

KnowTheChain Apparel & Footwear Benchmark - Additional Disclosure 2020/2021

Company Name: Nike, Inc.

Date: February 2021

Guidance:

- We welcome examples of leading practices.
- Unless you are sharing leading practices, please limit the information to indicators for which KnowTheChain could not yet identify sufficient information on your website. Please see the 'comment text' and 'source' cells in the Excel document for the information we have already reviewed.
- Note KnowTheChain has already undertaken a review of your website. Should you wish to include links to existing disclosure, please specify the page number / section you are referring to (extensive additional disclosure documents that include a comprehensive list of links already reviewed will not be considered).

THEME 1: COMMITMENT AND GOVERNANCE

1.1 Commitment

The company:

- (1) publicly demonstrates its commitment to addressing forced labor and human trafficking.

At NIKE, we respect human rights in our operations and extended value chain, and conduct business ethically and sustainably. NIKE supports human rights as defined by the Universal Declaration of Human Rights, which recognizes that “all human beings are born free and equal in dignity and rights.” We work to elevate human potential through our products, partnerships and operations, something that cannot be accomplished without a fundamental respect for human rights throughout NIKE’s operations. We expect the same from our suppliers, and focus on working with long-term, strategic suppliers that demonstrate a commitment to engaging their workers, providing safe working conditions and advancing environmental responsibility. This includes working to combat risks of forced labor.

Nike, Inc.’s Statement on Forced Labor, Human Trafficking and Modern Slavery for Fiscal Year 2020 is available here: <https://purpose.nike.com/nike-statement-on-forced-labor>

For more information on NIKE’s commitment to sustainability and human rights, please see our annual [Impact Report](#).

For more information on NIKE’s commitment to Human Rights please see our website: <https://sustainability.nike.com/human-rights> and statement within Nike’s FY20 Impact Report.

1.2 Supplier Code of Conduct

The company's supplier code of conduct:

- (1) requires suppliers to respect the ILO core labor standards, which include the elimination of forced labor;
- (2) is easily accessible from the company's website;
- (3) is updated regularly, following internal review and input from external stakeholders;
- (4) is communicated to the company's suppliers; and
- (5) requires its first-tier suppliers to take steps to ensure that their own suppliers implement standards that are in-line with the company's supply chain policies addressing forced labor and human trafficking.

As a baseline for working with Nike, factories must comply with our Code of Conduct and Code Leadership Standards which are aligned with International Labour Organization (ILO) standards, including the Fundamental Principles and Rights at Work. Those standards are designed to protect the rights of workers, create a safe working environment, and safeguard the communities and areas where they operate. The Code and CLS apply to all suppliers, including their subcontractors, involved in the manufacturing, handling, and storing of Nike product as part of Nike's end-to-end supply chain

Our Code of Conduct and Code Leadership Standards are updated to reflect the expectations we have for our suppliers. In 2020, we updated our NIKE, Inc. Code of Conduct and Code Leadership Standards to better reflect our priorities across labor, health and safety, and the environment, as well as to further align with expectations of key stakeholders for NIKE and our industry. Those changes were approved by the NIKE, Inc.'s Executive Leadership Team (see section 1.3 below) and were released publicly in March 2021. Prior to this update, Nike's Code of Conduct was refreshed most recently in 2017.

Updates made to the Nike Code of Conduct and Code Leadership Standards elevate key risks of forced labor beyond recruitment fees, to further align our definition of fees to International Labour Organization standards and outline the supplier's responsibility in oversight of agents and in direct recruitment of foreign workers.

1.3 Management and Accountability

The company:

- (1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labor and human trafficking; and
- (2) has tasked a board member or board committee with oversight of its supply chain policies that address forced labor and human trafficking.

NIKE's commitment to ethical practices in our own operations and our supply chain begins at the highest level – from our CEO and Board of Directors. NIKE, Inc.'s

Corporate Responsibility, Sustainability & Governance (CRS&G) Committee of the Board of Directors review significant strategies, policies and activities and make recommendations to NIKE's Board of Directors regarding sustainability, contract manufacturer labor, health & safety, and environmental practices, human rights, community impact and charitable activities.

In FY20, we expanded executive oversight of Purpose to include the entire Executive Leadership Team (ELT), reflecting the greater integration and accountability of Purpose into the entirety of the organization.

