

## **Nike (NKE) Sustainability Report**

### **Profile:**

Nike is the world's largest seller of athletic footwear and apparel. Nike sells direct to consumers through physical retail stores, Nike.com, and various Nike-owned apps. Nike sells goods to independent resellers like Dicks Sporting Goods too.

### **What Nike Does Well:**

Nike has done an exceptional job innovating in the footwear and apparel industries, both via technology and waste reduction. In 2012, the company introduced Flyknit, a shoe technology that used lighter materials and that uses "less wasteful methods to make." Last Fall, Nike introduced Forward, an apparel line that uses 70% recycled content and reduces carbon footprint by 75%, on average, compared to traditional Nike knit fleece.

Our firm notes Nike has set and made progress on many 2025 goals across diversity, equitable pay, carbon emissions, and waste reduction, among other areas. Within and on top of these goals, Nike has long been a leader in social justice. In 2019, Nike partnered with Colin Kaepernick for the "Dream Crazy" ad amid his ostracization from the NFL. In 2020, the company, alongside Michael Jordan, committed \$140 million over a 10-year period to support organizations addressing racial inequality in the US. It has since been deploying funds across major metropolitan cities in the US. The company targets investing 2% of annual pre-tax profits to "drive positive impacts in communities" too. Nike prioritizes partnerships with "The future changemakers," not just athletes.

Nike was named by 3BL Media (formerly Corporate Responsibility magazine) as the 39th best corporate citizen in the country moving down slightly from 2018 but still scores highly in all subcategories. It again received a perfect score from the Human Rights Campaign on non-discrimination issues related to LGBT workers in 2022.

### **Concerns:**

Our firm's largest concern is Nike's reliance on Southeast Asian manufacturing firms. All Nike merchandise is made in Vietnam, Indonesia, and China. China has been an area of concern for forced labor, as Nike has had exposure to force labor from Uyghur workers in the past. In 2020 the company found and sent all Uyghur workers home from one manufacturer. Just last week, Canada launched an investigation into Nike after complaints of forced Uyghur labor in their supply chain. Nike has denied the allegations but will "continue to participate" with the Canadian investigation. While the company has policies and procedures to combat these incidents, Nike does not have complete control over outsourced manufacturing operations.

Nike also has a lingering 2018 lawsuit related to systematic pay inequality. While our firm does not discount the accusations, Nike has reported significant progress in workplace equality in recent years. Nike reported 100% pay equity since 2020. Over 51% of employees are female and 44% of leadership roles are held by females, up from 50% and 39% two years ago.

### **Shareholder Engagement:**

In recent years, Nike has received shareholder proposals regarding both of our concerns of forced labor in their supply chain and gender and racial pay equity reporting.

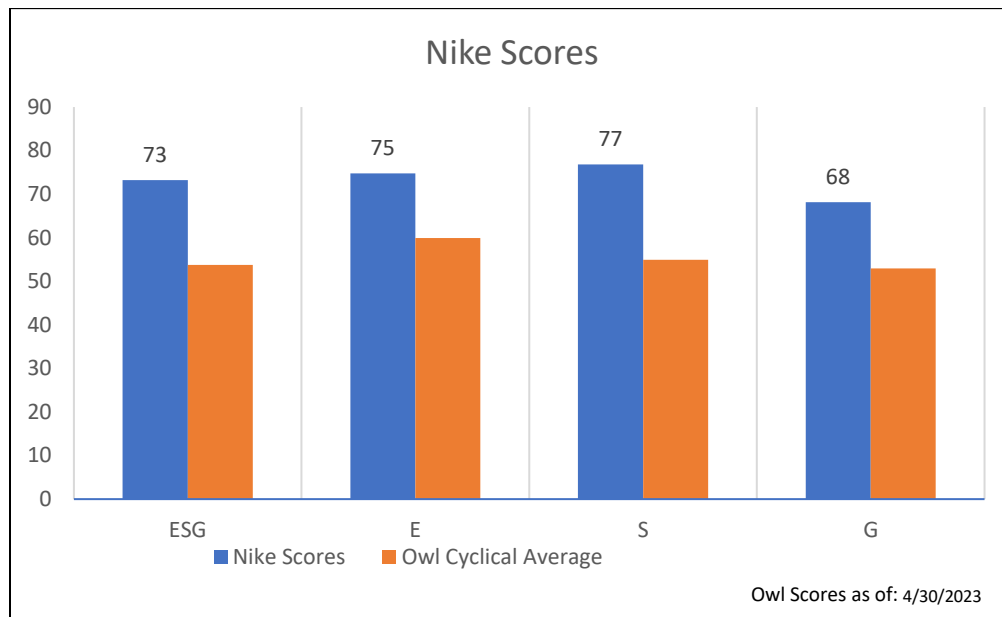
2021:

- Shareholder Proposal Regarding Human Rights Impact Assessment: 27.4% voted in favor, including RMCM
- Shareholder Proposal Regarding Median Gender and Racial Equity Report: 17.5% voted in favor, including RMCM
- Shareholder Proposal Regarding Diversity and Inclusion Report: 35.3% voted in favor, including RMCM

2022:

- Shareholder Proposal Regarding Policy to Pause Sourcing of Raw Materials from China until the U.S government Business Advisory is lifted to rescinded: 6.2% voted in favor, including RMCM

### **ESG Scores:**



### **Conclusion:**

Overall, our firm believes Nike continues to be at the forefront of innovation, waste reduction, and social justice in the footwear and apparel industry. While our firm does have and continues to monitor concerns around labor practices, we believe Nike is an ESG-conscious investment focused on encouraging equitable progress, health, and wellness globally.

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