NIKE INC
Form PRE 14A
July 20, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under §240.14a-12

NIKE, INC.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

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To Our Shareholders:

You are cordially invited to attend the annual meeting of shareholders of NIKE, Inc. to be held at the Tiger Woods Conference Center, One Bowerman Drive, Beaverton, Oregon 97005-6453, on Thursday, September 20, 2012, at 10:00 A.M. Pacific Time. Registration will begin at 9:00 A.M.

The meeting will consist of a brief presentation followed by the business items listed on the attached notice.

Whether or not you plan to attend, the prompt execution and return of your proxy card will both assure that your shares are represented at the meeting and minimize the cost of proxy solicitation.

Sincerely,

Philip H. Knight

Chairman of the Board

, 2012

Notice of Annual Meeting of Shareholders

September 20, 2012

To the Shareholders of NIKE, Inc.

The annual meeting of shareholders of NIKE, Inc., an Oregon corporation, will be held on Thursday, September 20, 2012, at 10:00 A.M., at the Tiger Woods Conference Center, One Bowerman Drive, Beaverton, Oregon 97005-6453, for the following purposes:

1. To elect a Board of Directors for the ensuing year.

2. To hold an advisory vote on executive compensation.

3. To amend the Articles of Incorporation to increase the number of authorized shares of common stock.

4. To re-approve and amend the NIKE, Inc. Long-Term Incentive Plan.

5. To ratify the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm.

6. To consider a shareholder proposal regarding political contributions disclosure.

7. To transact such other business as may properly come before the meeting.

All shareholders are invited to attend the meeting. Shareholders of record at the close of business on July 23, 2012, the record date fixed by the Board of Directors, are entitled to notice of and to vote at the meeting. You must present your proxy or voter instruction card or meeting notice for admission.

By Order of the Board of Directors

John F. Coburn III

Secretary

Beaverton, Oregon

, 2012

Whether or not you intend to be present at the meeting, please sign and date the enclosed proxy and return it in the enclosed envelope, or vote by telephone or over the internet following the instructions on the proxy.

Proxy Statement

The enclosed proxy is solicited by the Board of Directors of NIKE, Inc. (NIKE or the Company) for use at the annual meeting of shareholders to be held on September 20, 2012, and at any adjournment thereof (the Annual Meeting). The Company expects to provide notice and electronic delivery of this proxy statement and the enclosed proxy to shareholders on or about , 2012.

The Company will bear the cost of soliciting proxies. In addition to soliciting proxies by mail, certain officers and employees of the Company, without extra compensation, may also solicit proxies personally or by telephone. Copies of proxy solicitation materials will be furnished to fiduciaries, custodians and brokerage houses for forwarding to the beneficial owners of shares held in their names.

All valid proxies properly executed and received by the Company prior to the Annual Meeting will be voted in accordance with the instructions specified in the proxy. Where no instructions are given, shares will be voted FOR the election of each of the named nominees for director (Proposal No. 1), FOR the proposal regarding an advisory vote on executive compensation (Proposal No. 2), FOR the amendment to the Articles of Incorporation to increase the authorized shares of Common Stock of the Company (Proposal No. 3), FOR the re-approval and amendment of the NIKE, Inc. Long-Term Incentive Plan (Proposal No. 4), FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm (Proposal No. 5), and AGAINST the shareholder proposal regarding political contributions disclosure (Proposal No. 6).

A shareholder giving the enclosed proxy has the power to revoke it at any time before it is exercised by affirmatively electing to vote in person at the meeting or by delivering to John F. Coburn III, Secretary of NIKE, either an instrument of revocation or an executed proxy bearing a later date.

Voting Securities

Holders of record of NIKE s Class A Common Stock (Class A Stock) and holders of record of NIKE s Class B Common Stock (Class B Stock) at the close of business on July 23, 2012 will be entitled to vote at the Annual Meeting. On that date, shares of Class A Stock and shares of Class B Stock were issued and outstanding. Neither class of Common Stock has cumulative voting rights.

Each share of Class A Stock and each share of Class B Stock is entitled to one vote on every matter submitted to the shareholders at the Annual Meeting. With regard to Proposal No. 1, the election of directors, the holders of Class A Stock and the holders of Class B Stock will vote separately. Holders of Class B Stock are currently entitled to elect 25 percent of the total Board, rounded up to the next whole number. Holders of Class A Stock are currently entitled to elect the remaining directors. Under this formula, holders of Class B Stock, voting separately, will elect three directors, and holders of Class A Stock, voting separately, will elect nine directors. Holders of Class A Stock and holders of Class B Stock will vote separately on Proposal 3. Holders of Class A Stock and holders of Class B Stock will vote together as one class on Proposal Nos. 2, 4, 5 and 6.

CORPORATE GOVERNANCE

Board of Directors

The Board of Directors is currently composed of nine independent directors, one outside director who is not independent, Philip H. Knight, Chairman of the Board, and Mark G. Parker, President and Chief Executive Officer. There were five meetings of the Board of Directors during the last fiscal year. During the fiscal year ended May 31, 2012, each director attended at least 75 percent of the total number of meetings of the Board of Directors and committees on which he or she served. The Company encourages all directors to attend each annual meeting of shareholders, and all current directors attended the 2011 Annual Meeting.

Board Committees

The Board s current standing committees are an Executive Committee, an Audit Committee, a Nominating and Corporate Governance Committee, a Finance Committee, a Corporate Responsibility Committee, and a Compensation Committee, and the Board may also appoint other committees from time to time. Each standing committee has a written charter; all such charters, as well as the Company s corporate governance guidelines, are available at the Company s website *(http://investors.nikeinc.com)* and will be provided in print to any shareholder who submits a request in writing to NIKE Investor Relations, One Bowerman Drive, Beaverton, Oregon 97005-6453.

The Executive Committee is authorized to act on behalf of the Board on all corporate actions for which applicable law does not require participation by the full Board. In practice, the Executive Committee acts in place of the full Board only when emergency issues or scheduling conflicts make it difficult or impracticable to assemble the full Board. All actions taken by the Executive Committee must be reported at the next Board meeting. The Executive Committee held no formal meetings during the fiscal year ended May 31, 2012, but took actions from time to time pursuant to written consent resolutions.

The Audit Committee is responsible for the engagement or discharge of the independent registered public accountants, reviews and approves services provided by the independent registered public accountants, and reviews with the independent registered public accountants the scope and results of their annual examination of the Company s consolidated financial statements and any recommendations they may have. The Audit Committee also reviews the Company s procedures with respect to maintaining books and records, the adequacy and implementation of internal auditing, accounting, disclosure, and financial controls, and the Company s policies concerning financial

CORPORATE GOVERNANCE

Board of Directors

reporting and business practices. The Board has determined that each member of the Audit Committee meets all applicable independence and financial literacy requirements under the New York Stock Exchange (the NYSE) listing standards and applicable regulations adopted by the Securities and Exchange Commission (the SEC). The Board has also determined that Mr. Graf is an audit committee financial expert as defined in regulations adopted by the SEC.

The Nominating and Corporate Governance Committee identifies individuals qualified to become Board members, recommends director nominees for election at each annual shareholder meeting, and develops and recommends corporate governance guidelines and standards for business conduct and ethics. The Committee also oversees the annual self-evaluations of the Board and its committees and makes recommendations to the Board concerning the structure and membership of the other Board committees. The Company s written policy requires the Nominating and Corporate Governance Committee to review any transaction or proposed transaction with a related person that would be required to be reported under Item 404(a) of Regulation S-K, and to determine whether to ratify or approve the transaction, with ratification or approval to occur only if the Committee determines that the transaction is fair to the Company or that approval or ratification of the transaction is in the interest of the Company. The Board has determined that each member of the Nominating and Corporate Governance Committee meets all applicable independence requirements under the NYSE listing standards.

The Finance Committee considers long-term financing options and needs of the Company, long-range tax and currency issues facing the Company, and management recommendations concerning major capital expenditures and material acquisitions or divestments.

The Corporate Responsibility Committee reviews significant activities and policies regarding labor and environmental practices, community affairs, charitable and foundation activities, diversity and equal opportunity, and environmental and sustainability initiatives, and makes recommendations to the Board of Directors.

The Compensation Committee oversees the performance evaluation of the Chief Executive Officer and our other Named Executive Officers, and recommends their compensation for approval by the independent members of the Board of Directors. The Compensation Committee also grants equity incentive awards under the NIKE, Inc. 1990 Stock Incentive Plan, and determines targets and awards under the NIKE, Inc. Executive Performance Sharing Plan and the NIKE, Inc. Long-Term Incentive Plan. The Committee also makes recommendations to the Board regarding other executive incentive compensation arrangements and profit sharing plan contributions. The Board has determined that each member of the Compensation Committee meets all applicable independence requirements under the NYSE listing standards.