NIKE's ELT provides oversight and enterprise leadership for integrating sustainability into corporate and functional strategy to ensure that the efforts are resourced and supported to be successful. The ELT also reviews and approves Nike Inc's Statements on Forced Labor, Human Trafficking and Modern Slavery.

NIKE's supply chain standards and ethical sourcing strategies, programs policies and processes are managed by the Sustainable Sourcing & Manufacturing team, comprised of over 100 individuals in 10 countries globally. The team is embedded within and reports to the head of NIKE's Global Sourcing & Manufacturing team.

For more information, please see [Nike's FY20 Impact Report](#).

1.4 Training

The company:

- (1) trains all relevant decision-makers within the company on risks and policies that address forced labor and human trafficking;
- (2) trains its first-tier suppliers on risks and policies that address forced labor and human trafficking and discloses the percentage of first-tier suppliers trained; and
- (3) engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labor and human trafficking to their own supply chains and/or trains suppliers below the first tier on such policies.

To more fully integrate our compliance and sustainability criteria into sourcing decisions, NIKE provides training to those with direct responsibility for supply chain management. The training advances enhanced understanding and compliance with our sustainability policies, standards for ethical recruitment and our Code of Conduct. The training curriculum was updated in FY19 including expanded information on our requirements to prevent risks of forced labor.

We conducted trainings with all suppliers following the update to our Code of Conduct and Code Leadership Standards in the fall of 2017 and host regional learning community meetings and other supplier events to support suppliers' ability to meet local law and NIKE's standards and to implement best practices including those to prevent risks of forced labor or trafficking (see more information below in 1.5). We

will also be providing training for our Tier 1 and Tier 2 suppliers on our recently updated Code of Conduct and Code Leadership Standards in 2021.

NIKE also frequently convenes supplier events, or learning communities, designed to share information on NIKE expectations, developments on local policies/legislation, and other sustainability and labor best practices. Considerations related to management of migrant workers is a key area of focus given that many of our suppliers and vendors are in countries where it is common to recruit workers cross-border. 13% of Nike's Tier 1 and Tier 2 suppliers are located in these focus countries, where Nike deploys various workstreams in eliminating forced labor and protecting the rights of foreign migrant workers. Training and capability building are included in these work streams.¹ For example, in FY20 suppliers in Thailand organized a learning community event related to foreign migrant workers where they reviewed and updated Thailand suppliers' migrant handbook to incorporate recommended countermeasures from CUMULUS Forced Labor Screens risk assessments.

Building on supplier workshops in Malaysia and Taiwan during FY19, in FY20, NIKE organized a supplier workshop in partnership with the [Issara Institute](#) for both Tier 1 and Tier 2 suppliers in Thailand. The agenda was tailored to address key country recruitment risks identified through the CUMULUS Forced Labor Screen due diligence tool. The workshop provided suppliers with practical knowledge of recruitment trends, local laws and transnational processes in Thailand and its main recruitment corridors. The training also highlighted the importance of worker voice in the building of an ethical recruitment program.

In FY20, Nike also worked with [Verité](#) to develop a responsible recruitment guide and reimbursement tool, aiming to provide guidance on how to effectively implement an employer pays model. The guide seeks to aid suppliers and other stakeholders in navigating the recruitment process with practical guidance, including legal requirements for transnational recruitment, recruitment processes by country, references on fees encountered during recruitment and potential red flags. These resources were shared with NIKE's Tier 2 suppliers in Malaysia and Taiwan in FY20. We have also shared the tools with other brands to improve usability and share knowledge and resources with others in our sector.

1.5 Stakeholder Engagement

To fully understand and address working conditions in sourcing countries, companies need to engage with potentially affected groups and local stakeholders such as trade unions, worker organizations, or local NGOs—in addition to suppliers. Furthermore, as forced labor risks tend to be systemic in nature, collaboration with other companies, for example, to

¹ Disclosure in Institute for Human Rights and Business (IHRB)'s Leadership Group for Responsible Recruitment (LGRR) Reporting Framework in 2020

engage policy makers to strengthen labor legislation, is needed to address forced labor in supply chains.

In the last three years, the company has engaged relevant stakeholders by:

- (1) providing at least two examples of engagements on forced labor and human trafficking with stakeholders such as policy makers, worker rights organizations, or local NGOs in countries in which its first-tier suppliers and suppliers below the first tier operate; and
- (2) actively participating in one or more multi-stakeholder or industry initiatives focused on eradicating forced labor and human trafficking across the industry.

NIKE regularly engages with governments, worker rights organizations and other relevant stakeholders regarding labor rights and working and living conditions in the countries where our suppliers operate.

NIKE believes addressing critical human rights risks, such as forced labor, often requires a collective approach. NIKE has long partnered with multi-stakeholder and external organizations such as the Fair Labor Association, the International Labour Organization's Better Work Programme, and the Better Cotton Initiative to address labor risks in our supply chain. Through our partnerships with these and other organizations, we work on a wide range of human rights risks, including those related to forced labor.

NIKE was a founding signatory to the Apparel & Footwear Commitment on Responsible Recruitment. The principles of the Commitment, centered on addressing risks for forced labor, are aligned with NIKE's standards and the work we have been doing with our supply chain manufacturers for more than a decade. We believe this builds on the focus by several other sectors to drive change in the dynamics of how workers are recruited for cross-border employment.

NIKE is also a member of the Leadership Group for Responsible Recruitment (LGRR), an initiative of the Institute for Human Rights and Business. In addition, Nike is a member of the Responsible Labor Initiative (RLI), an initiative of the Responsible Business Alliance to further our work and goals on eliminating forced labor risks in our supply chain. Each organization helps us to advance core aspects of our strategy.

NIKE shares the aims of the LGRR to drive positive change in the international recruitment industry, starting with a focus on prohibiting workers paying fees for their employment. We believe the adoption of the Employer Pays Principle, which states that no worker should pay for a job and the costs of recruitment should be borne by the employer, is a critical factor in helping eliminate forced labor risks in our supply chain, industry and beyond. We also engage in moving forward the agenda on this important topic through our support of LGRR's advocacy to governments and organizations for the adoption of the Employer Pays Principle.

As part of the RLI, NIKE can advance our work with suppliers on the implementation of our standards for ethical recruitment and employment of foreign workers. The RLI is focused on providing support to brands and suppliers to understand, prioritize and address forced labor risks through the development of concrete tools designed to improve recruitment and employment practices. NIKE is also a member of RLI's Steering Committee.

NIKE has continued to actively engage with the Malaysian government through roundtable sessions, national conferences and meetings focused on Malaysia as the receiving country for foreign migrant workers, a population that is especially vulnerable to forced labor risks. Additionally, in FY20, Nike participated in a strategic dialogue convened by LGRR with the government of Thailand on their continued legislative and policy development regarding foreign migrant workers.

We also have been working with suppliers who employ foreign migrant workers to address particular vulnerabilities for those workers as a result of the COVID-19 pandemic. We have engaged with the International Organization for Migration (IOM) and other organizations through our memberships with the Responsible Labor Initiative and the Leadership Group for Responsible Recruitment and have been working to provide resources and information to our suppliers to support their different national cohorts of foreign migrant workers.

In FY20, Nike, joined the Better Cotton Initiative (BCI) Task Force on Forced Labor, a group of representatives from civil society, brands and consultancies with expertise in human rights and forced labor risks to conduct a holistic review of BCI's approach to assurance on decent work and forced labor conditions. The work resulted in a public report with specific recommendations to enhance BCI's approach to addressing decent work and forced labor risks in the cotton supply chain and will be reviewed and evaluated for implementation into the program.

In FY20, Nike joined Issara Institute's strategic partnership program in Thailand through which Nike suppliers will have access to resources, on-going support and coaching from Issara in strengthening their foreign migrant workers' management systems. Issara Institute is an independent NGO based in Southeast Asia and the United States tackling issues of human trafficking and forced labor through worker voice, partnership, and innovation. The Institute was established in 2014 by a team of anti-trafficking experts coming out of the United Nations who created an alliance of private sector, civil society, and government partners to address labor issues in global supply chains.

We will continue to expand and evolve our work with other peers, NGOs, and organizations to increase respect for human rights and to accelerate positive impact in the countries where we and our suppliers operate.

Nike is committed to ethical and responsible manufacturing and we uphold international labor standards. We are concerned about reports of forced labor in, and connected to, the Xinjiang Uyghur Autonomous Region (XUAR). Nike does not

source products from the XUAR and we have confirmed with our contract suppliers that they are not using textiles or spun yarn from the region.

