Triodos Investment Management

NIKE INC.

MEETING DATE	Wed, 06 Oct 2021 10:00 am	TYPE	AGM	ISSUE DATE	Thu, 23 Sep 2021
MEETING LOCATION	Virtual-Only Meeting: www.virtualshareholdermeeting.com/NKE2021				
CURRENT INDICES	S&P500				
SECTOR	Rubber and plastics footwear				
FYE	31 May 2021				

	PROPOSALS	ADVICE
1.a	**Re-Elect Alan B. Graf Jr. - Non-Executive Director** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Triodos withholds on this resolution.	**Withhold**
1.b	**Elect Peter B. Henry - Non-Executive Director** Independent Non-Executive Director.	**For**
1.c	**Elect Michelle A. Peluso - Non-Executive Director** Elect Michelle A. Pelus, Chair of the Nomination Committee and Independent Non-Executive Director.	**For**
2	**Advisory Vote to Ratify Named Executive Officers' 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 uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. Executive compensation is not aligned with peer group averages. The company included non-financial metrics into the annual bonus structure, which is considered best practice. For the year under review, annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. The minimum performance period prior to vesting is less than three years, which is considered to be short term. Five-year vesting would be preferred. The compensation rating is: AEB. Based on this rating Triodos opposes this resolution.	**Oppose**
3	**Ratify PricewaterhouseCoopers LLP as Auditors** PwC proposed. Non-audit fees represented 2.08% of audit fees during the year under review and 5.46% 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 and there are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos opposes this resolution.	**Oppose**

4 Shareholder Resolution: Political Donations **For**

Proponent's argument: Newground Social Investment asks that the company provide a report, updated semiannually, to disclose the company's: 1. Policies and procedures for making contributions and expenditures (direct or indirect) with corporate funds or assets: (a) to participate or intervene in campaigns on behalf of or opposing any candidate for public office, or: (b) to influence any segment of the general public with respect to an election or referendum. 2. Monetary and non-monetary contributions and expenditures (direct and indirect). "Long-term Nike shareholders support transparency and accountability in corporate electoral spending. This should encompass any activity considered intervention in a political campaign under the Internal Revenue Code, such as: (a) direct and indirect contributions to political candidates, parties, or organizations, and: (b) independent expenditures or electioneering communications on behalf of federal, state, or local candidates. Disclosure is in the best interest of both the company and shareholders. The Supreme Court recognized this in its 2010 Citizens United decision, which states: "[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and [to] give proper weight to different speakers and messages." Public records show Nike has spent more than $3.15 million in corporate funds since the 2010 election cycle (CQMoneyLine: http://moneyline.cq.com; National Institute on Money in State Politics: http://www.followthemoney.org)."

Company's response: The Board of Directors recommends that shareholders vote against this proposal. "NIKE is committed to the highest ethical standards when engaging in political activities. We have strong governance practices and accountability in corporate spending on political activities, and maintain a level of transparency that we believe allows shareholders to have the information they need to make informed decisions. In fact, NIKE's Corporate Responsibility, Sustainability & Governance Committee and the Board of Directors updated the company's Policy on Corporate Political Contributions, Industry Associations, Public Policy Statements, and Lobbying (the "Policy") this spring to further increase transparency and oversight of the company's advocacy for public policies that support our business objectives. The updated Policy will go into effect January 1, 2022 and will fully satisfy the fundamental objectives of this proposal. NIKE's Policy is designed to give shareholders confidence that there is appropriate oversight of political activity and to allow shareholders to assess any risks associated with significant contributions. All of our political contributions and expenditures are made in accordance with the Policy and our objective is to strictly comply with all public reporting laws. Our Policy ensures that political contributions, trade group memberships, and policy statements are made in a manner consistent with NIKE's core values to protect or enhance shareholder value, without regard to the private political preferences of our corporate officers. Our Policy describes the policies and procedures for making corporate political contributions, how they are approved, who must approve them, how they are disclosed, and how they are reported to and reviewed by the Board's Corporate Responsibility, Sustainability & Governance Committee. Our current Policy is available on our website at http://investors.nike.com/investors/corporate-governance, and our updated Policy will be available at the same location when it becomes effective in January 2022."