The table below provides information regarding membership of each Board committee as of May 31, 2012 and meetings held during fiscal 2012:

Director Name	**Audit**	**Compensation**	**Nominating and Corporate Governance**	**Corporate Responsibility**	**Finance**	**Executive**
Elizabeth J. Comstock		ü			ü	
John G. Connors	ü				ü	
Timothy D. Cook		Chair	ü			
Alan B. Graf, Jr.	Chair		Chair			
Douglas G. Houser			ü	ü		ü
Philip H. Knight						Chair
John C. Lechleiter		ü		ü		
Mark G. Parker						ü
Johnathan A. Rodgers		ü		ü		
Orin C. Smith	ü				Chair	
John R. Thompson, Jr.				ü		
Phyllis M. Wise			ü	Chair		
Meetings in Fiscal 2012	13	5	4	5	5	0

Director Independence

Pursuant to NYSE rules, in order for a director to qualify as independent, the Board of Directors must affirmatively determine that the director has no material relationship with the Company that would impair the director s independence. The Board affirmatively determined that commercial or charitable relationships below the following thresholds will not be considered material relationships that impair a director s independence: (i) if a NIKE director or immediate family member is an executive officer of another company that does business with NIKE and the annual sales to, or purchases from, NIKE are less than one percent of the annual revenues of the other company; and (ii) if a NIKE director or immediate family member serves as an officer, director or trustee of a charitable organization, and NIKE s contributions to the organization are less than one percent of that organization s total annual charitable receipts. After applying this categorical standard, the Board of Directors has determined that all directors have no material relationship with the Company and, therefore, are independent, except for Messrs. Knight, Parker, and Thompson. Mr. Knight and Mr. Parker are executive officers of the Company. Mr. Thompson is not independent pursuant to NYSE rules, because the Company has a contract with his son, who is the head basketball coach at Georgetown University, to provide endorsement and consulting services to the Company, under which the Company paid to him $258,000 for services, product, and travel from May 2011 to April 2012.

Director Nominations

The Nominating and Corporate Governance Committee identifies potential director candidates through a variety of means, including recommendations from members of the Committee or the Board, suggestions from Company management, and shareholder recommendations. The Committee also may, in its discretion, engage director search firms to identify candidates. Shareholders may recommend director candidates for consideration by the Nominating and Corporate Governance Committee by submitting a written recommendation to the Committee, c/o John F. Coburn III, Secretary, NIKE, Inc., One Bowerman Drive, Beaverton, Oregon 97005-6453. The recommendation should include the candidate s name, age, qualifications (including principal occupation and employment history), and written consent to be named as a nominee in the Company s proxy statement and to serve as a director, if elected.

The Board of Directors has adopted qualification standards for the selection of independent nominees for director which can be found at our website: *http://investors.nikeinc.com*. As provided in these standards and the Company s Corporate Governance Guidelines, nominees for director are selected on the basis of, among other things, distinguished business experience or other non-business achievements; education; significant knowledge of international business, finance, marketing, technology, law, or other fields which are complementary to, and balance the knowledge of, other Board members; a desire to represent the interests of all shareholders; independence; character; ethics; good judgment; diversity; and ability to devote substantial time to discharge Board responsibilities.

The Nominating and Corporate Governance Committee identifies qualified potential candidates without regard to their age, gender, race, national origin, sexual orientation, or religion. While the Board has no policy regarding Board member diversity, the Nominating and Corporate Governance Committee considers and discusses diversity in selecting nominees for director and in the re-nomination of an incumbent director. The Committee views diversity broadly, including gender, ethnicity, differences of viewpoint, geographic location, skills, education, and professional and industry experience, among others. The Board believes that a variety and balance of perspectives on the Board can result in more thoughtful deliberations.

In considering the re-nomination of an incumbent director, the Nominating and Corporate Governance Committee reviews the director s overall service to the Company during his or her term, including the number of meetings attended, level of participation and quality of performance, as well as any special skills or diversity that such director brings to the Board. All potential new director candidates, whether recommended by shareholders or identified by other means, are initially screened by the Chair of the Nominating and Corporate Governance Committee, who may seek additional information about the background and qualifications of the candidate, and who may determine that a candidate does not have qualifications that merit further consideration by the full Committee. With respect to new director candidates who pass the initial screening, the Nominating and Corporate Governance Committee meets to discuss and consider each candidate s qualifications and potential contributions to the Board, and determines by majority vote whether to recommend such candidates to the Board of Directors. The final decision to either appoint a candidate to fill a vacancy between Annual Meetings or include a candidate on the slate of nominees proposed at an Annual Meeting is made by the Board of Directors.

Directors first elected after the 1993 fiscal year must retire by the age of 72.

Shareholder Communications with Directors

Shareholders or interested parties desiring to communicate directly with the Board of Directors, with the non-management directors or with any individual director may do so in writing addressed to the intended recipient or recipients, c/o John F. Coburn III, Secretary, NIKE, Inc., One Bowerman Drive, Beaverton, Oregon 97005-6453. All such communications will be reviewed, compiled as necessary, and then forwarded to the designated recipient or recipients in a timely manner.

Board Leadership Structure

NIKE s governance documents provide the Board with flexibility to select the appropriate leadership structure of the Company. In determining the leadership structure, the Board considers many factors, including the specific needs of the business, fulfilling the duties of the Board, and the best interests of the Company s shareholders. In 2004, the Board of Directors chose to separate the position of Chairman of the Board from the position of President and Chief Executive Officer (CEO), although this is not a permanent policy of the Board. The Chairman, Mr. Knight, presides over meetings of the Board of Directors and shareholders. The CEO, Mr. Parker, is in charge of the general supervision, direction, and control of the business and affairs of the Company, subject to the overall direction and supervision of the Board of Directors and its committees.

The Board believes this leadership structure is appropriate for the Company because it separates the leadership of the Board from the duties of day-to-day leadership of the Company. In particular, it permits Mr. Parker to focus his full time and attention to the business, the supervision of which has become increasingly complex as the Company has grown. In addition, the structure permits Mr. Knight to direct his attention to the broad strategic issues considered by the Board of Directors. Further, with his significant Company experience and ownership of Common Stock, Mr. Knight is particularly well-suited as Chairman, helping to align the Board with the interests of shareholders.

The chairs of Board committees play an active role in the leadership structure of the Board. The Nominating and Corporate Governance Committee and the Board endeavor to select independent committee chairs who will provide strong leadership to guide the important work of the Board committees. Committee chairs work with senior executives to ensure that committees are discussing the key strategic risks and opportunities for the Company.

The Nominating and Corporate Governance Committee has determined that given the separation of the positions of Chairman and CEO, and the strong leadership of experienced chairs of each of the Board committees, a lead director would not improve the effectiveness of the Board at this time. A presiding director is appointed to chair executive sessions of non-management directors (consisting of all directors other than Mr. Knight and Mr. Parker). The position of presiding director is rotated among the chairs of the various Board committees, other than the Executive Committee. The current presiding director at the executive sessions is Mr. Cook. Executive sessions are regularly scheduled and held at least once each year. For all of these reasons, the Board believes this leadership structure is optimal and has worked well for many years.

The Board s Role in Risk Oversight

While the Company s management is responsible for day-to-day management of the various risks facing the Company, the Board of Directors takes an active role in the oversight of the management of critical business risks. The Board does not view risk in isolation. Risks are considered in virtually every business decision and as part of NIKE s business strategy. The Board recognizes that it is neither possible nor prudent to eliminate all risk. Purposeful and appropriate risk-taking is essential for the Company to be competitive on a global basis and to achieve its strategic objectives.

The Board implements its risk oversight function both as a whole and through committees, which play a significant role in carrying out risk oversight. While the Audit Committee is responsible for oversight of management s risk management policies, oversight responsibility for particular areas of risk is

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PROPOSAL 1

allocated among the Board committees according to the committee s area of responsibility as reflected in the committee charters. In particular:

The Audit Committee oversees risks related to the Company s financial statements, the financial reporting process, accounting, and legal matters. The Committee oversees the internal audit function, reviews a risk-based plan of internal audits, and reviews a risk-based integrated audit of internal controls over financial reporting. The Committee meets separately with the Vice President of Corporate Audit, representatives of the independent external auditor, and senior management.

The Compensation Committee oversees risks and rewards associated with the Company s compensation philosophy and programs, executive succession plans, and executive development.

The Finance Committee oversees financial matters and risks relating to budgeting, investments, access to capital, capital deployment, acquisitions and divestitures, currency risk and hedging programs, and significant capital projects.

The Corporate Responsibility Committee oversees issues that involve reputational risk to the Company, including community engagement, manufacturing health and safety, environmental sustainability, and diversity.

The Nominating and Corporate Governance Committee oversees risks associated with company governance, including NIKE s code of business conduct and ethics, compliance programs, and the structure and performance of the Board and its committees.

Each committee chair works with the senior executive assigned to assist the committee to develop agendas for the year and for each meeting, paying particular attention to areas of business risk identified by management, Board members, internal and external auditors, and in their committee charter, and to schedule agenda topics, presentations, and discussions periodically regarding business risks within their area of responsibility. At meetings, the committees discuss areas of business risk, the potential related impacts, and management s initiatives to manage business risk, often within the context of important business decisions. Through this process key business risk areas are reviewed at appropriate times, with some topics reviewed on several occasions throughout the year. At every Board meeting the chair of each committee reports to the full Board its discussions and actions, including those affecting the oversight of various risks.

The Company believes that its leadership structure, discussed in detail above, supports the risk oversight function of the Board. Strong directors chair the various committees involved in risk oversight, there is open communication between management and directors, and all directors are involved in the risk oversight function.

Code of Business Conduct and Ethics

The NIKE Code of Ethics (Code) is available at the Company s website *(http://investors.nikeinc.com)* and will be provided in print without charge to any shareholder who submits a request in writing to NIKE Investor Relations, One Bowerman Drive, Beaverton, Oregon 97005-6453. The Code applies to the Company s chief executive officer and senior financial officers, and to all other Company directors, officers and employees. The Code provides that any waiver of the Code may be made only by the Board. Any such waiver in favor of a director or executive officer will be publicly disclosed. The Company plans to disclose amendments to, and waivers from, the Code on the Company s website: *http://investors.nikeinc.com.*

Proposal 1 Election of Directors

A Board of 12 directors will be elected at the Annual Meeting. All of the nominees were elected at the 2011 annual meeting of shareholders. Directors will hold office until the next annual meeting of shareholders or until their successors are elected and qualified.

Alan B. Graf, Jr., John C. Lechleiter, and Phyllis M. Wise are nominated by the Board of Directors for election by the holders of Class B Stock. The other nine nominees are nominated by the Board of Directors for election by the holders of Class A Stock.

Under Oregon law, if a quorum of each class of shareholders is present at the Annual Meeting, the nine director nominees who receive the greatest number of votes cast by holders of Class A Stock and the three director nominees who receive the greatest number of votes cast by holders of Class B Stock will be elected directors. Abstentions and broker non-votes will have no effect on the results of the vote. Unless otherwise instructed, proxy holders will vote the proxies they receive for the nominees listed below. If any nominee becomes unable to serve, the holders of the proxies may, in their discretion, vote the shares for a substitute nominee or nominees designated by the Board of Directors.

The Corporate Governance Guidelines adopted by the Board of Directors provide that any nominee for director in an uncontested election who receives a greater number of votes withheld from his or her election than votes for such election shall tender his or her resignation for consideration by the Nominating and Corporate Governance Committee. The Committee shall recommend to the Board the action to be taken with respect to the resignation. The Board will publicly disclose its decision within 90 days of the certification of the election results.

Background information on the nominees as of July 13, 2012, including some of the attributes that led to their selection, appears below. The Nominating and Corporate Governance Committee has determined that each director meets the qualification standards described in the section entitled Director Nominations above. In addition, the Board firmly believes that the experience, attributes, and skills of any single director should not be viewed in isolation, but rather in the context of the experience, attributes, and skills that all director nominees bring to the Board as a whole, each of which contributes to the function of an effective Board.

Nominees for Election by Class A Shareholders

Elizabeth J. Comstock

Ms. Comstock, 51, a director since 2011, is Senior Vice President and Chief Marketing Officer of General Electric Company (GE). At GE, she was appointed Vice President, Communications, NBC News Communications in 1994, Senior Vice President, NBC Corporate Communications in 1996, Vice President of Corporate Communications in 1998, Corporate Vice President and Chief Marketing Officer in 2003, President, NBC Universal Integrated Media in 2006, and Senior Vice President and Chief Marketing Officer in 2008. Prior to joining GE in 1994, Ms. Comstock held a succession of positions at NBC, CBS, and Turner Broadcasting. Ms. Comstock is a trustee of the Smithsonian s Cooper-Hewitt National Design Museum. Ms. Comstock was selected to serve on the Board because her broad experience in, and understanding of, media, marketing and innovation aligns well with the Company s business model, which involves a great deal of each.

John G. Connors

Mr. Connors, 53, a director since 2005, is a partner in Ignition Partners LLC, a Seattle-area venture capital firm. Mr. Connors served as Senior Vice President and Chief Financial Officer of Microsoft Corporation from December 1999 to May 2005. He joined Microsoft in 1989 and held various management positions, including Corporate Controller from 1994 to 1996, Vice President, Worldwide Enterprise Group in 1999, and Chief Information Officer from 1996 to 1999. Mr. Connors is currently a member of the Board of Directors of Scout Analytics Inc., Parse, Inc., OpsCode, Inc., Motif Investing, Inc., FiREapps, Inc., DataSphere Technologies, Inc., Splunk, Inc., Tier 3, Inc., Korrio, Inc., the Washington Policy Center, and the University of Washington Tyee Club. Mr. Connors was selected to serve on the Board because his experience and skills in accounting, financial leadership, venture capital, technology, and international operations enable him to make valuable contributions to NIKE s Audit Committee and Finance Committee.

Timothy D. Cook

Mr. Cook, 51, a director since 2005, is the Chief Executive Officer of Apple Inc. Mr. Cook joined Apple in March 1998 as Senior Vice President of Worldwide Operations and also served as Executive Vice President, Worldwide Sales and Operations and Chief Operating Officer. Mr. Cook was Vice President, Corporate Materials for Compaq Computer Corporation from 1997 to 1998. Previous to his work at Compaq, Mr. Cook served in the positions of Senior Vice President Fulfillment and Chief Operating Officer of the Reseller Division at Intelligent Electronics from 1994 to 1997. Mr. Cook also worked for International Business Machines Corporation from 1983 to 1994, most recently as Director of North American Fulfillment. Mr. Cook is currently a member of the Board of Directors of the National Football Foundation and Apple Inc. Mr. Cook was selected to serve on the Board because his operational executive experience and his knowledge of technology, marketing, and international business allow him to provide the Board with valuable perspectives and insights.

Douglas G. Houser

Mr. Houser, 77, a director since 1970, has been a partner and Senior Counsel in the Portland, Oregon, law firm of Bullivant, Houser, Bailey since 1965. Mr. Houser is a Life Trustee of Willamette University and a Fellow in the American College of Trial Lawyers, and he has served as a member of the Board of Governors and Treasurer of the Oregon State Bar Association and as a Director of the Rand Corporation, Institute for Civil Justice Board of Overseers, and the National Judicial College Foundation Board. Mr. Houser was selected to serve on the Board because his knowledge of NIKE and its Board, together with his experience as a principal of a significant law firm, allow him to provide beneficial contributions regarding legal issues, corporate responsibility, and board governance.

Philip H. Knight

Mr. Knight, 74, a director since 1968, is Chairman of the Board of Directors of NIKE. Mr. Knight is a co-founder of the Company and, except for the period from June 1983 through September 1984, served as its President from 1968 to 1990, and from June 2000 to December 2004. Prior to 1968, Mr. Knight was a certified public accountant with Price Waterhouse and Coopers & Lybrand and was an Assistant Professor of Business Administration at Portland State University. Mr. Knight led NIKE from a small partnership founded on a handshake to the world s largest athletic footwear, apparel, and equipment company. He has extensive knowledge of and experience in Company operations, sports marketing, manufacturing, management, accounting, and financial matters, which make him uniquely qualified to serve as Chairman of the Board.

Mark G. Parker

Mr. Parker, 56, has been President and Chief Executive Officer and a director since 2006. He has been employed by NIKE since 1979 with primary responsibilities in product research, design and development, marketing, and brand management. Mr. Parker was appointed divisional Vice President in charge of development in 1987, corporate Vice President in 1989, General Manager in 1993, Vice President of Global Footwear in 1998, and President of the NIKE Brand in 2001. He has extensive knowledge and experience regarding Company operations, sports marketing, manufacturing, research, design, development, and management, and is an effective leader of NIKE. His position as CEO makes his participation on the Board critical.

Johnathan A. Rodgers

Mr. Rodgers, 66, a director since 2006, retired as the President and Chief Executive Officer of TV One, LLC in July 2011. Prior to joining TV One, LLC in March 2003, Mr. Rodgers was President, Discovery Networks US for Discovery Communications, Inc. from 1996 to 2003. Prior to his work at Discovery Communications, Mr. Rodgers had a 20-year career at CBS, Inc. where he held a variety of executive positions, including President, CBS Television Stations. Mr. Rodgers is also a director of Procter & Gamble Company and a Trustee of the University of California Berkeley. Mr. Rodgers was selected to serve on the Board because his experience and knowledge in media, broadcasting, and telecommunications, his skills in executive leadership, and knowledge of multicultural media allow him to provide valuable insights to the Board regarding corporate responsibility, diversity, compensation, and marketing.

Orin C. Smith

Mr. Smith, 70, a director since 2004, was President and Chief Executive Officer of Starbucks Corporation from 2000 to 2005. He joined Starbucks as Vice President and Chief Financial Officer in 1990, became President and Chief Operating Officer in 1994, and became a director of Starbucks in 1996. Prior to joining Starbucks, Mr. Smith spent a total of 14 years with Deloitte & Touche. He was later the Executive Vice President and Chief Financial Officer of two transportation companies. Between these assignments, he was Chief Policy and Finance Officer in the administrations of two Washington State Governors. Mr. Smith is currently the lead Director of the board of directors of The Walt Disney Company and serves on the Board of Regents of the University of Washington. Mr. Smith was selected to serve on the Board because his experience and skills in accounting, financial leadership, marketing, international and retail operations enable him to make valuable contributions to NIKE s Audit Committee and Finance Committee.

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John R. Thompson, Jr.

Mr. Thompson, 71, a director since 1991, was head coach of the Georgetown University men s basketball team from 1972 until 1998. Mr. Thompson was head coach of the 1988 United States Olympic basketball team. He hosted a sports radio talk show in Washington, D.C. for 13 years, and he is a nationally broadcast sports analyst for Turner Network Television (TNT) and the Westwood One, Inc. radio network. He serves as Assistant to the President of Georgetown University for Urban Affairs, and he is a past President of the National Association of Basketball Coaches and presently serves on its Board of Governors. Mr. Thompson was selected to serve on the Board because his extensive experience and knowledge of education, college and professional sports, media, broadcasting, and knowledge of urban issues allow him to provide valuable insights to the Board regarding sports marketing, corporate responsibility, and diversity.