Nike takes very seriously any reports about forced labor and we have been engaging with multi-stakeholder working groups to assess collective solutions that will help preserve the integrity of our global supply chains

For more information, please see [Nike's statement on Xinjiang](#).

THEME 2: TRACEABILITY AND RISK ASSESSMENT

2.1 Traceability and Supply Chain Transparency

The company discloses:

- (1) the names and addresses of its first-tier suppliers;
- (2) the countries of its below-first-tier suppliers (this does not include raw material suppliers);
- (3) the sourcing countries of at least three raw materials at high risk of forced labor and human trafficking; and
- (4) the number of workers per supplier, and one additional data point on its suppliers' workforce (e.g., the gender ratio, migrant worker ratio, or level of unionization per supplier).

NIKE discloses the names and addresses of all Tier 1 finished goods manufacturers and Tier 2 materials suppliers, representing approximately 80% of production volume, in its [Manufacturing Map](#).

NIKE's Manufacturing Map also includes supplier group as well as demographic information, including average age, gender, and percent of migrant workers for Tier 1 supplier facilities as well as product type. The map is updated on a quarterly basis.

2.2 Risk Assessment

Risk assessment involves evaluating the potential that a company has (by virtue of who its suppliers are and where they are located) of being linked to forced labor and human trafficking. Risk assessment is a process that is carried out in addition to and outside of auditing. It helps identify potential forced labor risks as well as actual impacts that may be hard to detect through audits. This process may involve engaging local stakeholders, labor rights experts, independent sources, and assessing risks associated with specific raw materials, regions, or groups of workers such as migrant workers.

The company discloses:

- (1) details on how it conducts human rights supply chain risk or impact assessments that include forced labor risks or assessments that focus specifically on forced labor risks; and
- (2) details on forced labor risks identified in different tiers of its supply chains.

NIKE continually evaluates and updates our systems to identify and address supply chain risks, including those related to forced labor. This process includes information from external sources such as risk assessments for key human rights risks, supplier specific risk profiling based on location, including the employment of vulnerable worker groups, and areas of improvement identified in audits. We also review information on key and emerging risk areas identified through our engagement with external stakeholders. NIKE is working towards mapping these risks further up the supply chain and is expanding engagement with Tier 2 suppliers. In recent years, we have prioritized our work on forced labor risks to focus on suppliers employing foreign migrant workers, a key vulnerable worker population.

In FY19, NIKE launched Verité's CUMULUS Forced Labor Screen™, a new due diligence tool to help identify risks related to the recruitment of foreign migrant workers by NIKE suppliers. NIKE was among the first adopters of the tool during its limited release with our initial launch with both Tier 1 and Tier 2 suppliers in Malaysia. In FY20, we expanded use of the tool to include Tier 1 and Tier 2 suppliers Thailand, Taiwan, Japan, Jordan and Egypt. The work aims to help us understand current recruitment practices more deeply and allows us to map overlaps in recruitment agents at both the facility and country level. This process helps NIKE identify risks and opportunities to further support our suppliers and their recruiting agents in implementing best practices and serves as an ongoing tool to monitor the effectiveness of programs in addressing and minimizing risks related to forced labor.

In FY20, NIKE organized a supplier workshop in partnership with the Issara Institute for both Tier 1 and Tier 2 suppliers in Thailand. The agenda was tailored to address key country recruitment risks identified through the CUMULUS Forced Labor Screen™ due diligence tool. The workshop provided suppliers with practical knowledge of recruitment trends, local laws and transnational processes in Thailand and its main recruitment corridors. The training also highlighted the importance of worker voice in the building of an ethical recruitment program.²

THEME 3: PURCHASING PRACTICES

3.1 Purchasing Practices

² Disclosure in Institute for Human Rights and Business (IHRB)'s Leadership Group for Responsible Recruitment (LGRR) Reporting Framework in 2020

Purchasing practices and pricing may both positively impact labor standards in the company's supply chains and increase risks of forced labor and human trafficking.

The company:

- (1) is taking steps toward responsible raw materials sourcing;
- (2) is adopting responsible purchasing practices in the first tier of its supply chains, which include planning and forecasting;
- (3) provides procurement incentives to first-tier suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts); and
- (4) discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labor and human trafficking.

