Nike (UK) Limited Retirement Benefits Scheme ("the Scheme")

Statement of Investment Principles – April 2025

1. Introduction

The Trustee of the Nike (UK) Limited Retirement Benefits Scheme ("the Scheme") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustee's investment responsibilities are governed by the Scheme's Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with the sponsoring employer (the "Sponsor") to ascertain whether there are any material issues of which the Trustee's should be aware of in agreeing the Scheme's investment arrangements and, in particular on the Trustee's objectives.

2. Process For Choosing Investments

The Trustee has appointed Mercer to act as discretionary investment manager, taking an approach known as Mercer's Dynamic De-risking Solution, to implement the Trustee's strategy whereby the level of investment risk is expected to reduce as the Scheme's funding level improves. In this capacity, and subject to agreed restrictions, the Scheme's assets are invested in multi-client collective investment schemes ("Mercer Funds"). The Mercer Funds are domiciled in Ireland (for traditional asset classes) and in Luxembourg (for private markets assets). The Ireland-domiciled collective investment schemes are managed by a management company (Mercer Global Investments Management Limited ("MGIM")) and the Luxembourg-domiciled funds are managed by Mercer Alternatives (Luxembourg) S.à r.l. and, respectively, these entities have appointed Mercer Global Investments Europe Limited ("MGIE") and Mercer Alternatives AG ("Mercer AG") as investment managers of the Mercer Funds.

In practice, assets in the Mercer Funds are invested with third party fund managers based in countries such as Ireland, UK and USA. Mercer and its affiliates have expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day-to-day basis.

In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustee understands that taking some investment risk, with the support of the Sponsor, is necessary to improve the Scheme's ongoing and solvency funding positions. The Trustee recognises that investments in equity (and other growth assets) will bring increased volatility of the funding level, but in the expectation of improvements in the Scheme's funding level through equity (and other growth assets) outperformance of the liabilities over the long term.

The Trustee's primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Scheme can be met. In meeting this objective, the Trustee's further objectives are to:

- Reach a position such that the Scheme's assets would be sufficient to exceed the liabilities as determined, in the event of the Scheme winding-up, on the basis of a buyout with an insurance company.

- By means of an agreed combination of investment return and funding budget from the Sponsor, move the Scheme to a position of being fully funded on a de-risked funding basis (gilts +0.5% p.a.) by 2037.

- In doing so, to opportunistically reduce the degree of risk in the Scheme's investment arrangements, thereby helping to protect the Scheme's improving funding position.

The Trustee recognises that this ultimately means investing in a portfolio of bonds but believes that at the current time some investment in equities and other growth assets ("Growth Portfolio") is justified to target enhanced return expectations and thereby target funding level improvements. The Trustee recognises that this introduces investment risk and these risks are discussed below.

The Trustee has agreed that the Scheme should move progressively towards a target of an entirely bond based investment strategy ("Matching Portfolio") as its funding level increases. The Trustee will monitor progress against this target. In 2025 the Scheme reached its final automated de-risking trigger. Conversations on next steps for the investment strategy are ongoing in conjunction with the Trustee, the company and the Trustee's advisors.

The Trustee recognises that these objectives may conflict and its priority will vary at different points of time. For example, a greater allocation to more defensive assets may give greater security, but may result in a level of contributions which the Sponsor may find too difficult to support. The Trustee also recognises that, in resolving this conflict, it is necessary to accept some risk. The Trustee's investment strategy has the aim of maximising the likelihood of achieving these objectives. The objectives set out above and the risks and other factors referenced in section 4 are those that the Trustee determines to be financially material considerations. Non-financial considerations are discussed in section 9.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustee's policy on risk management over the Scheme's anticipated lifetime is as follows:

- The primary risk upon which the Trustee's focus, is arising through a mismatch between the Scheme's assets and its liabilities and the Sponsor's ability to support this mismatch risk.

- The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more volatility in the Scheme's funding position.

- To control the risk outlined above, the Trustee, having taken advice, set the split between the Scheme's Growth and Matching Portfolio such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in section 3. As the funding level improves, investments are expected to be switched from the Growth Portfolio into the Matching Portfolio with the aim of reducing investment risk.

- Whilst moving towards the target funding level, the Trustee recognises that even if the Scheme's assets are invested in the Matching Portfolio there may still be a mismatch between the interest rate and inflation sensitivity of the Scheme's assets and the Scheme's liabilities due to the mismatch in duration between the Matching Portfolio and actuarial liabilities.