PIRC analysis: The transparency and completeness of the company's reporting on political spending could be improved. The board's argument makes clear that its compliance with political spending disclosure regulations complies only with the minimum requirements: this is considered incomplete and insufficient. Moreover, it is to the benefit of the company and its shareholders to be open about political spending and so avoid any suspicion and any 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.

5 Shareholder Resolution: Report on Human Rights Impact Assessment For

Proponent's argument: Domini Impact Equity Fund asks the company publish a Human Rights Impact Assessment, at reasonable cost and omitting proprietary/confidential information, examining the actual and potential human rights impacts of its cotton sourcing practices, throughout the full supply chain. "Concerns about forced labor in cotton supply chains have led to significant media attention and regulatory and legislative action. For example, pursuant to US federal laws, on January 2021, the US government issued Withhold Release Orders against cotton and their downstream products produced in whole or in part in the Xinjiang region, including downstream products produced outside the Xinjiang region that incorporate these inputs. Supply chain disruptions like these may have material impacts on the company's costs, gross margins and profitability. The lack of transparency on cotton sourcing also introduces challenges for investors seeking to fulfill their commitments to conduct robust human rights due diligence, under the UN Guiding Principles on Business and Human Rights ("UNGPs") and in support of the UN Sustainable Development Goals ("SDGs")."

Company's response: The Board of Directors recommends that shareholders vote against this proposal. "NIKE is focused on running our business in an ethical way and that extends to our supply chain and the contract manufacturers who make our products. We collaborate with manufacturing suppliers who share our commitment to making products responsibly and sustainably. NIKE expects all suppliers to share our commitment to respecting the rights of workers and advancing their welfare, with particular care for people with unique vulnerabilities such as women, migrants, and temporary workers. We also expect suppliers to use natural resources responsibly and efficiently. We are strengthening long-term relationships with strategic suppliers and sourcing from fewer factories, focusing on those that are committed to our standards of sustainability, product excellence, and compliance with local laws. In order to ensure that NIKE's products are produced responsibly throughout the supply chain, we require our finished goods suppliers to verify they are sourcing materials from vendors that are compliant with NIKE's Restricted Substances List (RSL) and NIKE's Code of Conduct for suppliers (the "Supplier Code"). NIKE's Supply Agreements also explicitly require suppliers to comply with all local and country-specific labor laws and NIKE's Supplier Code and Code Leadership Standards. Over the past five years, NIKE has increased our use of sustainable materials for apparel by scaling sustainable alternatives in high-volume products. As of fiscal 2020, 100% of the cotton we use across our entire product line is certified organic, recycled, or Better Cotton sourced through the Better Cotton Initiative ("BCI"). In addition, NIKE recycles more than 1.5 million pounds of cotton each year while caring for soil health and natural habitats, without fossil fuel-derived pesticides or synthetic fertilizers, and while respecting the rights of workers and farmers. [...]While NIKE does not directly source cotton, or other raw materials, traceability at the raw materials level is an area of ongoing focus. We are working closely with our suppliers, industry associations, brands, and other stakeholders to pilot traceability approaches and map material sources so we can have confidence that the materials in our products are responsibly produced."

PIRC analysis: The proponent asks for a report on the risks associated with potential and actual forced labour risks of its operations and supply chain. Such risks can have significant reputational and financial consequences for a company and it is in the best interests of shareholders to be informed of the company's exposure to and management of such risks. Ensuring that suppliers are not employing forced labour is considered to be due diligence, in order to uphold company's policies on human rights and minimize corresponding risks. In addition, companies should get credit for referring to a true living wage, not a government-set 'living wage' which is in fact a minimum wage. Since the company indicates that it is committed to not using forced labour in its supply chains and has crafted its own policy on this, it is difficult to understand why the company opposes the shareholder request for policy statement. However, it fails to link work throughout the supply chain with living wage, and this proposal is seen as an advance in governance of social issues at the company.