We work hard to source raw materials we're proud of, use materials made with only the resources required and no more, and use materials that are sourced responsibly and sustainably. This means working side by side with suppliers' pursuit of transparency and sustainability practices, opting to amend or end supplier relationships that don't meet our Code of Conduct standards. We also work across industry to raise the bar, founding and engaging in industry associations and driving new initiatives. For instance, for the last ten years we've worked with our supply chain to certify 100% of our cotton to organic, BCI (Better Cotton Initiative) or recycled standards by the end of fiscal year 2020, ensuring we are sourcing the best portfolio of cotton available. As of the end of FY20 we met our target and 100% of our cotton is organic (9%), recycled (1%) or BCI certified (90%).

In FY20, Nike, joined the Better Cotton Initiative (BCI) Task Force on Forced Labor, a group of representatives from civil society, brands and consultancies with expertise in human rights and forced labor risks to conduct a holistic review of BCI's approach to assurance on decent work and forced labor conditions. The work resulted in a public report with specific recommendations to enhance BCI's approach to addressing decent work and forced labor risks in the cotton supply chain and will be reviewed and evaluated for implementation into the program.

NIKE has built long-term relationships with our suppliers, some of whom we have been working with for more than 40 years. Today, over 90% of Nike footwear and branded apparel is made by factory groups that we have worked with for over 15 years.

As part of our commitment to responsible purchasing practices and transparency, NIKE and has proactively partnered with Better Buying to invite our Tier 1 supplier groups to rate us through their platform. Better Buying is an initiative that seeks to examine how the purchasing practices of buyers may impact the financial, environmental and social sustainability of suppliers' businesses. The 2020 Better Buying public report can be found [here](#).

We assess sustainability through our Sustainable Manufacturing and Sourcing Index for Tier 1 Suppliers, a system for combining factory ratings for human resource management, as well as for health, safety and the environment that we launched in 2012 and have evolved and improved over the years. This system gives environmental, health and safety, and human resource management performance equal weight alongside business metrics in our sourcing, increases transparency to reduce non-compliant practices and creates targets and incentives for our suppliers to go well beyond compliance.

We use the information to inform our long-term sourcing strategy, increasing business with the best performing supplier. Harvard Business School published a case that explores the evolution of Nike's global product sourcing strategy, in particular ongoing efforts to improve working conditions at its suppliers' factories.

We also have a collaboration with the International Finance Corporation (IFC) which offers financing on better terms to reflect lower risks of factories that comply with our Code of Conduct. At the end of FY20, 46 factories were participating, which disbursed more than \$717.7 million in FY20, representing a 65% increase in the program over FY19.

For more information, please see our FY20 Nike Impact Report.

3.2 Supplier Selection

The company:

- (1) assesses risks of forced labor at potential suppliers before entering into any contracts with them and discloses details on the outcomes of this process; and
- (2) addresses risks of forced labor related to sub-contracting and discloses details on the outcomes of this process.

All potential new suppliers are subject to the New Source Approval Process. Risks of starting a new supplier relationship within the requested country are considered, requiring additional approval for locations in countries identified as high risk. Suppliers must receive an overall Bronze audit rating —our base acceptable level — prior to beginning full production.

The audit includes evaluation of compliance with our Code of Conduct and Code Leadership Standards, which expressly state that employment is voluntary, and that the supplier does not use forced labor whether in the form of prison labor, indentured labor, bonded labor or otherwise. The supplier is also responsible for payment of employment eligibility fees of all workers, including recruitment fees. Any facility which has not gone through this process and been approved is not allowed to begin NIKE production.

In our FY20 FLA self-assessment, Nike submitted to the FLA our audit and new supplier onboarding standard operating procedures, which outline our detailed process to validate compliance to our Code of Conduct and Code Leadership Standards. This requirement applies to all proposed, above the line contract factories manufacturing Nike Inc. product, including subcontractors, agents and licensees, and must take place prior to the start of production. Nike also submitted our audit tools to the FLA, which includes verification of subcontractors used by the suppliers.

For more information on prohibitions on subcontracting, please see our [Code Leadership Standards](#).

3.3 Integration into Supplier Contracts

The company:

- (1) integrates the ILO core labor standards, which include the elimination of forced labor, into supplier contracts;
- (2) discloses the percentage of suppliers whose contracts include such standards; and
- (3) requires its suppliers to integrate such standards into contracts with their own suppliers.

