Triodos Investment Management

NIKE INC.

MEETING DATE	Thu, 20 Sep 2018 10:00 am	TYPE	AGM	ISSUE DATE	Tue, 04 Sep 2018
MEETING LOCATION	Tiger Woods Conference Center, One Bowerman Drive, Beaverton, Oregon 97005-6453				
CURRENT INDICES	S&P500				
SECTOR	Rubber and plastics footwear				

	PROPOSALS	ADVICE
1.1	**Elect Alan B. Graf, Jr.** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. He is chair of the Audit committee which is not fully independent which Triodos does not support.	**Withhold**
1.2	**Elect John C. Lechleiter** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Withhold**
1.3	**Elect Michelle A. Peluso** 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 Chairman and CEO's long-term incentive opportunities are considered excessive at over 200% of salary. The CEO also received a bonus of USD 1.295 million, which has no performance criteria attached, contrary to best practice. Executive compensation is not in-line with peer group averages and with companies of a similar market capitalisation. The compensation rating is: CDC. Triodos opposes this resolution.	**Oppose**

3 Shareholder Resolution: Political Donations **For**

Proposed by: Mercy A. Rome, c/o Investor Voice

The Proponent requests that the Company provide a report, updated annually, that discloses NIKE's: 1) Policies and procedures for making, with corporate funds or assets, direct or indirect contributions and expenditures to: (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum. 2) Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including: a. The identity of the recipient as well as the amount paid to each; and b. The title(s) of person(s) at NIKE responsible for decision-making.

Proponent's Supporting Argument: The Proponent argues that it favours transparency and accountability in corporate spending on political activities. Gaps in reporting keep shareholders in the dark and expose NIKE to reputational and business risks that could threaten shareholder value. NIKE's current policy regarding political spending has a number of significant gaps. Public records show NIKE has contributed at least $2,106,738 in corporate funds since the 2010 election cycle.

Board's Opposing Argument: The Board of Directors recommends that shareholders vote AGAINST this shareholder proposal because: Its current policies and public disclosures already address many of the items requested by the proposal; In the Board's judgement, more disclosure than the Company already provides would not be in the best interests of shareholders; and In 2012, 2013, 2015 and 2016, virtually identical proposals were rejected by approximately 78%, 82%, 73% and 71%, respectively, of shares voted. Providing further disclosure would bring the Company in line with a growing number of leading companies in the consumer discretionary sector – including Ralph Lauren Corp. and Tiffany & Co. – which present this information on their public websites.

PIRC Analysis: 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, Triodos supports this resolution.

4 Appoint the Auditors **Oppose**

PwC proposed. Non-audit fees represented 6.90% of audit fees during the year under review and 7.48% 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.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: C- The Company has achieved an average level of disclosure. Annual awards are paid to the Named Executive Officers under the Executive Performance Sharing Plan ("PSP"). The Compensation Committee established performance goals for the fiscal 2018 PSP awards based on its evaluation of the Company's business plan. Long term incentive awards are composed of a Performance-Based Long-Term Cash Incentive, Stock Options and Restricted Stock Awards. The Performance Based long term incentive is subject to Revenue and EPS performance goals. Performance targets are disclosed both prospectively and retrospectively, which is in line with best practice.

Balance: D- The Chairman and CEO's long-term incentive opportunities are considered excessive at over 200% of salary. The CEO also received a bonus of USD 1.295 million, which has no performance criteria attached, contrary to best practice. Executive compensation is not in-line with peer group averages and with companies of a similar market capitalisation.

Contract: C- The Company has a compensation 'claw back' policy and 'double-trigger' change-in-control equity acceleration. Good reason and cause are not appropriately defined.

Researcher: Sika Neckles
Email: pircresearch@pirc.co.uk

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk