# Vanguard Investment Stewardship Insights

**Voting insight:** A request for enhanced diversity, equity, and inclusion disclosures at NIKE, Inc.

**October 2021**

*Vanguard publishes Investment Stewardship Insights to promote good governance practices and to provide investors and public companies with our perspectives on important governance topics and issues that come up for shareholder votes.*

**Company:** NIKE, Inc. (NIKE)

**Meeting date:** October 6, 2021

**Proposals:** Item 6 – Report on Median Gender/Racial Pay Gap, Item 7 – Report on Diversity and Inclusion Efforts

### How the funds voted

At the annual meeting for NIKE Inc., a U.S.-based footwear and apparel company, the Vanguard funds supported a shareholder proposal seeking additional reporting related to the company's workforce diversity, equity, and inclusion (DEI) efforts. The funds did not support a shareholder proposal requesting that NIKE report on its gender and racial pay gaps.

### Vanguard's principles and policies

The board of a public company is responsible for overseeing the company's long-term strategy and financially material risks. On behalf of the Vanguard funds, our Investment Stewardship team regularly assesses portfolio company boards' understanding of their company's strategy and the board's own role in identifying, mitigating, and disclosing risks, including DEI-related risks. Clear, decision-useful disclosure of material risks can encourage sound governance practices and help investors and companies make better decisions.

Our Investment Stewardship team evaluates the materiality and oversight of these risks case by case. If there are gaps in the company's current disclosures, the funds may support shareholder proposals that seek enhanced reporting of the company's approach to oversight of DEI-related risks.

### Analysis and voting rationale

Vanguard has engaged with members of NIKE's management team regularly over the past few years on topics ranging from the oversight of risk and sustainability to executive compensation.

Earlier this year, we engaged with members of NIKE's board to gain additional understanding of the board's role in the oversight of environmental, social, and governance risks. Prior to the annual meeting, we had another, more targeted, discussion with NIKE management on the various shareholder proposals up for a vote this year. We focused on the company's DEI-related efforts on the board and in the workforce.

We reviewed NIKE's latest reporting on its DEI program and wanted to better understand how reasonable and helpful for investors it would be for the company to enhance its annual report as requested. NIKE provided helpful examples of how its board is engaged on DEI issues and noted that in some areas, its current reporting already goes beyond what was sought in the shareholder proposal. NIKE said it aspires to disclose some of this information in the most appropriate way for the company, particularly as it relates to metrics on recruitment, retention, and promotion.

It appeared that NIKE's planned path forward—inclusive of a commitment to publish U.S. Equal Employment Opportunity Commission EEO-1 compliance survey data beginning in 2022—was very much aligned with the spirit of the proposal. The request focused on measuring DEI program efficacy and seeking reasonable qualitative and quantitative disclosures that are materially relevant to investors. We agree that these are areas where NIKE could enhance existing disclosures; therefore, the funds supported the proposal.

NIKE has published on its website a section titled "2020 Representation & Pay," and the results of that analysis demonstrate a clear commitment to pay equity for women as well as to a racially and ethnically diverse workforce. We do not view the specific disclosures on the median pay gap metrics requested by the shareholder proposal to be appropriate, given that NIKE is already providing sufficient information to investors, including:

- Disclosure of the 2020 Representation & Pay analysis.
- A commitment to disclosing EEO-1 data, starting in 2022 with 2021 data.
- Robust 2025 targets for representation for women and racial and ethnic minorities in the workplace.

Other shareholders may view disclosures around median pay gap metrics to be an important way to identify lack of representation at different levels of seniority. However, we view the information NIKE has provided or has committed to provide as sufficient for appropriately understanding these potential gaps. With that in mind, the funds did not support the proponents' call for median pay gap disclosure.

**What we expect from companies on this matter**

Human capital management risks are financially material to companies across all industries. Boards should provide effective oversight of this key topic.

Boards should also disclose relevant processes, programs, and metrics used to measure a company's DEI programs over time. Such quantitative metrics—for example, EEO-1 data in the U.S.—demonstrate intentionality and enable investors to measure progress in addressing human capital risks over time.

Additionally, where appropriate qualitative information and quantitative metrics are disclosed, we do not view the added disclosure of a median pay gap metric to be critical to fully understanding potential gaps across more senior roles at an organization.

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