Nike's Code of Conduct integrates the ILO core labor standards into its framework, including the elimination of forced labor.

All (100%) of contract manufacturers that Nike works with are required to comply with our Code of Conduct and Code Leadership Standards per the terms of our Supply Agreement.

Nike also conducts ongoing trainings and other in person meetings and engagement with suppliers to reinforce understanding of our requirements.

NIKE requires its finished goods suppliers to verify they are sourcing materials from vendors that are compliant with NIKE's Restricted Substances List (RSL) and NIKE's Code of Conduct. NIKE's Supplier Agreement also explicitly requires suppliers to comply with all local and country-specific labor laws and NIKE's Code of Conduct and Code Leadership Standards.

As part of the FY20 FLA self-assessment process, the FLA validated information we disclosed outlining requirements in the Nike supplier agreement that suppliers adhere to the Nike Code of Conduct and Code Leadership Standards and that suppliers require that all sub-contractors adhere to these requirements.

THEME 4: RECRUITMENT

4.1 Recruitment Approach

The company:

- (1) has a policy that requires direct employment in its supply chains;
- (2) requires employment and recruitment agencies used by its suppliers to respect the ILO core labor standards, which include the elimination of forced labor; and
- (3) discloses information on the recruitment agencies used by its suppliers.

Nike's Code of Conduct and Code Leadership standards outline our expectations that employment is voluntary, including policies related to recruitment, alignment with ILO core labor standards and use of recruitment agencies. Except where specifically identified as a recommended practice, Nike's Code Leadership Standard sets minimum standards suppliers must comply with any applicable higher legal requirement and are encouraged to continue to develop their own practices which provide greater protection for their employees.

Nike's CLS outlines the following

- The supplier does not engage in any type of forced labor, human trafficking, or modern slavery, including prison, indentured, bonded or otherwise. The supplier is responsible for payment of all employment eligibility fees of all workers, including recruitment fees. The supplier complies with all requirements in the CLS to address key risks of forced labor, such as requiring worker freedom of movement, prohibiting requirements to post bonds or make deposits as a condition of employment and providing provisions related to management of workers with unique vulnerabilities.
- As the employer, the supplier is responsible for the employment relationship with its workers and fostering a safe and healthy workplace. The supplier will comply with the higher of applicable local law or CLS and are encouraged to continue to develop their own practices which provide greater protection for their workers and the communities in which they operate.
- The supplier will be directly involved in the recruitment of foreign workers throughout the recruitment process where possible, but at a minimum be directly involved in the final selection of workers for employment. During the recruitment process, the supplier will clearly communicate terms and conditions of recruitment and employment to all job seekers. Recruited foreign migrant workers are provided with rights-based and gender-sensitive pre-departure orientation training prior to signing the employment contract and leaving the sending country. The supplier will conduct post-arrival orientation for foreign migrant workers in a language that they understand after arrival in the destination country and before they commence their work.

- The supplier will use legally approved/registered labor agencies in accordance with local law.

Management of Labor Agents

The supplier is responsible to conduct thorough due diligence on any labor agents, including sub-agents, used in the recruitment and employment of foreign migrant workers. Such diligence will be conducted upon selection of new labor agents/sub-agents as well as regular audits of existing labor agents/sub-agents to ensure they meet, at a minimum, the requirements contained in these CLS. The due diligence process should at least include a risk assessment, review of the labor agent's legal status, ethical practices and any complaints lodged against them.

Service agreements or legal contracts between the supplier and its labor agent(s) will be in place to comply with legal requirements (of both sending and receiving countries), supplier's policy and requirement (such as a prohibition of fees charged to workers). These agreements should include all services provided by the labor agents, detailed itemized fees and costs incurred during recruitment. The supplier's foreign migrant worker policy will be communicated clearly in writing to all new labor agents. The policy should be recomunicated when renewing service agreement or when there are any changes or updates.

Forced labor ILO core standard references for Nike's Code Leadership Standards include:

- ILO Convention No. 29, Concerning Forced Labor (1930)
- ILO Convention No. 105, Abolition of Forced Labor Convention (1957)
- ILO Convention No. 181, Private Employment Agencies Convention (1997)
- Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (Trafficking Protocol) (2000)
- The Trafficking Victims Protection Act, 22USC §7101 (2000)

In FY19, NIKE launched Verité's CUMULUS Forced Labor Screen™, a new due diligence tool to help mapping the recruitment agents, recruitment corridors and identify risks related to the recruitment of foreign migrant workers by NIKE suppliers.