Nominees for Election by Class B Shareholders

Alan B. Graf, Jr.

Mr. Graf, 58, a director since 2002, is the Executive Vice President and Chief Financial Officer of FedEx Corporation, a position he has held since 1998, and is a member of FedEx Corporation s Executive Committee. Mr. Graf joined FedEx Corporation in 1980 and was Senior Vice President and Chief Financial Officer for FedEx Express, FedEx s predecessor, from 1991 to 1998. He previously served on the boards of directors of Kimball International Inc., Storage USA, Inc. and Arkwright Mutual Insurance Co., and he is currently a director of Mid-America Apartment Communities, Inc. Mr. Graf was selected to serve on the Board because his experience and skills in auditing, accounting, financial management, and international operations enable him to effectively lead NIKE s Audit Committee, serving as its Chair and financial expert.

John C. Lechleiter

Dr. Lechleiter, 58, a director since 2009, is Chairman of the Board, President, and Chief Executive Officer of Eli Lilly and Company (Lilly). He has served as President and Chief Executive Officer since April 1, 2008. He has been a member of Lilly s board of directors since 2005 and was named Chairman on January 1, 2009. Dr. Lechleiter began work at Lilly as a senior organic chemist in Lilly s process research and development division in 1979. He is a member of the American Chemical Society and Business Roundtable. He serves on the boards of Pharmaceutical Research and Manufacturers of America (PhRMA), United Way Worldwide, Xavier University, the Life Sciences Foundation, and the Central Indiana Corporate Partnership. Dr. Lechleiter was selected to serve on NIKE s Board because his operational executive experience and his knowledge of science, marketing, management, and international business allow him to provide the Board with significant contributions in those strategic areas.

Phyllis M. Wise

Dr. Wise, 67, a director since 2009, is Vice President and Chancellor of the University of Illinois, at Urbana-Champaign. She joined the University of Maryland School of Medicine as an assistant professor in 1976, was appointed associate professor in 1982, and professor in 1987. Dr. Wise was appointed a professor and chair of the department of physiology at the University of Kentucky in 1993, and was appointed dean of the division of biological sciences and distinguished professor of neurobiology at the University of California-Davis in 2002. In 2005, she was appointed Provost and Vice President for Academic Affairs at the University of Washington, and served as Provost and Executive Vice President from 2007 to 2010, and interim President until July 2011, where she was also professor of physiology and biophysics, biology, and obstetrics and gynecology. During her tenure, she led the establishment of the College of the Environment, the mission of which is to provide solutions to developing a sustainable healthy environment through research and teaching. Dr. Wise has a doctorate in zoology from the University of Michigan and an honorary doctorate from Swarthmore College, and she is an elected member of the Institute of Medicine. Dr. Wise was selected to serve on the Board because her extensive experience in medical science, health, higher education, and societal issues allow her to provide valuable contributions to the Board s deliberations of strategic importance.

Director Compensation for Fiscal 2012

Name	Fees Earned or Paid in Cash ($)	Option Awards [1] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings [2] ($)	All Other Compensation [3] ($)	Total ($)
Elizabeth J. Comstock	76,500	139,560		468	216,528
John G. Connors	84,000	139,560		20,741	244,301
Jill K. Conway	23,714			41,391	65,105
Timothy D. Cook	85,506	139,560		20,219	245,285
Ralph D. DeNunzio	33,676				33,676
Alan B. Graf, Jr.	103,505	139,560		219	243,284
Douglas G. Houser	79,000	162,820	27,283	20,219	289,322
John C. Lechleiter	77,500	139,560		219	217,279
Johnathan A. Rodgers	79,500	139,560		219	219,279
Orin C. Smith	90,500	139,560		20,114	250,174
John R. Thompson, Jr.	54,000	139,560		22,340	215,900
Phyllis M. Wise	83,005	139,560		15,324	237,889

(1) *Represents the grant date fair value of annual director options granted in fiscal 2012 computed in accordance with accounting guidance applicable to stock-based compensation. The grant date fair value of the options was estimated using the Black-Scholes option pricing model. On September 19, 2011, each director elected at the 2011 Annual Meeting other than Mr. Houser was granted an option for 6,000 shares with an exercise price of $90.20 per share, which was the closing market price of our Class B Stock on the grant date. On September 19, 2011, Mr. Houser was granted an option for 7,000 shares with an exercise price of $90.20 per share. The assumptions made in determining the grant date fair values of options under applicable accounting guidance are disclosed in Note 11 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended May 31, 2012. As of May 31, 2012, non-employee directors held outstanding options for the following numbers of shares of our Class B Stock: Ms. Comstock, 12,000; Mr. Connors, 50,000; Mr. Cook, 32,000; Mr. Graf, 56,000; Mr. Houser, 39,000; Dr. Lechleiter, 21,000; Mr. Rodgers, 34,000; Mr. Smith, 58,000; Mr. Thompson, 24,000; and Dr. Wise, 17,000.*

(2) *Represents above-market earnings credited during fiscal 2012 to the account of Mr. Houser under our prior Executive Deferred Compensation Plan adopted in 1983 (the 1983 DCP). While deferrals under the 1983 DCP were discontinued in 1990, earnings have continued to accrue on the 1983 DCP account balances. Under the terms of the 1983 DCP, Mr. Houser received a guaranteed return equal to the current monthly rate of Moody s seasoned corporate bonds index, plus 4%, which paid an average interest rate of 8.63% in fiscal 2012.*

(3) *Includes medical and life insurance premiums paid by us of $22,121 for each of Dr. Conway and Mr. Thompson. Also includes matching charitable contributions by us under the NIKE Matching Gift Program, under which directors are eligible to contribute to qualified charitable organizations and we provide a matching contribution to the charities in an equal amount, up to $20,000 in the aggregate for each director annually. In fiscal 2012, we matched contributions to charities in the following amounts: Mr. Connors, $20,000, Dr. Conway, $19,270, Mr. Cook, $20,000, Mr. Houser, $20,000, Mr. Smith, $20,000, and Dr. Wise, $15,000. Also includes sample and test products we provided to directors during the fiscal year, the value of which we estimate at $468 for Ms. Comstock, $741 for Mr. Connors, $219 for Messrs. Cook, Graf, Houser, Rodgers, Thompson and Dr. Lechleiter, $114 for Mr. Smith, and $324 for Dr. Wise, based on our incremental cost.*

Director Fees and Arrangements

Under our standard director compensation program in effect in fiscal 2012, each non-employee director receives an annual retainer fee at the rate of $60,000 per year, a $2,000 meeting fee for each board meeting attended ($1,000 for each telephonic meeting) and a $1,000 meeting fee for each committee meeting attended ($500 for each telephonic meeting). Additionally, on the date of each annual meeting of shareholders, each non-employee director receives an option to purchase 6,000 shares of our Class B Stock. The option has a term of ten years and an exercise price equal to the closing market price of our Class B Stock on the grant date. The option becomes exercisable in full on the date of the next annual meeting of shareholders. Ms. Comstock, Messrs. Connors, Cook, Graf, Rodgers and Smith, and Drs. Lechleiter and Wise participate in our standard director compensation program. Mr. Houser also participates in our standard program, except that, in exchange for electing in fiscal 2000 to participate in the standard program when it was first instituted, he receives an annual option to purchase 7,000 shares of our Class B Stock, instead of 6,000 shares.

Neither Mr. Thompson nor Dr. Conway (before her retirement) has participated in our standard director compensation program. Pursuant to elections made in fiscal 2000, Mr. Thompson and Dr. Conway received an annual retainer fee at the rate of $42,000 per year (instead of the $60,000 annual retainer fee paid under our standard program), a $2,000 meeting fee for each board meeting attended ($1,000 for each telephonic meeting) and a $1,000 meeting fee for each committee meeting attended ($500 for each telephonic meeting). Pursuant to these elections, Mr. Thompson and Dr. Conway also have received medical insurance and $500,000 of life insurance coverage paid for by us. Additionally, on the date of each annual meeting of shareholders, Mr. Thompson receives an annual option to purchase 6,000 shares of our Class B Stock on the same terms as apply to the options granted pursuant to our standard program.

Non-employee directors serving as chair to a board committee, except the Executive Committee, also receive an annual fee at the rate of $10,000 for each committee chaired, and the chair of the Audit Committee receives an annual fee at the rate of $15,000. We also pay for or reimburse our non-employee directors for travel and other expenses incurred in attending board meetings.

All fees for Dr. Conway and Mr. DeNunzio for fiscal 2012 were pro-rated through the date of their retirement from the Board at the 2011 Annual Meeting.

Philip H. Knight, as the Chairman of our Board of Directors, is one of our executive officers, but is not a Named Executive Officer. Mr. Knight does not receive any additional compensation for services provided as a director.

