

Sustainability and the Board of Directors

A Conversation with Nike Chief Sustainability Officer Noel Kinder



NOEL KINDER
CHIEF SUSTAINABILITY OFFICER, NIKE

Spencer Stuart recently hosted a discussion on the board's role in sustainability with Nike Chief Sustainability Officer Noel Kinder, along with a group of directors from America's leading corporations. Our conversation focused on how the board of directors can oversee and engage most productively on their company's sustainability efforts. The conversation was of keen interest to us at Spencer Stuart, where our purpose as executive search and leadership consulting firm is to discover and develop leadership for a better future, which serves as the underpinnings of our commitment to advancing environment, social and governance (ESG), and in particular diversity, equity and inclusion (DE&I) in leadership.

Below are edited highlights from our discussions.

George: Will you tell us a bit about Nike's history with sustainability?

Noel: Sustainability has been a strategic focus at Nike for decades, predating even my 22 years here.

It started in the late 1990s when we began working deeper into our supply chain to ensure compliance with Nike's Code of Conduct, but the focus on compliance quickly grew to include an opportunity around lowering the overall environmental footprint of Nike's products. Once we saw this opportunity, we started working much more closely with our contract manufacturers to align to Nike's environmental targets and reduce their overall waste and carbon footprint through operational efficiencies as well.

In the ensuing years, our offense matured to include a focus on innovation. Materials are a key priority here and we launched our first recycled polyester performance garment during the 2000 Sydney Olympics. Fast forward to today, and we are the single biggest user of rpoly in our industry, and we divert over a billion plastic bottles from landfills each year.

Today, sustainability is a strategic priority across every aspect of the enterprise. Our chief objective is striving to achieve our 2025 targets and that requires deputizing the entire company. From innovation to logistics to retail, every team has focused objectives to help us operationalize sustainability and collectively work to achieve those goals at scale.

How has the board of directors been part of that history?

We have had committee oversight around sustainability for decades, and the Corporate Responsibility Committee was formed in 2001. We were one of the first companies of our size to have a chief sustainability officer and a board committee dedicated to oversight of sustainability.



Our Corporate Responsibility, Sustainability and Governance Committee oversees our sustainability strategy, and we provide it visibility to that strategy and our execution against it with a scorecard on our progress at every meeting, discussing certain topics at every meeting, as well as more in-depth presentations twice per year.”

So, how did you work with the board to define Nike’s “purpose governance structure” and the core elements of the company’s efforts? How did you decide what would be included and what would not?