4.2 Recruitment Fees

According to the ILO, workers should not be charged directly or indirectly, in whole or in part, any fees for recruitment or related costs (such as costs for training, medical tests, or travel).

The company:

- (1) requires that no worker in its supply chains should pay for a job—the costs of recruitment (i.e., recruitment fees and related costs) should be borne not by the worker but by the employer ("Employer Pays Principle"); and

- (2) takes steps to ensure that such fees are reimbursed to the workers and/or provides evidence of payment of recruitment-related fees by suppliers if it discovers that fees have been paid by workers in its supply chains.

In 2008, NIKE was one of the first companies in our industry to establish a supply chain policy with explicit requirements, outlined in the Code of Conduct and Code Leadership Standards, on the employment of foreign workers, including the prohibition on workers paying for their employment.

This prohibition, which applies for all workers, includes costs or fees associated with employment eligibility, including required visas, health checks, employment registration, work permit or recruitment agency/placement firm fees. If a supplier is found to violate our standards, we require repayment of such fees to the impacted workers.

Nike's Code Leadership Standards outline our expectations on recruitment fees, including:

Workers Will Not Pay for Employment: Workers will not be required to pay employment eligibility fees, including costs or fees associated with recruitment and employment.

Definition of fees:

- Employment eligibility fees are all fees and costs associated with recruitment (including recruitment fees and related costs) and employment (such as uniforms, job tools or safety gear).

Payment of Recruitment Fees and Related Costs:

Except otherwise noted, the supplier will directly pay all fees and costs associated with recruitment, including costs incurred to secure employment or placement, and employment, including uniforms, job tools or safety gear. Fees prohibited include, but are not limited to:

- Passports, required visas, work and residence permits and other administrative costs to fulfil recruitment requirements such as background checks and banking services.
- Payments for recruitment services including, but not limited to, application, recommendation, recruitment, reservation, commitment, or placement fees in both the sending and receiving countries, recruitment agent service fees (both one-time and recurring) and fees incurred by sub-agents.
- Costs related to medical examinations, tests, or vaccinations, including health exams required for repatriation.
- Mandatory government insurance costs, including worker health or medical insurance and enrolment in migrant welfare funds for which the supplier is responsible.

- Costs to perform tests to verify workers' skill level and qualifications or the cost to obtain related certifications.
- Expenses for required trainings, including on-site job orientation and pre-departure or post-arrival orientation of newly recruited workers; and
- Expenses for travel, lodging and subsistence within the sending country for screening and recruitment purposes, in-bound transportation from the worker's habitual place of residence in the sending country to the supplier's facility or provided accommodations in the receiving country. Employment eligibility fees may not be deducted from wages by way of garnishments, levies, deposits, guarantee monies or otherwise. Refer to the Compensation and Benefits are Paid on Time CLS.

When it is not possible to directly pay the above fees in advance, if any of the above fees are legally required to be paid by the workers, or in the event that it is identified workers paid fees prohibited in this CLS at any point during their employment, the supplier will promptly and fully reimburse the worker for those fees. Such fees should be reimbursed within one month of the worker's arrival within the host country or within one month of learning that fees were paid by the workers.

Ensuring compliance with these standards is part of Nike's ongoing supplier auditing program.

4.3 Monitoring and Responsible Recruitment

The company:

- (1) takes steps to ensure employment and/or recruitment agencies used by its suppliers are monitored to assess and address risks of forced labor and human trafficking; and
- (2) provides details of how it supports responsible recruitment in its supply chains (e.g., by collaborating with stakeholders to engage policy makers to strengthen recruitment standards).

We regularly audit contract factories, which are monitored on a schedule based on their performance. These assessments take the form of audit visits, both announced and unannounced, to measure against the NIKE Code of Conduct, Code Leadership Standards and local law.