Director Participation in Deferred Compensation Plan

Under our Deferred Compensation Plan, non-employee directors may elect in advance to defer up to 100 percent of the director fees paid by us, including retainer fees, committee fees and meeting fees. For a description of the plan, see Non-Qualified Deferred Compensation in Fiscal 2012 below. In addition, in fiscal 2000, Dr. Conway and Messrs. DeNunzio, Houser, and Thompson received credits to a fully vested NIKE stock account under the Deferred Compensation Plan in exchange for their waiver of rights to future payments under a former non-employee director retirement program. The Class B Stock credited to these directors accounts is distributed to them upon their retirement from the Board, and the accounts are credited with quarterly dividends until distributed.

CORPORATE GOVERNANCE

PROPOSAL 1

Stock Holdings of Certain Owners and Management

The following table sets forth the number of shares of each class of NIKE securities beneficially owned, as of July 13, 2012, by (i) each person known to the Company to be the beneficial owner of more than 5 percent of any class of the Company s securities, (ii) each of the directors and nominees for director, (iii) each executive officer listed in the Summary Compensation Table (Named Officers), and (iv) all nominees, Named Officers, and other executive officers as a group. Because Class A Stock is convertible into Class B Stock on a share-for-share basis, each beneficial owner of Class A Stock is deemed by the SEC to be a beneficial owner of the same number of shares of Class B Stock. Therefore, in indicating a person s beneficial ownership of shares of Class B Stock in the table, it has been assumed that such person has converted into Class B Stock all shares of Class A Stock of which such person is a beneficial owner. For these reasons the table contains substantial duplications in the numbers of shares and percentages of Class A and Class B Stock shown for Mr. Knight and for all directors and officers as a group. In addition, unless otherwise indicated, all persons named below can be reached at c/o John F. Coburn III, Secretary, NIKE, Inc., One Bowerman Drive, Beaverton, Oregon 97005.

	Title of Class	Shares Beneficially Owned(1)	Percent of Class(2)
Elizabeth J. Comstock	Class B	6,000(3)	
John G. Connors	Class B	50,460(3)	
Timothy D. Cook	Class B	26,000(3)	
Alan B. Graf, Jr	Class B	68,000(3)	
Douglas G. Houser	Class B	197,414(3)(4)	
Philip H. Knight	Class A	67,257,195(5)	74.8%
One Bowerman Drive, Beaverton, Oregon 97005	Class B	67,264,935(5)	15.5%
John C. Lechleiter	Class B	18,000(3)	
Mark G. Parker (6)	Class B	1,410,143(3)(7)	0.4%
Johnathan A. Rodgers	Class B	28,000(3)	
Orin C. Smith	Class B	54,700(3)	
John R. Thompson, Jr	Class B	33,741(3)(4)	
Phyllis M. Wise	Class B	11,000(3)	
Donald W. Blair (6)	Class B	419,421(3)(7)(8)	0.1%
Charles D. Denson (6)	Class B	1,041,913(3)(7)	0.3%
Gary M. DeStefano (6)	Class B	140,754(3)(7)	
Eric D. Sprunk (6)		290,642	
Sojitz Corporation of America			
1211 S.W. 5th Ave, Pacwest Center, Ste. 2220, Portland, OR 97204	Preferred(9)	300,000	100%
FMR LLC			
82 Devonshire Street, Boston, MA 02109	Class B	19,205,883(10)	5.1%
BlackRock, Inc			
40 East 57th Street, New York, NY 10022	Class B	18,932,752(11)	5.0%
All directors and executive officers as a group (24 persons)	Class A	67,257,195	74.8%
	Class B	72,107,309(3)	16.6%

(1) *A person is considered to beneficially own any shares: (a) over which the person exercises sole or shared voting or investment power, or (b) of which the person has the right to acquire beneficial ownership at any time within 60 days (such as through conversion of securities or exercise of stock options). Unless otherwise indicated, voting and investment power relating to the above shares is exercised solely by the beneficial owner or shared by the owner and the owner s spouse or children.*

(2) *Omitted if less than 0.1 percent.*

(3) *These amounts include the right to acquire, pursuant to the exercise of stock options, within 60 days after July 13, 2012, the following numbers of shares: 6,000 shares for Ms. Comstock, 44,000 shares for Mr. Connors, 26,000 shares for Mr. Cook, 50,000 shares for Mr. Graf, 32,000 shares for Mr. Houser, 15,000 shares for Dr. Lechleiter, 1,036,250 shares for Mr. Parker, 28,000 shares for Mr. Rodgers, 52,000 shares for Mr. Smith, 18,000 shares for Mr. Thompson, 11,000 shares for Dr. Wise, 384,000 shares for Mr. Blair, 905,000 shares for Mr. Denson, 100,000 shares for Mr. DeStefano, 260,000 shares for Mr. Sprunk, and 4,005,300 shares for the executive officer and director group.*

(4) Includes shares credited to accounts under the NIKE, Inc. Deferred Compensation Plan in the following amounts: 10,040 for Mr. Houser, and 7,741 for Mr. Thompson.

(5) Does not include: (a) 130,448 Class A Stock owned by a corporation which is owned by Mr. Knight s spouse, (b) 19,443,829 Class A Stock held by five grantor annuity trusts for the benefit of Mr. Knight s children, (c) 841,145 Class B Stock held by the Knight Foundation, a charitable foundation in which Mr. Knight and his spouse are directors, (d) 1,294,403 Class B Stock held by Oak Hill Strategic Partners, L.P., a limited partnership in which a company owned by Mr. Knight is a limited partner, and (e) 1,243,804 Class B Stock held by Cardinal Investment Sub I L.P., a limited partnership in which Mr. Knight is a limited partner. Mr. Knight has disclaimed ownership of all such shares.

(6) Executive officer listed in the Summary Compensation Table.

(7) Includes shares held in accounts under the NIKE, Inc. 401(k) and Profit Sharing Plan for Messrs. Parker, Blair, Denson, DeStefano, and Sprunk in the amounts of 8,324, 2,812, 10,638, 8,394 and 285 shares, respectively.

(8) Includes 29,779 shares pledged as security.

(9) Preferred Stock does not have general voting rights except as provided by law, and under certain circumstances as provided in the Company s Restated Articles of Incorporation, as amended.

(10) Information provided as of February 13, 2012 in Schedule 13G filed by the shareholder.

(11) Information provided as of July 8, 2011 in Schedule 13G filed by the shareholder.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company s directors and executive officers, and persons who own more than 10 percent of a registered class of the Company s equity securities, to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than 10 percent shareholders are required by the regulations of the SEC to furnish the Company with copies of all Section 16(a) forms they file. To the Company s knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended May 31, 2012 all Section 16(a) filing requirements applicable to its officers, directors and greater than 10 percent beneficial owners were complied with, except that three transactions on July 15, 2011 by Hans van Alebeek were reported late due to an administrative error.

Transactions with Related Persons

Mr. Knight makes his airplane available for business use by the Company for no charge. NIKE operates and maintains the aircraft. Mr. Knight has reimbursed the Company $932,895 for NIKE s operating costs related to his personal use of this aircraft during fiscal 2012, determined based on the cost of fuel and other variable costs associated with the flights under FAR 91-501(d).

Pursuant to the terms of a past consulting agreement with the Company, the Company agreed to pay for health insurance and for life insurance policies for Howard Slusher, the father of John Slusher, Vice President of Sports Marketing, following expiration of the agreement. During fiscal 2012, the Company paid Howard Slusher $129,976 for health and life insurance premiums.

Three of Mr. Parker s siblings are employed by the Company in non-executive roles. Bob Parker is a Marketplace Manager, and has been employed by the Company for over 28 years; Stephen Parker is the General Manager, Asia Pacific-Converse, and has been employed by the Company for over 24 years; and Ann Parker is an Executive Talent Scout, and has been employed by the Company for over 22 years. During fiscal year 2012, the Company paid aggregate compensation to Bob Parker, Stephen Parker and Ann Parker in the amounts of $418,083, $526,131, $259,728, respectively. The compensation was consistent with compensation paid to other employees holding similar positions, and was composed of salary, performance bonus, the grant date fair value of stock options granted during the fiscal year estimated using the Black-Scholes pricing model, profit sharing and matching contributions to Company-sponsored retirement plans, and a relocation benefit payment to Ann Parker.

Mr. Thompson s son, John Thompson III, is the head basketball coach at Georgetown University, and the Company has a contract with him to provide endorsement and consulting services to the Company through August 2014, with base compensation over the five year term of the contract of $500,000, and up to $80,000 per year of product and other performance incentives.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee of the Board of Directors during the fiscal year ended May 31, 2012 were Timothy D. Cook, Elizabeth J. Comstock, John C. Lechleiter, Johnathan A. Rodgers, and prior to his retirement, Ralph D. DeNunzio. The Committee is composed solely of independent, non-employee directors. No member of the Compensation Committee has been an executive officer of the Company, and no member of the Compensation Committee had any relationships requiring disclosure by the Company under the SEC s rules requiring disclosure of certain relationships and related-party transactions. None of the Company s executive officers served as a director or member of a compensation committee (or other committee serving an equivalent function) of any other entity, the executive officers of which served as a director or member of the Compensation Committee of the Company during the fiscal year ended May 31, 2012.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Our executive compensation program is aligned with our business strategy and culture to attract and retain top talent, reward business results and individual performance, and most importantly, maximize shareholder returns. Our total compensation program for the Named Executive Officers is highly incentive-based and competitive in the marketplace, with Company performance determining a significant portion of total compensation.