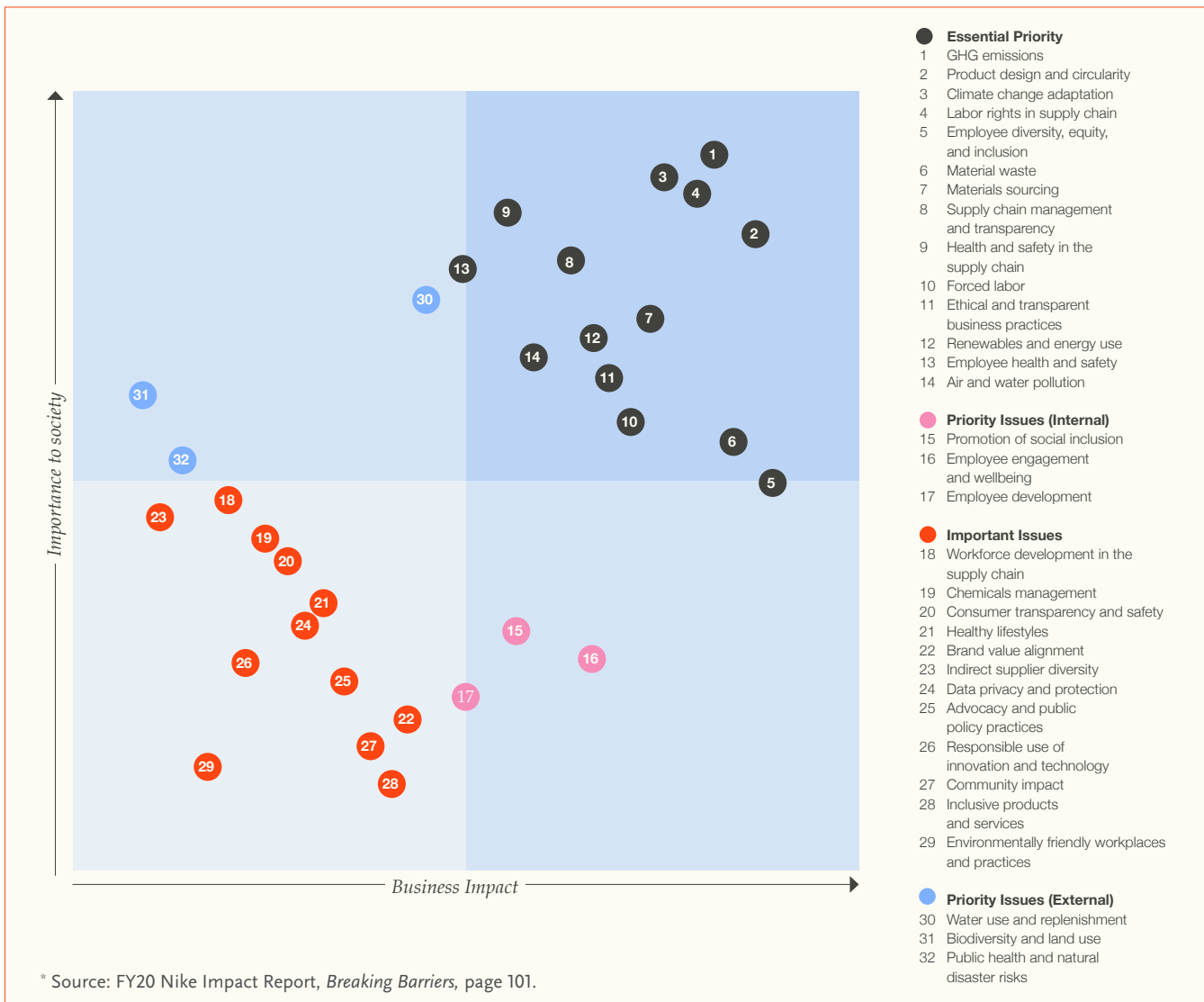
When I stepped into this role a little over three years ago, we had two major objectives:

1. Define quantitative, measurable sustainability goals for the next 5 years.
2. Architect an offense that encouraged the integration of purpose across the company.

Our Corporate Responsibility, Sustainability and Governance Committee provided oversight and feedback as we benchmarked, evaluated and debated how best to achieve both of those goals. The committee members’ perspectives and experiences provided excellent context as we worked through the evolution of our offense and sharpened our internal perspective.

As we started to refine the specifics of our net set of goals, we had several reviews with the committee, which provided great insight that helped land us in a place that we are very proud of.

NIKE FY20 PRIORITY ISSUES*

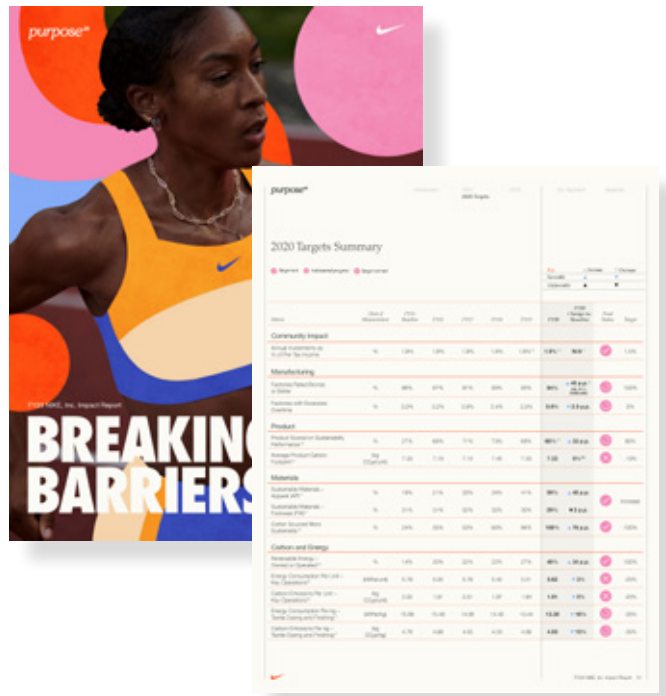


How will you communicate your progress in these areas to Nike’s shareholders and other stakeholders?

