Triodos Investment Management

NIKE INC.

MEETING DATE	Thu, 17 Sep 2015 10:00 am	TYPE	AGM	ISSUE DATE	Wed, 02 Sep 2015
MEETING LOCATION	Tiger Woods Conference Center, One Bowerman Drive, Beaverton, Oregon 97005-6453				
CURRENT INDICES	S&P500				
SECTOR	Rubber and plastics footwear				

	PROPOSALS	ADVICE
1.01	**Elect Alan B. Graf, Jr.** Non-Executive Director. Not considered independent as he has been on the Board for more than nine years. There is insufficient independent representation on the Board.	**Withhold**
1.02	**Elect John C. Lechleiter** Independent Non-executive Director. There are concerns over his aggregate time commitments.	**Withhold**
1.03	**Elect Michelle A. Peluso** Independent Non-Executive Director	**For**
1.04	**Elect Phyllis M. Wise** Independent Non-Executive Director	**For**
2	**Advisory vote on executive compensation** The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The Company awarded long term incentives in the form of performance based Long term Incentive Plan (LTIP) awards, stock options and restricted stock awards. LTIP awards are based on the following performance measures: revenue growth (50%) and diluted earnings per share (EPS) growth (50%) over a three-year performance period. Threshold, target and maximum levels are disclosed in the compensation analysis and the Committee provided sufficient information with respect to the actual performance which is required for performance share unit awards to vest. The Company awarded stock options and restricted stock awards which have no performance conditions. Stock options vest over a four-year period and restricted stock awards vest in three equal installments on each of the first three anniversaries of the grant date. In addition, the Committee granted Mark G. Parker an RSU retention award with a target value of $30,000,000, 40% of which award is subject to time vesting. The Company has a compensation 'claw back' policy and 'double-trigger' change-in-control equity acceleration. However, 'good reason' includes a material reduction in the total package of benefits under cash incentive, stock incentive and other employee benefit plans.The compensation rating is: BDB. Based on inappropriate vesting periods and lack of performance conditions for equity awards, Triodos oppose this resolution.	**Oppose**

3 **Amend the Articles of Incorporation to increase the number of authorized shares of common stock** **Oppose**

The Company has put forward a resolution requesting shareholders to approve an amendment to Article IV of the Company's Restated Articles of Incorporation, to increase the Company's authorized Class A Stock from 200,000,000 to 400,000,000 shares and the Company's authorized Class B Stock from 1,200,000,000 shares to 2,400,000,000 shares. As of June 30, 2015, a total of 177,457,876 shares of Class A Stock and 677,081,822 shares of Class B Stock were outstanding. The Board argues that adoption of the proposal will give the ability to the Company to effect one or more stock splits by means of stock dividends. Furthermore, the Board argues that shares could be used for purposes such as financings, compensation plans, business acquisitions and other general corporate purposes. In addition, the Board argues that the authorization of additional shares could have an anti-takeover effect.

The Company's reasoning for the proposed increase seems insufficiently compelling as a justification for doubling the authorised share capital. As there are concerns over the potential dilutive effect that this proposal may have, Triodos oppose this resolution.

4 **Re-approve the Executive Performance Sharing Plan** **Oppose**

The Company has put forward a resolution requesting shareholders to re-approve the Performance Sharing Plan (PSP) as amended for purposes of Section 162(m) of the Internal Revenue Code. The Plan will be extended for an additional five years. The PSP is open to the Company's executive officers (currently 9) and is administered by the Compensation Committee. If shareholders approve the Plan, the maximum cash bonus opportunity for an eligible participant in any year will increase from $5 million to $10 million.

It is noted that as performance conditions may be attached to awards at the Compensation Committee's discretion, there are concerns that the Committee will have considerable flexibility in the payout of discretionary awards, which are not supported. There are concerns that awards may not be subject to robust enough performance targets and be insufficiently challenging. In addition, the bonus limit is considered to be excessive. As a result, Triodos oppose this resolution.