Triodos supports this resolution.

6 Shareholder Resolution: Report on Median Gender/Racial Pay Gap **For**

Proponent's argument: Arjuna Capital asks the board to publish an annual report adequate for investors to assess performance could, with board discretion, integrate base, bonus and equity compensation to calculate: •percentage median gender pay gap, globally and/or by country, where appropriate •percentage median racial/minority/ethnicity pay gap, US and/or by country, where appropriate. "Pay inequity persists across race and gender. Black workers' hourly median earnings have fallen 3.6 percent since 2000, representing 75.6 percent of white wages. The median income for women working full time in the United States is 82 percent that of men. Intersecting race, African American women make 62 cents on the dollar, Native women 60 cents, and Latina women 54 cents. At the current rate, women will not reach pay equity until 2059, African American women until 2130, and Latina women until 2224. Citigroup estimates closing minority and gender wage gaps 20 years ago could have generated 12 trillion dollars in additional national income. McKinsey projects closing the racial wealth gap could net the United States economy 1.1 to 1.5 trillion by 2028. PwC estimates closing the gender pay gap could boost Organization for Economic Cooperation and Development (OECD) countries' economies by 2 trillion dollars annually. Diversity is linked to superior stock performance and return on equity. Actively managing pay equity is associated with improved representation. Of note, 23.9 percent of Nike employees are black, but black employees represent only 5.3 percent of employees above director level. Women account for 49.5 percent of Nike' s workforce and 42.5 percent of employees above director level. "

Company's response: The Board of Directors recommends that shareholders vote against this proposal. "The requested median pay gap measure is not a meaningful or accurate metric for our shareholders. This measure seeks to compare the pay of two employees whose compensation happens to fall at the midpoint of the pay range among those employees sharing the relevant gender, racial, or ethnic characteristic, without adjusting for relevant factors that can explain differences in pay, such as their different role, skills, performance, experience, tenure, or location. Although the proposal is aimed at providing transparency with respect to pay equity and equal opportunity, this statistic does not demonstrate whether our women and racial and ethnic minority employees are being paid fairly for the roles that they are doing nor does it accurately depict female or racial and ethnic representation at NIKE's different locations around the globe. Moreover, our shareholders do not need a surrogate measurement of pay equity and the percentage representation of women and racial and ethnic minority employees in senior leadership positions as we already provide the actual information on our website and in our annual Impact Report. As a result, the median pay ratios requested in the proposal provide no meaningful supplemental information to our shareholders.[...] Our long-standing commitment to and support of gender and racial equality has been affirmed by many organizations. For example, NIKE has earned the title of Best Place to Work for LGBTQ Equality for the 19th year in a row, with a perfect score on the 2021 Corporate Equality Index, and Forbes named NIKE as one of the Best Employers for Diversity in 2021 and one of the Best Employers for Women in 2020. We have also joined the inaugural 2020 World Benchmarking Alliance Gender Equity & Women's Empowerment Benchmark and the newly launched MLT Black Equity at Work certification."

PIRC analysis: The proponents request for a report considering the risks associated with a gender pay gap on the company's human capital and business is considered in the best interest of shareholders. Disclosure of goals and policies related to the gender pay gap would also be beneficial. The requested report is considered reasonable and would underpin the company's efforts in fostering diversity and thereby enhance its reputation. While the company has released statistics surrounding its gender pay parity and it appears to be committed to equal opportunities, it is considered nevertheless beneficial for the company to report on such issues, as the median gender pay gap will show how many or how few women there are in senior positions at the company.

Triodos supports this resolution.