The Nike Impact report is instrumental in that regard. It effectively serves as our “report card” to our stakeholders — and I mean that in the broadest sense of the word. It’s the platform we use to communicate about our sustainability efforts and progress to our investors and shareholders, employees and outside stakeholders.

We normally will have specific engagement strategies that are more in depth with each of those constituencies as well.

Our CRS&G Committee oversees our sustainability strategy, and we provide it visibility to that strategy and our execution against it with a scorecard on our progress at every meeting, discussing certain topics at every meeting, as well as more in-depth presentations twice per year. We also hold a semi-annual, in-depth update with our board to share progress and challenges on all purpose targets.



What lessons learned can you share for other boards who are considering their role in sustainability? Many companies and boards are in the earlier stages of their journey on ESG issues and oversight. What advice do you have for boards that are in the early stages?

As you know, the board’s core duty is oversight of the company. That oversight is inclusive of today’s strategy and execution as well as looking forward. For example, our board anticipated the confluence of corporate responsibility and sustainability with corporate governance issues, and combined the Corporate Responsibility Committee with the Nominating and Governance Committee in 2017 to form a single committee to oversee ESG issues and purpose at Nike. Establishing a structure that allows the board to effectively oversee and have visibility into sustainability is important.

If a company is just starting this journey, I’d advise them to really identify what you want to stand for in this space. What makes this authentic and meaningful to your company? It’s the right thing to do, but understanding your impact and where you can drive real change is critical. A few fundamental questions that will help define a strategy that leads to impact include:

- » What are the biggest sources of impact we have as a company?
- » Where are the levers that we control most directly?
- » What trade-offs might we need to make to drive results?
- » Where are the intersections of incentive that will drive both business and sustainability results (because being more sustainable often means being more operationally efficient and resilient)?

The answers to these questions often lead to very clear and specific areas of focus that become the basis for the strategy.

Finally, you must operationalize the strategy. It has to be integrated across the organization with each major function of the company having a clear and specific accountability that drives the enterprise wide ambition. And, as management puts this strategy and operation in place, it’s important to implement a structure such that both current and future strategies are overseen by the board.

What’s next for Nike in sustainability?

We will continue to innovate and scale solutions in service of the planet and drive momentum across the enterprise. We have ambitious, science-based targets that won’t be easy to achieve, and it will require the entire company staying focused for the long term. Our connection to the consumer will also become increasingly robust as we accelerate and scale new, more sustainable products and services and create compelling engagement opportunities across our online and offline retail platforms.

How do you envision the board contributing to that future?

Our Board and the CRS&G committee will continue to oversee our work and be an important source of guidance for us in these efforts. We are fortunate to have some incredibly experienced and talented individuals on our Board — some of the best in the world at their jobs. So I am grateful that I have them as a resource to help guide our growth and progress.

Finally, why do this at all? How is Nike a better company for your efforts?

That’s a great question. Frankly, we’ve been at it for so long, it has become second nature. But the reality is that climate change is an existential threat to sport... something we happen to care a lot about. We have a unique role to play in showing the urgency of the issue but importantly, what is possible.

Progress and positive change is possible at the enterprise level and we will only accelerate that if we work together.

PURPOSE GOVERNANCE AT NIKE*

Board Accountability	Corporate Responsibility, Sustainability and Governance (CRS&G) Committee of the Board of Directors
Executive Leadership and Corporate Accountability	Executive Leadership Team
Cross-Functional Leadership and End Integration	Purpose Leadership Team
Cross-Functional Working Group	Purpose Subcommittee
Functional Leadership and Execution	Diversity and Inclusion
	Supply Chain Labor Health and Safety
	Community
	Environment

* Source: FY20 Nike Impact Report, *Breaking Barriers*, page 103.



SpencerStuart

Authors

George Anderson (Boston)

John Harpole (Los Angeles)

Ann Yerger (Washington, D.C.)

About Spencer Stuart

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to non-profit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness. For more information on Spencer Stuart, please visit www.spencerstuart.com.

Social Media @ Spencer Stuart

Stay up to date on the trends and topics that are relevant to your business and career.



© 2022 Spencer Stuart. All rights reserved.
For information about copying, distributing and displaying this work,
contact: permissions@spencerstuart.com.