- The Trustee invests in leveraged LDI funds to maintain a high level of liability hedging without impacting on expected return but recognise that the use of leveraged LDI brings with it additional liquidity risks and requirements which can change over short periods of time with nominal and real gilt yield (i.e. interest rate and inflation) changes. The Trustee and Mercer review the Matching Portfolio as part of the regular reporting and strategy reviews, including consideration of the market stress buffer and broader governance.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk, the Trustee has delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustee with regular monitoring reports regarding the level of diversification within the Trustee's portfolio.

- To help the Trustee ensure the continuing suitability of the current investments, Mercer provides the Trustee with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee.

- To help diversify manager-specific risk, within the context of each of the Growth and Matching Portfolios, the Trustee expects that the Scheme's assets are managed by appropriate underlying asset managers.

- By investing in the Mercer Funds, the Trustee does not make investments in securities that are not traded on regulated markets (i.e. financial markets regulated by a financial regulatory body, such as the Financial Conduct Authority, which exerts a level of oversight and control). However, should the Scheme's assets be invested in such securities (for instance, by way of derivatives), in recognition of the associated risks (in particular liquidity and counterparty exposure) such investments would normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustee will ensure that the assets of the Scheme are predominantly invested on regulated markets.

- The Trustee recognises the risks inherent in holding illiquid assets. The Trustee has carefully considered the Scheme's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.

- The Scheme is subject to currency risk because some of the investment vehicles in which the Scheme invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.

- The Trustee recognises that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return and have considered the possible short, medium, and long-term effects of climate change on the Plan's objectives and its operations.. Section 9 sets out how these risks are managed.

- Responsibility for the safe custody of the Scheme's assets is delegated to MGIM who has appointed State Street Custodial Services (Ireland) Limited ("State Street") as custodian of the assets invested in their vehicles, with the exception of the Private Investment Partners V & VI Funds where ING Luxembourg S.A.. is the custodian. MGIM is responsible for keeping the suitability of the Custodian under ongoing review

In addition, the Trustee recognises that there are other key risks, such as macro-economic and longevity risk, which also need to be taken into consideration.

Should there be a material change in the Scheme's circumstances, the Trustee will advise Mercer, who will review whether and to what extent the investment arrangements should be altered.

5. Investment Strategy

The Trustee, with advice from the Scheme's Investment Consultant and Scheme Actuary, reviewed the Scheme's investment strategy. This review considered the Trustee's investment objectives, their ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented (including de-risking strategies).

Following this initial review, the key decision was to seek a long term solution to "de-risk" the Scheme's assets relative to its liabilities over time using a dynamic trigger based de-risking framework. The Trustee decided to engage Mercer to implement their de-risking strategy by way of its Dynamic De-risking Solution. The approach undertaken relates to the asset allocation to the Scheme's funding level (on an actuarial basis using a single discount rate of 0.5% p.a. in excess of the appropriate gilt yields i.e. "gilts + 0.5% basis"). As part of the annual 2025 review of the investment strategy the Scheme reached its final dynamic de-risking trigger. The de-risking rule historically mandated the following practices which remain appropriate at the time of update:

- To hold sufficient growth assets to target 105% funding on a gilts +0.5% basis by 2037;

- To reduce the volatility in the funding level by reducing un-hedged liability exposures;

- To monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise, by switching assets from the Growth Portfolio into the Matching Portfolio.

The de-risking strategy took into account of the Scheme's initial funding level on a gilts +0.5% basis and is based on a model of the progression of the Scheme's funding level over the period to 2037, taking into account the expected contributions from the Sponsor as agreed at the latest triennial actuarial valuation.

Once the funding level has moved through a band, the asset allocation will not be automatically "re-risked" should the funding level deteriorate. The investment strategy will be reviewed on an annual basis to ensure that this remains appropriate and amend if required.

Responsibility for monitoring the Scheme's asset allocation and undertaking any rebalancing activity is delegated to Mercer. Mercer reports quarterly to the Trustee on its rebalancing activities.

6. Realisation of Investments

The Trustee, on behalf of the Scheme, holds shares in the Mercer Funds. The investment managers to the Mercer Funds, (including the underlying third party asset managers appointed by MGIE and Mercer AG), within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

7. Cash flow and cash flow management

Cash flows, whether positive or negative, are taken into account by Mercer when it rebalances the Scheme's assets in line with the Scheme's strategic allocation. Mercer is responsible for raising cash flows to meet the Scheme's requirements.

