THE LEONIE & NORMAN
INSTITUTE

Tuesday 5th September 2023

Dear Mr. Mark Parker,

We are writing to you as shareholders regarding Nike's sustainability strategy. Following our first letter sent to your Investor Relations team on the 3rd of February 2023, and a second letter sent to your Chief Sustainability Officer, Noel Kinder, on the 9th of May 2023, we confirm that our ESG engagements thus far have unfortunately had little constructive dialogue.

We have reviewed Nike's FY20 and FY21 Impact Reports and are concerned about the credibility of the company's objectives. We recognize that Nike's objectives are ambitious, and that progress has been made in the past years to make Nike a more sustainable company. However, we fear that the achievements are not commensurate with the challenge Nike, and the fashion industry more broadly, faces.

We are disappointed in the track record, and the firm's perseverance in reaching the objectives. Looking at the FY15-20 period as shown in the FY20 Impact Report pages 13-14, to date, only 5 of 21 targets have been reached. What is also noted is that many objectives have been scrapped and have not been reiterated in the FY20-25 period, as shown in the FY21 Impact Report.

Amongst the most noteworthy:

The target to reduce average product carbon footprint by 10% in FY15-20. No progress was made, and Nike ended FY20 with the same footprint per unit that it had already in FY15. In the FY21 Impact Report, there is no mention of the product carbon footprint anymore. Instead, there is now a 10% waste reduction per unit in manufacturing, DCs and HQs for FY25, but this seems to us to be a less ambitious target.

The five energy targets, which together encompass one target of reaching 100% renewable energy in owned and operated sites by FY20 and four different energy intensity targets on a per unit or per kg basis. Whilst progress was made on the renewable energy target (48% in FY20), the progress made on the energy intensity targets, is small vis-à-vis the target. The target on renewable energy was postponed to FY25, but the energy intensity targets were scrapped in the FY21 Impact Report.

There used to be three relatively precise targets about chemistry (restricted substances and supplier wastewater management practices). None were reached. In the FY21 Impact Report, the targets were scrapped and replaced by a less precise formulation of "adopting clean chemistry alternatives for our 10 priority chemistries across our supply chain".

We would like to make the following requests:

Request 1: To formally reinstate these objectives for the FY25 period.

Moreover, we regret that Nike seems to make sustainability objectives conditional on favourable market trends, instead of an outcome-based approach. In particular, the FY21 Impact Report states:

"Due to the consumer preference for classic NIKE leather icons in FY21, leather models are outpacing the growth of the rest of NIKE Footwear, putting us behind our plan to achieve our 2025 goal." (page 100)

"With footwear, we focus on per pair reduction, rather than total waste, because the number of pairs produced is driven by consumer/ marketplace demand (not product/design teams)." (page 9)

Nike seems to blame market demand as the reason for not being on track to meet its sustainability goals. This omits the influence the company can have on demand through price setting, supply volumes and product visibility on the company's direct sales channels.

Request 2: Clarification on which supply-driven measures were taken to ensure that the company reaches its sustainability targets irrespective of mix effects?

Please specify if sustainability is a significant driver in commercial decisions relating to 1/ price setting (making unsustainable products more expensive to curtail demand); 2/ production volumes (limiting supply, and hence driving product rarity which could benefit pricing power); 3/ product visibility offline and online (making sustainable products more visible vs unsustainable products).

The two matters raised above are not only driven by ethical considerations, but we are concerned that the insufficient management of these creates significant risk for Nike's shareholders in terms of brand reputation, potential regulatory tightening, and ensuing cost inflation. There is a matter of urgency as the media are following Nike closely in this regard [1].

As a result, to minimise execution risk on these targets in the period FY20-25, we deem it necessary that significant incentives are provided at the management level to reach these goals. We positively note that you recently improved your compensation structure in this regard, in particular by adding sustainability criteria to the long-term incentive package.

Request 3: Please provide more transparency regarding how the "People & Planet" modifier is weighted under each goal, and what percentage range of the awarded CEO pay in the next fiscal year is dependent on sustainability targets to allow investors to assess the visibility of these incentives.

We look forward to engaging with you in a constructive dialogue on these topics. Please inform us of your best availability.

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Many thanks and best regards,

Raphael Pitoun & Philip Gottschalk

For and on behalf of the Leonie and Norman Institute

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