Our Named Executive Officers for fiscal 2012 were: Mark G. Parker (President and Chief Executive Officer), Donald W. Blair (Vice President and Chief Financial Officer), Charles D. Denson (President of the NIKE Brand), Gary M. DeStefano (President, Global Operations), and Eric D. Sprunk (Vice President, Merchandising and Product Management).

The Compensation Committee of the Board of Directors (the Committee) is comprised of Timothy D. Cook (Chairman), Elizabeth J. Comstock, John C. Lechleiter, and Jonathan A. Rodgers, each of whom is an independent director under applicable NYSE listing standards. Ralph DeNunzio, the Company s former Compensation Committee Chairperson, retired on September 19, 2011.

The total compensation for each of the Named Executive Officers is shown in the Summary Compensation Table on page 17. While we describe executive compensation in greater detail throughout this Compensation Discussion and Analysis, highlights of actions the Committee took in fiscal 2012 include:

For purposes of setting executive compensation for fiscal year 2012, the peer group did not change from the previous year. Based on our periodic review of our peer group, for fiscal 2013, the Committee determined that J.C Penney Company Inc., Kimberly-Clark Corporation, and Time Warner should be added to the peer group and Apple Inc. should be removed.

Base salaries remained consistent with fiscal 2011 based on the Committee s determination that they were appropriately aligned with the market, except in the case of Mr. Sprunk who received a merit increase to reflect his performance results against his individual goals and align his salary with market.

Target annual bonuses under our Executive Performance Sharing Plan (PSP) were increased based on competitive market data and internal equity.

Based on financial performance goals set by the Committee in June 2011 under the PSP, and actual performance results, each executive officer s bonus was paid out at 95% of the target bonus.

Long-term target awards under our Long-Term Incentive Plan (LTIP) were increased for our CEO, Mr. Parker, based on the Committee s desire to have a higher portion of his compensation dependent on achievement of long-term growth measures, and remained at the same levels since 2008 for the other Named Executive Officers.

Based on long-term financial performance goals set by the Committee in August 2009 under the LTIP, and actual performance results, each executive officer received the maximum payout of 200% of the target award.

Stock option awards remained consistent with fiscal 2011. The accounting fair value of stock options was $22.11 per share compared to $17.67 per share in fiscal 2011.

Restricted stock awards remained consistent for Mr. Parker and were increased by $50,000 for Messrs. Blair, Denson and DeStefano and $100,000 for Mr. Sprunk.

In May 2012, Mr. Parker was granted a restricted stock unit (RSU) retention award, in recognition of his leadership and his critical role in driving the company s growth strategy in future years. The RSU award, in the amount of $20 million, is intended as a long-term retention incentive scheduled to vest in full on the fifth anniversary of the grant date. The award has no value to Mr. Parker unless he remains employed with the company for the full vesting period.

Consideration of Say-on-Pay Vote Results

The non-binding advisory proposal regarding compensation of the Named Executive Officers submitted to shareholders at our 2011 Annual Meeting was approved by over 98% of the votes cast. The Committee considered this favorable shareholder vote as a strong endorsement of our executive compensation program. The Committee will continue to consider the outcome of the Company s say-on-pay votes when conducting its regular practice of evaluating the program and making future compensation decisions for the Named Executive Officers.

Operation of the Compensation Committee

The Compensation Committee of the Board of Directors (the Committee) oversees the performance evaluation of the CEO against goals and objectives set by the Committee, and based on the evaluation, recommends the CEO s compensation to the independent members of the Board of Directors. Subject to the approval of the independent members of the Board of Directors, the Committee also determines the compensation of our other Named Executive Officers. The Committee also oversees the performance evaluation of those officers and the administration of our executive compensation programs. The Committee receives recommendations from the CEO as to compensation of other Named Executive Officers, and the CEO participates in Committee discussions regarding the compensation of those officers. The Committee meets in executive session without the CEO to determine his compensation. The Committee is comprised of Timothy D. Cook (Chairman), Elizabeth J. Comstock, John C. Lechleiter, and Johnathan A. Rodgers, each of whom is an independent director under applicable NYSE listing standards. The Committee operates pursuant to a written charter that is available on our website at: *http://investors.nikeinc.com*.

Each year, the Committee reviews our executive total compensation programs to ensure they continue to reflect the Committee s commitment to align the objectives and rewards of our executive officers with the creation of value for our shareholders. The programs have been designed to reinforce our pay-for-performance philosophy by delivering total compensation that motivates and rewards short-and long-term financial performance to maximize shareholder value, and to be externally competitive to attract and retain outstanding and diverse executive talent. In conducting their annual review, the Committee considers information provided by our human resources staff. Our human resources staff retains Aon Hewitt Associates and Towers Watson, both independent compensation consulting firms, to provide surveys and reports containing competitive market data. These consultants do not formulate executive compensation strategies for NIKE or recommend individual executive compensation. The human resources staff uses the surveys and reports to make recommendations to the Committee concerning executive compensation. The Committee has the sole authority under its charter to retain compensation consultants to assist the Committee in evaluating the compensation of executive officers, but chose to not retain any such consultants in fiscal 2012. The Committee relies on its collective experience and judgment along with the recommendations prepared by our human resources staff to set executive compensation.

Use of Market Survey Data

To help establish competitive ranges of base salary, incentive compensation opportunities, and target total compensation for the purpose of making recommendations to the Committee, our human resources staff uses competitive market data from surveys and reports prepared by Aon Hewitt Associates and Towers Watson. We consider market survey data from a peer group of 14 companies which have similar revenue size, have similar products or markets, or reflect the companies with which we compete for executive talent. In addition, we consider market data across many industries focusing on companies with revenues of $10 billion or more.

For purposes of setting executive compensation for fiscal 2012, the companies in this peer group were unchanged from fiscal 2011 and consisted of the following:

Company	**Reported Fiscal Year**	***Revenue (in millions)***
Apple Inc.	09/11	$ 108,249.0
The Coca-Cola Company	12/11	46,542.0
Colgate-Palmolive Company	12/11	16,734.0
FedEx Corp.	05/11	39,304.0
Gap Inc.	01/12	14,549.0
General Mills Inc.	05/11	14,880.2
Google Inc.	12/11	37,905.0
Kellogg Co.	12/11	13,198.0
Limited Brands Inc.	01/12	10,364.0
Macy s, Inc.	01/12	26,405.0
McDonald s Corporation	12/11	27,006.0
PepsiCo, Inc.	12/11	66,504.0
Starbucks Corp.	10/11	11,700.4
The Walt Disney Company	09/11	40,893.0

In February 2012, we conducted our periodic review of our peer group to determine whether any changes were appropriate. Based on that review, we determined that for purposes of setting executive compensation in fiscal 2013, the peer group should be refined to include J.C. Penney Company Inc., Kimberly-Clark Corporation, and Time Warner Inc., and to remove Apple Inc. from the above peer group.

The surveys that our human resources staff reviews show percentile compensation levels for various executive positions with comparable job responsibilities. The Committee does not endeavor to set executive compensation at or near any particular percentile, and it considers target total compensation to be competitive if it is within the 50^{th} to 75^{th} percentiles. Market data is one of many factors that the Committee considers in the determination of executive compensation levels. Other factors include internal pay equity, level of responsibility, the individual s performance, expectations regarding the individual s future potential contributions, succession planning and retention strategies, budget considerations, and our performance.

Objectives and Elements of Our Compensation Program

As noted in the Executive Summary, our executive compensation program is aligned with our business strategy and culture to attract and retain top talent, reward business results and individual performance, and most importantly, maximize shareholder returns. Our total compensation program for the Named Executive Officers is highly incentive-based and competitive in the marketplace, with Company performance determining a significant portion of total compensation. Our program consists of the following elements:

- Base salary that reflects the executive s accountabilities, skills, experience, performance, and future potential
- Annual performance-based incentive cash bonus based on Company financial results under our Executive Performance Sharing Plan
- A portfolio approach to long-term incentive compensation to provide a balanced mix of equity and performance-based cash incentives, including:
  - Performance-based cash awards based on Company financial results under the Long-Term Incentive Plan to encourage attainment of long-term financial objectives
  - Stock options to align the interests of executives with those of shareholders
  - Restricted stock awards and restricted stock unit retention awards to provide incentives consistent with shareholder returns, and to provide strong retention incentives
- Benefits
  - Profit sharing contributions to defined contribution retirement plans
  - Post-termination payments under non-competition or employment agreements

In determining the award levels for each of the elements in our total compensation program, our philosophy is to pay for performance. As a result, we place relatively greater emphasis on the incentive components of compensation (Executive Performance Sharing Plan, Long-Term Incentive Plan, and stock options) to align the interests of our executives with shareholders, and motivate them to maximize shareholder returns. This is balanced with retention incentives provided by base salary, restricted stock awards, and restricted stock unit awards.

We look to the experience and judgment of the Committee to determine what it believes to be the appropriate target compensation mix for each Named Executive Officer. We do not apply fixed ratios or formulae, or rely solely on

COMPENSATION DISCUSSION AND ANALYSIS

market data or quantitative measures. In allocating compensation among the various elements, the Committee considers market data, Company performance and budget, the impact of the executive s position in the Company, individual past performance, expectations for future performance, experience in the position, any anticipated increase in the individual s responsibilities, internal pay equity for comparable positions, and retention incentives for succession planning.