5 **Approval of amended and restated Stock Incentive Plan** **Oppose**

The Company has put forward a resolution requesting shareholders to approve an amendment and restatement of the Company's 1990 Stock Incentive Plan, increasing the number of shares of Class B Stock authorized for issuance under the Plan by 33,000,000 shares and the total number of shares reserved for issuance under the Plan from 326,000,000 to 359,000,000 shares. As of July 20, 2015, 20,122,341 shares of Class B Stock remained available for grant. The Board argues that the proposed additional shares are necessary to provide appropriate incentives. The Plan permits the Company to grant stock options, stock appreciation rights (SARs), restricted stock, restricted stock units, and performance-based awards. The Plan is open to all employees (approximately 4,817) and is administered by the Compensation Committee. If shareholders approve the Plan, the aggregate maximum number of shares of Class B Stock underlying awards granted during any one fiscal year to any one participant may not exceed 1,000,000 shares, plus an additional aggregate of 1,000,000 shares for one-time awards to newly hired or newly promoted individuals. In addition, non employee directors may not be granted any award or awards denominated in shares that exceed in the aggregate $500,000 in value in any fiscal year, plus an additional $500,000 in value for one-time awards to a newly appointed or elected non-employee director.

The proposed increase represents approximately 3.8% of the company's outstanding common stock at the record date. There are concerns that stock options and restricted shares granted during the last fiscal year are not subject to performance targets. In addition, the Plan allows the Compensation Committee too much discretion to determine the size, type and term of awards. As a result, Triodos oppose this resolution.

6 Shareholder Resolution: political contributions disclosure **For**

Proposed by: Mercy A. Rome and Green Century Equity Fund. The Proponents request the Board of directors to provide a report disclosing: the Company's policies and procedures for making, with corporate funds or assets, direct or indirect contributions and expenditures; and the Company's monetary and non-monetary contributions and expenditures, including the identity of the recipient, the amount paid and the title(s) of person(s) at the Company responsible for decision-making. The Proponents argue that the requested disclosure is significant for the Company's compliance with federal ethics laws and any gaps in transparency expose the Company to reputational risks. The Proponents argue that the Company has a policy statement regarding political contributions; however, it is not sufficient for the following reasons: it requires senior-executive approval of contributions only when amounts aggregate more than $100,000 annually to an entity; its description of what the Company will disclose is confusing; and it does not address payments to any third-party group, including trade associations and 501(c)(4) organisations. The Proponents argue that data available with respect to the Company's political spending are not sufficient and payments to trade associations used for political activities are not disclosed. The Board recommends shareholders oppose and argues that the Company's current policies and disclosures address many of the Proponents issues and that additional disclosure is not be in the best interests of shareholders. The Board argues that the Company has a Political Contributions Policy according to which all of its political contributions and expenditures are made. The Board argues that it annually discloses on the Company's website all direct political contributions to any candidate, political party, or ballot initiative in any year that exceeds $100,000, and all political contributions in any U.S. state where the Company makes more than 50% of its political contributions in any year. The Board argues that the requested additional disclosure could place the Company at a competitive disadvantage.

It is considered that the transparency and completeness of the Company's reporting on political donations could be improved. Political donations can arouse controversy and it is important that companies protect their reputation by open reporting. It is to the benefit of the Company and its shareholders to be transparent about political donations and so avoid any suspicion (and the damage that may cause to the Company's reputation) that the Company may be using shareholders' funds in an inappropriate way to gain undue influence. The request for a report is considered reasonable. Acceptable proposal. Triodos support this resolution.

7 Appoint the auditors **Oppose**

PwC LLP proposed. Non-audit fees represented 10.31% of audit fees during the year under review and 13% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos oppose this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory vote on executive compensation

Disclosure: B-In fiscal 2015, annual cash incentives were based on income before income taxes (PTI). The Company awarded long term incentives in the form of performance based Long term Incentive Plan (LTIP) awards, stock options and restricted stock awards. LTIP awards are based on the following performance measures: revenue growth (50%) and diluted earnings per share (EPS) growth (50%) over a three-year performance period. Threshold, target and maximum levels are disclosed in the compensation analysis and the Committee provided sufficient information with respect to the actual performance which is required for performance share unit awards to vest.

Balance: D- The Company awarded stock options and restricted stock awards which have no performance conditions. Stock options vest over a four-year period and restricted stock awards vest in three equal installments on each of the first three anniversaries of the grant date. In addition, the Committee granted Mark G. Parker an RSU retention award with a target value of $30,000,000, 40% of which award is subject to time vesting.

Contract: B-The Company has a compensation 'claw back' policy and 'double-trigger' change-in-control equity acceleration. However, 'good reason' includes a material reduction in the total package of benefits under cash incentive, stock incentive and other employee benefit plans.

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