The Trustee has delegated the responsibility for managing capital calls and distributions from the Scheme's private market investments to Mercer. Mercer will have discretion over where to source funds from the Scheme's assets managed by Mercer to meet capital calls and where to reinvest any distributions received.

8. Rebalancing

As noted, responsibility for monitoring the Scheme's asset allocation and any rebalancing activity is undertaken by Mercer. Mercer reviews the balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the balance between the Growth and Matching Portfolio is deemed to be outside an agreed tolerance range, Mercer will seek to rebalance these allocations back towards the target allocations. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth Portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

9. Environmental, Social, and Corporate Governance, Stewardship, and Climate Change

The Trustee believes that good stewardship and the incorporation of environmental, social, and corporate governance (ESG) factors into its investment decision-making processes can have a material impact on the financial and non-financial performance of the Scheme's assets over the medium and long-term. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above, the Trustee has appointed Mercer to act as discretionary investment manager in respect of the Scheme's assets and such assets are in a range of Mercer Funds managed by MGIE and Mercer AG. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments. The asset managers are expected to act in accordance with their own corporate governance policies and current best practice, such as the UK Stewardship Code.

The United Nations' Sustainable Development Goals ("SDGs") inform Mercer's long term investment beliefs and direct Mercer's and the Trustee's thinking when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer's Sustainability Policy.

The Trustee considers how ESG, climate change and stewardship practices are integrated within Mercer's, MGIE's and Mercer AG's investment processes and those of appointed underlying asset managers in the monitoring process. In particular, Mercer and its affiliates are expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

The Trustee has also considered the Sponsor's responsible investment policy, and note their commitment to achieve an absolute reduction of Scope 1 and 2 emissions by 65% and Scope 3 emissions by 30% by 2030 and to being net-zero by 2050. Mercer's commitment is to a target of net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios and the majority of its multi-client, multi asset funds domiciled in Ireland.

Mercer undertakes climate scenario modelling and stress testing on the Mercer multi-sector funds used by the Scheme, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The results of the latest climate scenario modelling are within the TCFD compliant Climate Change Management Report. The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2˚C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.

An allocation to Sustainable Equities and Sustainable Opportunities (private markets) is directly made by the Scheme and a detailed standalone sustainability monitoring report is produced for the Mercer Sustainable Global Equity Fund on an annual basis and is reviewed by the Trustee. The approach considers revenues that positively and negatively contribute to environmental and social outcomes (also mapped to the SDGs). The actively managed Sustainable Global Equity Fund includes an allocation to an impact strategy employing fundamental analysis to target companies that aim to achieve positive Environmental and Social Impact.

The Trustee recognises the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

Member views

Member views are not taken into account in the selection, retention and realisation of investments.

Investment Restrictions

The Trustee has not set any investment restrictions in relation to particular Mercer Funds. The restrictions applied by Mercer and MGIE are outlined in the publicly available Sustainability Policy.

10. Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustee's investment strategy outlined in section 5, the Trustee are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in section 5. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer, MGIE or Mercer AG fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustee receives, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Trustee are invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustee reviews the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustee's focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer, MGIE nor Mercer AG make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE and Mercer AG to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process. This includes the asset managers' policies on voting and engagement activities.

Section 9 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Funds' investment objectives or the objectives/policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE and Mercer AG may be based, at least in part, on their success in meeting expectations.

The Trustee is a long-term investor and is not looking to change their investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 5. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the investment strategy, and investment management of the assets. Mercer AG fees are charged based on net commitment for the first four years following the final close and, thereafter, by reference to the Net Asset Value of the Mercer Fund. In addition, the underlying third-party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, MGIE's, Mercer AG's and the third-party asset managers' fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report & Accounts and within the Scheme's annualised MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also includes details of the transaction costs associated with investment in the Mercer Funds.

The Trustee does not have an explicit targeted portfolio turnover range, given the target Growth:Matching allocation, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Other than in respect of private markets investments where turnover in the Mercer Funds does not usually apply, performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying asset managers undertaken by MGIE.

11. Additional Assets

The Scheme's Additional Voluntary Contributions (AVCs) Funds are closed to future contributions. These are currently held with Clerical Medical Investment Group Limited, The Prudential Assurance Company Limited and Utmost Life and Pensions Limited. Under the terms of the trust deed the Trustee are responsible for the investment of any Additional Voluntary Contributions paid by members. The Trustee reviews the investment performance of the chosen providers as appropriate and take advice as to the providers' continued suitability.

12. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Agreed for and on behalf of the Trustee from Time to Time of the Nike (UK) Limited Retirement Benefits Scheme