In fiscal 2012, incentive components (including restricted stock but excluding Mr. Parker s restricted stock unit award as shown in the below chart) accounted for 88% of the CEO s target compensation, 85% of the NIKE Brand President s target compensation, and approximately 76% of the other Named Executive Officers target compensation. For purposes of this analysis, Mr. Parker s restricted stock unit retention award is excluded to appropriately represent his target compensation mix as approved by the Committee in June 2011.

NIKE Target Compensation Mix

* *Includes Executive Performance Sharing Plan, Long-Term Incentive Plan, stock options, and restricted stock, excluding Mr. Parker s restricted stock unit retention award*

Elements of Our Compensation Program

Base Salary

When making recommendations to the Committee concerning base salary levels for our Named Executive Officers, our human resources staff considers the market data described above to recommend base salaries generally between the 50th and 75th percentiles of the salaries for comparable positions reflected in the surveys and reports. Other factors considered in setting annual salary levels include the individual s performance in the prior year, expectations regarding the individual s future performance, experience in the position, any anticipated increase in the individual s responsibilities, internal pay equity for comparable positions, succession planning strategies, and our annual salary budget. The Committee reviews these factors each year and adjusts base salary levels to ensure that we are appropriately rewarding performance.

The Committee generally reviews base salaries of the Named Executive Officers annually based on a review of individual performance at a meeting in June, with salary adjustments becoming effective for the first pay period ending in August. During the salary review in June 2011, the Committee decided to maintain the base salaries for Messrs. Parker, Blair, Denson, and DeStefano at $1,550,000, $850,000, $1,320,000, and $1,030,000, respectively, based on its determination that the base salaries were appropriately aligned with comparable positions in the market. The Committee decided to increase Mr. Sprunk s annual salary 4.1% from $850,000 to $885,000 to align his salary with market and reflect his performance against his individual goals, which was generally in line with average Company-wide merit increases for fiscal 2011.

In setting a Named Executive Officer s overall compensation package, the Committee attempts to place a relatively greater emphasis on the incentive components of compensation described below.

Performance-Based Annual Incentive Bonus

Annual bonuses are paid to the Named Executive Officers under our Executive Performance Sharing Plan (PSP). Our pay for performance philosophy for bonuses is simple: if we exceed our financial objectives, we will pay more; if we fail to reach them, we will pay less or nothing at all. The PSP for all executives is based 100% on overall corporate performance each year as measured by income before income taxes excluding the effect of any acquisitions, divestitures or accounting changes (PTI). Basing our bonus program for all executives on overall corporate performance is intended to foster teamwork and send the message to each executive that his or her role is to help ensure overall organizational success and maximize shareholder returns.

Each year the Committee establishes a target bonus for each Named Executive Officer under the PSP expressed as a percentage of base salary paid during the year. For fiscal 2012, the Committee increased Mr. Parker s target bonus from 135% to 150%, Mr. Denson s target bonus from 120% to 130%, and the target bonus for Messrs. Blair, DeStefano, and Sprunk from 80% to 90%. The Committee sets these target bonus levels each year based on its judgment of the impact of the position in the Company and what it believes to be competitive against market data as described above under Use of Market Survey Data, while maintaining internal pay equity for comparable positions.

The maximum bonus possible under the PSP is 150% of the target bonus, and the threshold bonus is 50% of the target bonus. If we do not achieve the threshold performance goal, the bonus payout would be zero, and if we exceed the maximum performance goal, the bonus payout would be capped at 150% of the target bonus. In June 2011, the Committee approved PSP performance goals for fiscal 2012 of $3,000 million of PTI for the target bonus payout, $3,240 million of PTI for the 150% maximum bonus payout, and $2,844 million of PTI for the 50% threshold bonus payout. The performance goal for the target payout represented a 5.5% increase over fiscal 2011 PTI of $2,844 million. The performance goal for the maximum payout represented a 13.9% increase above the prior year PTI, and the performance goal for the threshold payout equaled the prior year s PTI results. The percentage changes in PTI over prior year results required to achieve the target, maximum, and threshold bonus payouts each year are not uniform percentages, but are established by the Committee based on its evaluation of our business plan and prospects for the year.

In fiscal 2012, NIKE achieved PTI of $2,983 million, a 4.9% increase over fiscal 2011 PTI. This achievement was below the target performance goal established by the Committee in June 2011. As a result, each executive officer s bonus was paid out at 95% of the target bonus.

Performance-Based Long-Term Incentive Plan

The first component in our long-term portfolio mix is performance-based awards payable in cash under our Long-Term Incentive Plan (LTIP). As with the annual bonus, the LTIP follows our pay for performance philosophy. If we exceed our targets, we will pay more; if we fall short, we will pay less or nothing at all. This program focuses executives on overall, long-term financial performance, and is intended to reward them for improving shareholder returns. At the beginning of each fiscal year, the Committee establishes performance goals and potential cash payouts for the next three fiscal years for all executives under the LTIP. LTIP measures for all executives are based 50% on cumulative revenues for the three-year performance period and 50% on cumulative diluted earnings per share (EPS) for the period, in each case excluding the effect of acquisitions, divestitures and accounting changes.

During the compensation review in June 2011, the Committee approved LTIP target award levels for all Named Executive Officers for the fiscal 2012-2014 performance period. The target awards were set at $3,000,000 for Mr. Parker, $1,500,000 for Mr. Denson and $500,000 for Messrs. Blair, DeStefano and Sprunk. The target award for Mr. Parker was increased from $2,000,000 in the prior year, reflecting the Committee s desire to have a higher portion of his compensation dependent on achievement of long-term growth measures. The current maximum payout for any performance period under the LTIP is $4,000,000. Any payment to Mr. Parker under his fiscal 2012-2014 LTIP award in excess of that amount is subject to shareholder approval of the proposed increase in the maximum payout included in Proposal No. 4 in this proxy statement. Target award levels for the other Named Executive Officers remained at the same levels approved each year since 2008. The Committee sets individual Named Executive Officer target LTIP levels each year based on its judgment of what it believes to be a desirable mix of long-term compensation, the impact of the position in the Company, and what it finds to be competitive against market data as described above under Use of Market Survey Data, while maintaining internal pay equity for comparable positions.

The Committee set the maximum possible payout under the LTIP equal to 200% of the target award and the threshold payout equal to 50% of the target award. For the fiscal 2012-14 performance period, the cumulative EPS necessary to achieve the target award payout requires a compounded annual growth rate (CAGR) in EPS of 13% from fiscal 2011 results of $4.39. The 200% maximum payout requires cumulative EPS corresponding to an 18.5% CAGR and the 50% threshold payout requires cumulative EPS corresponding to a 7.8% CAGR. The Committee considered our long-term financial goal of mid-teens EPS growth in setting the CAGR for the target award payout level. For revenue over the fiscal 2012-14 performance period, the cumulative revenue necessary to achieve the target award payout requires a CAGR in revenues of 8.0% from fiscal 2011 results of $20,862 million. The 200% maximum payout requires cumulative revenues corresponding to an 11.5% CAGR. The 50% threshold payout requires cumulative revenues corresponding to a 5.3% CAGR. The Committee considered our long-term financial goal of high single digit revenue growth in setting the CAGR for the target award payout level. The total payout percentage will be the average of the payout percentages determined for cumulative revenues and cumulative EPS, respectively. Payout below the threshold payout level may occur if either the revenue or EPS related percentage achievement is less than 50%. If both revenue and EPS fall below the threshold level, there is no payment.

Our executive officers were eligible to receive LTIP award payouts based on performance targets set in August 2009 covering the fiscal 2010-12 performance period. Based on our performance over the last three fiscal years, the maximum 200% payout percentage under these awards was earned. Cumulative revenues for the period were $64,004 million and cumulative EPS for the period was $12.98, which for both measures was above the 200% maximum payout level set by the Committee.

Performance-Based Stock Options

The second component in our long-term portfolio mix is stock options. Stock options are designed to align the interests of the Company s executives with those of shareholders by encouraging executives to enhance the value of the Company and, hence, the price of the Class B Stock. This is true pay for performance : executives are rewarded only if the market price of our stock rises, and they get nothing if the price does not rise. Our stock option program is generally based on granting options for a consistent number of shares each year for each position. When determining the grants, the Committee focuses on the number of shares, not the value for accounting purposes. Our approach is based on our desire to carefully control annual share usage and avoid fluctuations in grant levels due to share price changes. The Committee awards stock options to each executive based on its judgment. The Committee considers a number of factors including the individual s performance, management succession, competitive market data as described above under Use of Market Survey Data, internal pay equity for comparable positions, and a desirable mix of long-term incentives. Our human resources staff periodically tests the reasonableness of our stock option grants against competitive market data and may make recommendations to the Committee. Options are generally granted annually to selected employees, including the Named Executive Officers, in July of each year under our shareholder-approved Stock Incentive Plan. Stock options for fiscal 2012 were granted by the

Committee on July 15, 2011 with an exercise price equal to the closing market price of our stock on that date.

