing the factory for quality, delivery and compliance.

No matter where in the world they're located, no two factories are exactly alike, and none are perfect. Nonetheless, Nike expects the same commitment to improvement from every one of them. Whether a factory has five or 1000 workers, or if it's in Bangladesh, Thailand, Taiwan, or the United States, improvement at each is our goal.

### **2003 Annual Report (Excerpts)**

Each year at this time we take a snapshot of our momentum. The freeze frame for fiscal year 2003 shows Nike coming off a record year. It was, in fact, a year of many firsts, highest revenue, highest earnings per share (before accounting change), and the first time we did more business outside the USA in our 31-year history. Our \$10.7 billion in revenues represents an 8 percent increase over the previous year. Better still, we gained speed as the year progressed, with 4th quarter earnings at \$0.92, up from \$0.77 a year ago, and quarterly revenues up 11 percent. Earnings per share on the year increased 13 percent.

This is good news. The numbers represent the staying power of a brand connected to the humanity of sports in tough times. It also shows the growing power of a global company of innovation-based subsidiaries, like Hurley, Bauer Nike Hockey, Nike Golf, Cole Haan, and soon we hope Converse. Much of our success is a matter of high public profile. This is most obvious when it comes to Nike athletes. Lance Armstrong won his seventh consecutive Tour de France. This is seven more than logic says he should have won.