

Nike Inc.

TICKER
NYSE:NKE

MARKET CAPITALIZATION
US\$111 billion

HEADQUARTERS
United States

COMPLIANCE

UK Modern Slavery Act: [Yes](#)

California Transparency in Supply Chains Act: [Yes](#)

COMMITMENTS
[Yes](#)

OVERALL RANKING

9 out of 43

(2016: 10 out of 20)

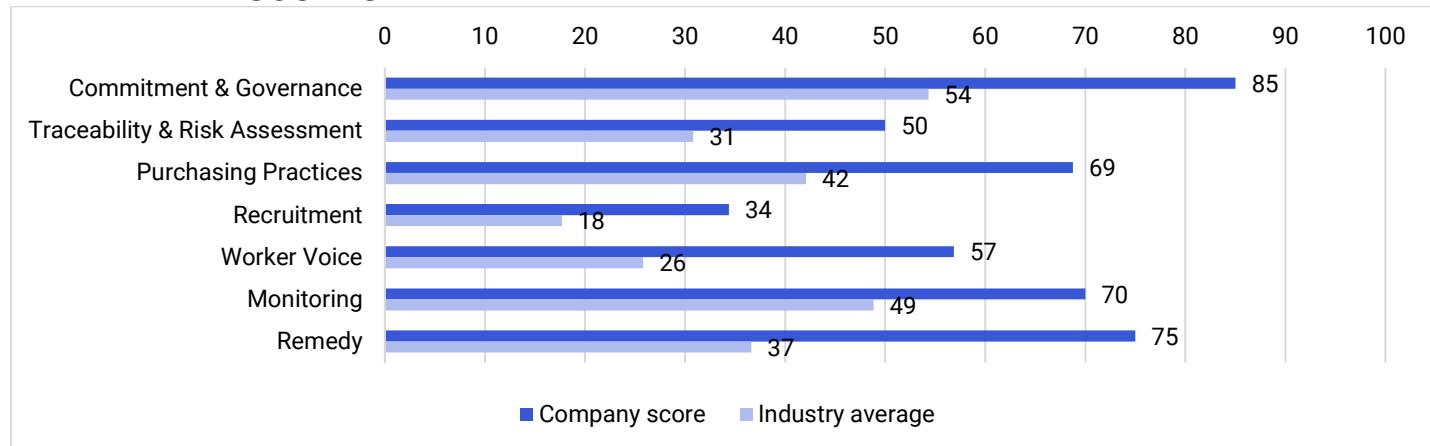
OVERALL SCORE

63 out of 100

SUMMARY

Nike Inc. (Nike), the world's third-largest apparel company and the largest athletic retailer, ranks ninth out of 43 companies, disclosing more information on its forced labor policies and practices than its peers across all themes. Compared to 2016, the company improved its rank from tenth to ninth. Since 2016, the company has improved its performance and disclosure by updating the forced labor provisions of its supplier standards, providing translations of the standards, and communicating the updates to its first- and second-tier suppliers. The company further disclosed its second-tier supplier list, audited some second-tier suppliers, instituted a process to assess forced labor risks, and engaged with local stakeholders in Turkey and Malaysia on migrant workers and with the Mexican government on freedom of association. Additional steps the company could take to address forced labor risks in its supply chains include strengthening its disclosure and practices on the themes of Traceability & Risk Assessment, Recruitment, and Worker Voice.

THEME-LEVEL SCORES



LEADING PRACTICES

Supply Chain Standards: Nike discloses that, in 2017, it updated its supplier standards to include provisions to manage risks of forced labor related to the recruitment process and to vulnerable workers such as migrant workers and interns. The company notes that it communicated its updated standards to its first- and second-tier suppliers via letters from the company's senior management and also launched regional supplier trainings.

Traceability: Nike discloses an interactive map of its current suppliers, including information about a factory's group affiliation, location, address, and the type of product produced. The map also includes the number of workers and information on the workforce profile, including the percentage of women and migrant workers among its first-tier suppliers. The map further includes the names and addresses of the company's second-tier material suppliers.