In July 2011, the Committee granted options to Mr. Parker for 165,000 shares, Mr. Denson for 120,000 shares and to Messrs. Blair, DeStefano, and Sprunk for 50,000 shares which were the same number of stock options granted to each of them in July 2010. The Committee, in its judgment, decided not to change from the prior year the number of shares granted to Messrs. Parker, Blair, Denson, DeStefano, and Sprunk based on a review of each of the factors described above, and the Committee s determination that the relative weighting of equity incentive compensation to target total compensation remained appropriate.

Options we grant generally vest over a four year period, and are forfeited if the employee leaves before vesting occurs, to promote executive retention. A standard retirement feature of stock options granted to all employees from 2002 through 2009 was to accelerate vesting of some or all options for any employee with at least five years of service where the sum of the employee s age plus years of service totaled a minimum of 55, as described below under Potential Payments Upon Termination or Change-in-Control. Based on their ages and years of service, Messrs. Parker, Blair, Denson, DeStefano, and Sprunk could terminate employment at any time and receive full vesting of their options granted prior to July 2010.

In June 2010, after a review of the Company s succession plans, the Committee and the Board of Directors amended the Stock Incentive Plan for future option grants to remove this accelerated vesting feature and replaced it with a strengthened provision to encourage employees to delay retirement, thus enhancing retention. Beginning with the July 2010 grants, only those employees with a minimum of five years of service who are age 55 and above at the time of termination of employment will be eligible for the provision. Under the provision, only unvested stock options that have been granted for at least one full year to employees between the ages of 55 to 59 at the time of termination of employment will continue to vest, and may be exercised for up to four years after termination. If an employee is age 60 or older and has at least five years of service at termination, unvested stock options that have been granted for at least one full year will receive accelerated vesting and may be exercised for up to four years after termination. The features related to accelerated vesting are described below on page 21 under Potential Payments upon Termination or Change-in-Control. Based on their ages and years of service, as of May 31, 2012, Messrs. Parker, Denson and DeStefano could terminate employment at any time and receive continued vesting of their options granted in July 2010.

COMPENSATION DISCUSSION AND ANALYSIS

Restricted Stock Awards

The third component in our long-term portfolio mix is restricted stock awards. Stock ownership and stock-based incentive awards align the interests of our Named Executive Officers with the interests of our shareholders, as the value of this incentive rises and falls with the stock price, consistent with shareholder returns. Restricted stock awards are generally granted in July at the same meeting at which stock options are granted under our shareholder-approved Stock Incentive Plan. Awards generally vest in three equal installments on each of the first three anniversaries of the grant date. The awards promote executive retention, as unvested shares held at the time the executive s employment is terminated are forfeited. Award recipients receive dividends on the full number of restricted shares awarded, both vested and unvested.

Historically, the Committee has generally awarded restricted stock to Named Executive Officers once every three years. Our human resources staff periodically reviews the value and frequency of grants against competitive market data as described above under Use of Market Survey Data, and may recommend changes to the Committee. In June 2010, after a review of long-term incentive compensation, the Committee determined that beginning with July 2010 grants, restricted stock awards to Named Executive Officers will be awarded annually. This supports our succession plans by helping ensure retention of key leaders critical to growing the business. This practice aligns with our practice prior to fiscal 2011 of granting restricted stock annually to Mr. Parker and Mr. Denson to provide a greater alignment between their compensation and shareholder returns. The Committee also believes that this change will provide greater consistency and comparability of executive compensation disclosure from year-to-year. The Committee may also award restricted stock in connection with promotions or other special circumstances.

In July 2011, the Committee granted a restricted stock award to Mr. Parker valued at $3,500,000, representing 38,168 shares of our Class B Stock, based on the closing price of our Class B Stock on the grant date. This was the same value of restricted stock granted to Mr. Parker in 2010. Mr. Denson received an award valued at $2,050,000, Mr. Sprunk received an award valued at $600,000 and Messrs. Blair and DeStefano each received an award valued at $550,000. This represented 22,356 shares of our Class B Stock for Mr. Denson, 6,544 shares of our Class B Stock for Mr. Sprunk, and 5,998 shares of our Class B Stock for Messrs. Blair and DeStefano, based on the closing price of our Class B Stock on the grant date. This was an increase of $50,000 for Messrs. Denson, Blair, and DeStefano and an increase of $100,000 for Mr. Sprunk. The Committee, in its judgment, set these award levels based on several factors, including what the Committee believed to be a desirable mix of long-term compensation, their determination of an appropriate weighting of potential future contribution to the Company, retention incentives, and competitive grants based on competitive market data.

Restricted Stock Unit (RSU) Retention Awards

From time to time, the Committee also grants restricted stock units (RSUs) that vest based on continued service through a future service date with the Company specifically to further promote retention. These RSU awards accumulate dividend equivalents that are only paid upon full vesting. The awards have no value to the executive unless he/she remains employed with the Company for the full vesting period, and will be canceled if the executive terminates or retires within the vesting period. RSU retention awards are subject to our change-in-control vesting and clawback policy described below.

On May 18, 2012, the Committee approved a grant to Mr. Parker of RSUs valued at $20,000,000, representing 189,682 RSUs based on the closing price of our Class B Stock on the grant date. Mr. Parker s RSUs are scheduled to vest in full on the fifth anniversary of the grant date. In determining the award amount, the Committee considered several factors including the Company s succession and retention strategy, a review of Mr. Parker s accumulated vested and unvested awards, individual performance, and the Committee s business judgment and experience. In accordance with applicable SEC rules the full award value is included in the Summary Compensation Table on page 17, the Grants of Plan-Based Awards in Fiscal 2012 table on page 18 and the Outstanding Equity Awards at May 31, 2012 table on page 19. As this award was intended as a retention incentive it was viewed by the Committee as compensation over the five-year vesting period and not solely as compensation for fiscal 2012.

Profit Sharing and Retirement Plans

The NIKE 401(k) Savings and Profit Sharing Plan is our tax qualified retirement savings plan pursuant to which our employees, including the Named Executive Officers, are able to make pre-tax contributions from their cash compensation. We make matching contributions for all participants each year equal to 100% of their elective deferrals up to 5% of their total eligible compensation. We also make annual profit sharing contributions to the accounts of our employees under the 401(k) Savings and Profit Sharing Plan. The contributions are allocated among eligible employees based on a percentage of their total salary and bonus for the year. The total profit sharing contribution and the percentage of salary and bonus contributed for each employee is determined each year by the Board of Directors. For fiscal 2012, the Board of Directors approved a profit sharing contribution for each employee equal to 3.81% of the employee s total eligible salary and bonus.

The Internal Revenue Code limits the amount of compensation that can be deferred under the 401(k) Savings and Profit Sharing Plan, and also limits the amount of salary and bonus ($245,000 for fiscal 2012) with respect to which matching contributions and profit sharing contributions can be made under that plan. Accordingly, we provide our executive officers and other highly compensated employees with the opportunity to defer their compensation, including amounts in excess of the tax law limit, under our nonqualified Deferred Compensation Plan. We also make profit sharing contributions under the Deferred Compensation Plan with respect to salary and bonus of any employee that exceeds the tax law limit, and for fiscal 2012 these contributions were equal to 3.81% of the total salary and bonus of each Named Executive Officer in excess of $245,000. These contributions under the Deferred Compensation Plan allow our Named Executive Officers and other highly compensated employees to receive profit sharing retirement contributions in the same percentage as our other employees. We do not match executive deferrals to the Deferred Compensation Plan. Executive officer balances in the Deferred Compensation Plan are unsecured and at-risk, meaning the balances may be forfeited in the event of the Company s financial distress such as bankruptcy. Our matching and profit sharing contributions for fiscal 2012 to the accounts of the Named Executive Officers under the qualified and nonqualified plans are included in the All Other Compensation column in the Summary Compensation Table below.

Post-termination Payments under Non-competition and/or Employment Agreements

In exchange for non-competition agreements from all of our Named Executive Officers, we have agreed to provide during the non-competition period the monthly payments described in Potential Payments upon Termination or Change-in-Control below on page 21, some of which are at the election of the Company. We believe that it is appropriate to compensate individuals to refrain from working with competitors following termination, and that compensation enhances the enforceability of such agreements.

Change-in-Control Provisions

Under the terms of stock option and restricted stock awards granted before fiscal 2011, any unvested awards would vest upon certain transactions that would result in a change in control, such as shareholder approval of a liquidation, a sale, lease, exchange or transfer of substantially all of the assets of the Company, or a consolidation, merger, plan of exchange, or transaction in which the Company is not the surviving corporation. These transactions are described below under Potential Payments Upon Termination or Change-in-Control. This vesting feature, re-approved by shareholders in 2005, was in place because we believed that utilizing a single event to vest awards provided a simple and certain approach for treatment of equity awards in a transaction that would likely result in the elimination or de-listing of our stock. This provision recognized that such transactions have the potential to cause a significant disruption or change in employment relationships and thus treated all employees the same regardless of their employment status after the transaction. In addition, it provided our employee option holders with the same opportunities as our other shareholders, who are free to realize the value created at the time of the transaction by selling their equity.

In June 2010, the Committee approved a revision to our change-in-control vesting provision under which future stock option, restricted stock, and restricted stock unit awards are subject to accelerated vesting only when two events (a double trigger) occur. Beginning with grants made in July 2010, vesting of grants is generally accelerated only if there is a change in control of the Company and either the acquiring entity fails to assume the awards or the employee s employment is terminated by the acquirer without cause or by the employee for good reason wi