7 Shareholder Resolution: Report on Diversity and Inclusion Efforts **For**

Proponent's argument: As You Sow asks the company to issue quantitative, comparable data to understand the effectiveness of diversity, equity, and inclusion programs within and between companies. " Whereas: Studies have pointed to the corporate benefits of a diverse workforce, including: •Companies with the strongest racial and ethnic diversity are 35 percent more likely to have financial returns above industry medians. •Companies in the top quartile for gender diversity are 21 percent more likely to outperform on profitability and 27 percent more likely to have superior value creation. •A study of the S&P 500 found that the most diverse companies had an average annual five year stock return 5.8 percent higher than the least-diverse companies. Nike has extensive brand advertising that speaks to race and justice issues, including featuring Colin Kaepernick in advertising campaigns, and an advertisement which states, "Don't pretend there's not a problem in America. Don't turn your back on racism." [...] Yet, despite these statements and goals, Nike has faced damaging allegations of harassment and discrimination on the basis of gender, race, and gender identity. Reports of a toxic workplace have continued even after allegations of sexual harassment and gender discrimination led to significant turnover of male executives in 2018. In July 2020, an anonymous employee wrote to Business Insider accusing the company of "performative allyship" and said of Black employees at Nike: "Many have been suffering in silence, alone. Many have been laid off due to retaliation. Many feel like they should just shut up and work..." Nike provides insufficient quantitative data for investors to determine the effectiveness of its human capital management program as it relates to workplace diversity. Unlike 71 percent of S&P 100 companies, Nike does not release its EEO-1 form, the best practice for sharing workforce composition. Nor does the company release meaningful data related to the hiring, retention, or promotion of its diverse employees."

Company's response: The Board of Directors recommends that shareholders vote against this proposal: "•We are committed to advancing diversity, equity, and inclusion ("DE&I") at NIKE, including enhancing the representation of diverse individuals at all levels of the company; •We continue to increase resources devoted to building a more diverse and inclusive workforce by scaling up our efforts to recruit, develop, and retain diverse talent. This includes expanding our recruitment programs and partnerships, increasing funding and support for our eight employee networks, elevating DE&I to sit at the heart of the company's People & Culture strategy, and developing leadership training and accountability for our senior leaders; and •Our current initiatives and public disclosures, including NIKE's global gender and U.S. racial and ethnic minority representation data in our annual Impact Report, and the Board of Director's ongoing commitment to monitor the effectiveness of our DE&I policies and programs already address the essential objective of the proposal and provide our shareholders with detailed information about NIKE's commitment to increasing diversity, equity, and inclusion at all levels of the company."

PIRC analysis: The requested report will provide shareholders with information on the company's efforts in relation to workforce diversity. While the company's response describes the diversity initiatives it is involved in, no goals for diversity and inclusion and no data on the gender make-up of the workforce is provided on the company's website or sustainability report. A report on the gender make-up of the company's workforce and more detail on the policies and programmes for fostering diversity of employees would enable investors to assess the company's exposure to reputational and human resource risk surrounding the issue of gender diversity. The request for a report is considered reasonable.

Triodos supports this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote to Ratify Named Executive Officers' Compensation

Disclosure: A - The company has provided the level of fees paid to the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the company. The grant of performance awards was based on the achievement of set levels of specific performance targets: Digital Revenue, Adjusted EBIT and SG&A.The performance-based long term incentive is subject to quantified performance targets for Adjusted Revenue and Adjusted EPS.

Balance: E - The company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. Executive compensation is not aligned with peer group averages. The company included non-financial metrics into the annual bonus structure, which is considered best practice. For the year under review, annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. The minimum performance period prior to vesting is less than three years, which is considered to be short term. Five-year vesting would be preferred.
Contract: B - Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. Change-in-control payments are subject to double-trigger provisions. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. Equity awards are subject to pro-rata vesting, which is line with best practice. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

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