



Mr. Francisco Manuel Ruiz-Risueño
Administrator
Special Committee on Financial Crimes, Tax Evasion and Tax Avoidance
European Parliament
Rue Wiertz 60
B-1047
Brussels
Belgium

18 June, 2018

Subject: Nike response to European Parliament Special Committee questions

Dear Mr. Ruiz-Risueño,

In its tax affairs, Nike enables and supports its business strategy and balances the interests of its stakeholders, including shareholders, employees, customers, partners, governments, and communities in which we operate.

Nike organizes its business in a way that supports international growth and facilitates investments in our brands. Our economic contributions include, jobs, investments, buying goods and services, and funding community programs supporting wellness, fitness and the future of sport. Our tax contributions include import duties, income tax, VAT, payroll and other taxes we pay or collect on behalf of the authorities in the countries in which we operate.

Nike complies with local and international tax laws and guidelines, such as the OECD guidelines. Transfers between related parties are conducted on an arm's-length basis. Nike has always, and will continue to, adapt to any changes in tax law to ensure we remain compliant with each and every country in which we operate.

Nike has accepted the invitation of the European Parliament Special Committee as it welcomes a transparent dialogue about the changing international tax landscape. Nike believes changes to the international tax laws should be coordinated on an international level.

In the Annex, we have set out our responses to the set questions from the European Parliament's Special Committee. We note that some of the questions relate to either material non-public or commercially sensitive information. Where this is the case, we have answered in a manner that maintains the confidentiality of the material non-public or commercially sensitive information.

Nike remains focused on the future of sport and the next generation of athletes and we look forward to a constructive and transparent dialogue with the European Parliament's Special Committee.

Yours sincerely,



Patricia Johnson

Vice-President and Chief Tax Officer, Nike Inc.

Annex – Nike response to European Parliament Special Committee questions

Did the adoption of OECD BEPS prompt your company to change its tax planning strategy? Did you change your tax planning strategy following the revelations of the Paradise Papers revelations?

Nike supports the objectives of BEPS, including to ensure that income is only taxed once. Nike recognizes that, as a result of BEPS and other international developments, certain long-standing international tax standards and principles are evolving. Nike will continue to monitor these developments and adapt accordingly to ensure we continue to comply with tax rules and regulations in all countries in which we operate.

What impact has had the US Tax Reform in your tax planning strategy?

At this time, we are evaluating the new US laws and the impacts on Nike. As with many companies, one of the initial impacts of US tax reform was the ‘transition tax’. The transition tax will tax all income ever earned outside the United States, permanently reinvested overseas even if not repatriated to the US.

In March 2018, following changes in US tax law, Nike recorded a provisional tax expense of approximately \$2.0B on accumulated foreign earnings which had previously not been repatriated to the US, including the remeasurement of deferred tax assets and liabilities. As a result, at this time, all of Nike global earnings have been subject to tax.

This is the first year in which, pursuant to Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, and transposing national legislation, your business group would have to provide, inter alia, a country-by-country report for each tax jurisdiction in which you do business, the amount of revenue, profit before income tax and income tax paid and accrued. Would you agree to share that report with the Committee?

Nike complies with tax regulations in all countries in which we operate, and we rigorously ensure our tax filings are fully aligned with how we run our business, where value is created, the investments we make and the jobs we create. Nike’s compliance with tax laws regulations includes these new provisions on country-by-country reporting.

These reports are disclosed to foreign taxing authorities under the procedures agreed to by the OECD and European policy-makers and as adopted in US tax law. This governs our treatment of these reports. The OECD has on multiple occasions confirmed that these reports should be used solely by taxing authorities, very prudently and only as a tool for risk assessments.

What is the share of income obtained from royalties in relation to the turnover of your corporation?

The ratio of royalties to turnover is not a key measurement for Nike or one we actively track.

Have the Paradise Papers revelations or any other public report related to tax avoidance and the fact that you are mentioned therein had any impact on your consumers’ behaviour? Have you suffered any damage on account of those revelations? If that is the case, which is the damage you have suffered? What measures have you taken to reduce this damage?

We always listen to the voice of our consumers and we continue to closely monitor public opinion around our brand and business.

How does your company structure the collection of income related to image rights? Do you use any specific subsidiaries in some countries? If this is the case, can you specify the country and explain why have you chosen that jurisdiction? Have you changed your practice after the Paradise Papers revelations and the US Tax Reform?

The remuneration for our image rights – as with all of Nike’s Intellectual Property Rights - is embedded in the selling price of our products, whether sold to third parties or related parties. Nike sells its products through various channels including regional hubs and local distributors. The locations where these sales entities are located are driven by business objectives and needs.

We have not made any changes to our operating structure as a result of the Paradise Papers.

At this time, we are evaluating the new US laws and the impacts on Nike. As with many companies, one of the initial impacts of US tax reform was the so called 'transition tax'. The transition tax will tax all income earned outside the United States, permanently reinvested overseas and not yet repatriated to the US.

In March 2018, following changes in US tax law, Nike recorded a provisional tax expense of approximately \$2.0B on accumulated foreign earnings which had previously not been repatriated to the US, including remeasurement of deferred tax assets and liabilities. As a result, at this time, all of Nike global earnings have been subject to tax.

How many people in-house and outsourced do respectively work on direct corporate tax planning and compliance? What percentage of your staff does it represent?

The size and structure of Nike's global tax team is commensurate with the global nature of our business and operations. Every member of our staff supports tax compliance for the countries in which we operate and no single staff member is solely focused on direct corporate tax planning.

We utilize outside firms to support our internal teams and ensure we remain compliant, especially as the laws of the countries in which we operate evolve.

Which is the relation between the expenditure your company incurs for innovation-related activities and the amount of royalties income?

Our mission at Nike has been to bring inspiration and innovation to every athlete in the world. Nike's innovation has made it a market leader in its industry. Intellectual property - including trademarks, copyrights and patents - are important to our brand, our success, and our competitive position and are key value drivers for our business. The vast majority of our innovation and intellectual property originates in the United States.

The amount that we invest in innovation is highly competitive and confidential information which we do not disclose publicly.