Purchasing Practices: Nike discloses that it proactively engaged with Better Buying, an initiative that allows suppliers to rate the purchasing practices of their buyers anonymously. The company states that it has invited its first-tier suppliers to take part in the survey and to submit their ratings on Nike. Additionally, Nike states that its sourcing strategy prioritizes suppliers that show leadership in corporate responsibility and that it recognizes that its ability to influence its supply chains is partly dependent on how it builds "the right incentives and sanctions into [its] business relationships." Nike has introduced a Sustainable Manufacturing & Sourcing Index as part of its overarching Manufacturing Index, which, in addition to traditional metrics, scores factories on sustainability criteria, including labor practices. It also discloses a collaboration with the International Finance Corporation, which "offers financing on better terms" to reflect lower risks of factories that comply with the company's supplier code. It reports that at the end of 2017, 23 factories had made use of this scheme.

NOTABLE FINDINGS

Freedom of Association: Nike discloses it was one of the first signatories to the 2011 Freedom of Association Protocol in Indonesia, an agreement endorsed by unions, suppliers, and brands manufacturing in the country and aiming to support unionization. The company states it meets regularly with the committee supervising the implementation of the Protocol to review progress and discuss further opportunities for improvement. Additionally, Nike discloses that it advocates for legislative reform on freedom of association in Mexico, in support of full protection of workers' rights. In 2017, it engaged in dialogue with the Mexican government, together with the Fair Labor Association (FLA) and other brands and retailers.

Monitoring: Nike discloses that, in 2017, it conducted 406 audits and assessments; one was undertaken by the FLA and 15 were conducted through Better Work. The audits were completed at 100% of its first-tier suppliers. The company discloses that it also audits select second-tier suppliers and that it is expanding these assessments through the use of the Social Labor Convergence Project's assessment tool. Nike discloses that it requires training for all internal and external auditors and that third-party auditors are required to have a minimum of six years' auditing experience and must, prior to approval, receive training on Nike's standards and audit methodology, pass an exam, and attend annual refresher training thereafter. In addition, the company discloses audit outcomes, which include information on non-compliances identified.

Remedy: As a member of the FLA, the company uses audits and audit follow-up provided by the FLA. The resulting publicly available "Workplace Monitoring Reports" provide evidence of outcomes of these remediation efforts. Examples include a factory in Vietnam, which revised its policy to provide a childcare allowance for probationary workers to allow workers to take leave to care for sick children (such requests were previously denied) and a completed free trade union election, which resulted in the election of representatives who are not human resources staff. In another example related to a Chinese supplier which initially did not provide space for trade union representatives and had nearly all representatives made up of supervisors and managers. The supplier subsequently established a trade union independent office and held elections where worker representatives, rather than supervisors, were elected.

OPPORTUNITIES FOR IMPROVEMENT

Traceability & Risk Assessment: To demonstrate a strong understanding of its supply chains, the company may consider disclosing the sourcing countries of raw materials at high risk of forced labor and human trafficking. Further, it is encouraged to disclose details on its risk assessment process and to disclose forced labor and human trafficking risks in different tiers of its supply chains.

Recruitment: To avoid the exploitation of migrant workers in its supply chains, the company is encouraged to require that, where recruitment fees have been paid by its suppliers' workers, suppliers provide evidence that the fees are reimbursed to the workers. The company may further consider providing details of how it supports ethical recruitment in its supply chains (for example by using ethical recruitment agencies or supporting the development of ethical recruitment schemes) and of how it works with its suppliers to ensure that migrant workers' rights are respected.

Worker Voice: The company requires suppliers to provide a grievance mechanism and provides stakeholders with access to the FLA's grievance mechanism. It also developed a mobile platform through which contract footwear companies' employees in Indonesia can submit grievances. The company is encouraged to ensure that these mechanisms are communicated to its suppliers' workers and relevant stakeholders. Further, the company may consider disclosing data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved, or an evaluation of the effectiveness of the mechanism, and providing evidence that the mechanism is available to and used by workers below the first tier of its supply chains.

COMPANY PROVIDED ADDITIONAL DISCLOSURE

Yes.