NIKE uses both internal and external third-party audits to assess compliance with our requirements and local law. We also monitor conditions at contract factories through audits and assessments by independent organizations, including the Fair Labor Association and the Better Work Programme, a joint project of the International Labour Organization (ILO) and International Finance Corporation (IFC). In FY20, we expanded monitoring into our materials supply chain and logistics providers, conducting 561 total audits and assessments. Please see [Nike's FY20 Impact Report](#) for more information on auditing.

NIKE audits include detailed criteria to look at risks of forced labor, including the employment of vulnerable worker groups and high-risk practices such as payment of recruitment fees or restrictions on freedom of movement.

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NIKE is also a member of the Leadership Group for Responsible Recruitment (LGRR), an initiative of the Institute for Human Rights and Business. In addition, Nike is a member of the Responsible Labor Initiative (RLI), an initiative of the Responsible Business Alliance to further our work and goals on eliminating forced labor risks in our supply chain. Each organization helps us to advance core aspects of our strategy.

NIKE shares the aims of the LGRR to drive positive change in the international recruitment industry, starting with a focus on prohibiting workers paying fees for their employment. We believe the adoption of the Employer Pays Principle, which states that no worker should pay for a job and the costs of recruitment should be borne by the employer, is a critical factor in helping eliminate forced labor risks in our supply chain, industry and beyond. We also engage in moving forward the agenda on this important topic through our support of LGRR's advocacy to governments and organizations for the adoption of the Employer Pays Principle.

As part of the RLI, NIKE is able to advance our work with suppliers on the implementation of our standards for ethical recruitment and employment of foreign workers. The RLI is focused on providing support to brands and suppliers to understand, prioritize and address forced labor risks through the development of concrete tools designed to improve recruitment and employment practices. NIKE is also a member of RLI's Steering Committee.

NIKE has continued to actively engage with the Malaysian government through roundtable sessions, national conferences and meetings focused on Malaysia as the receiving country for foreign migrant workers, a population that is especially vulnerable to forced labor risks. Additionally, in FY20, Nike participated in a strategic dialogue convened by LGRR with the government of Thailand on their continued legislative and policy development regarding foreign migrant workers.

We also have been working with suppliers who employ foreign migrant workers to address particular vulnerabilities for those workers as a result of the COVID-19 pandemic. We have engaged with the International Organization for Migration (IOM) and other organizations through our memberships with the Responsible Labor Initiative and the Leadership Group for Responsible Recruitment and have been working to provide resources and information to our suppliers to support their different national cohorts of foreign migrant workers.

In our FY20 FLA self-assessment, Nike disclosed that Nike joined Issara Strategic partnership in Thailand. Among Issara's engagement and focus is the worker voice aiming to provide multiple channels according to how migrant workers use technology and enable 2-way communication flow where Issara can also share information about worker's rights, policies, and processes affecting them.

Further information about Issara Strategic Partnership can be found on:
<https://www.issarainstitute.org/>

NIKE believes addressing critical human rights risks, such as forced labor, often requires a collective approach with governments, other brands, NGOs, and external organizations. NIKE has continued to actively engage with the Malaysia government through round table sessions, national conferences and meetings focused on Malaysia as the receiving country for foreign migrant workers, a worker's group that is especially vulnerable to forced labor risks. Additionally, in FY20, Nike participated in a strategic dialogue convened by LGRR with the government of Thailand on their continued legislative and policy development regarding foreign migrant workers. (*)

(*) Disclosure in Institute for Human Rights and Business (IHRB)'s Leadership Group for Responsible Recruitment (LGRR) Reporting Framework in 2020

4.4 Rights of Workers in Vulnerable Conditions

Migrant workers and other workers in vulnerable conditions are at a higher risk of being in forced labor, and additional steps are needed to ensure their rights are respected. Conditions which render workers vulnerable may include characteristics such as gender or age and external factors, including workers' legal status, employment status, economic conditions, and work environment (such as isolation, dependency on the employer, or language barriers).

The company:

- (1) takes steps to ensure migrant workers in its supply chains understand the terms and conditions of their recruitment and employment and also understand their rights;
- (2) takes steps to ensure its suppliers refrain from restricting workers' movement, including through the retention of passports or other personal documents against workers' will; and

- (3) discloses at least two outcomes of steps it has taken to ensure respect of the fundamental rights and freedoms of supply chain workers in vulnerable conditions (those articulated in the ILO core labor standards, which include the elimination of forced labor).

NIKE audits include detailed criteria to look at risks of forced labor, including the employment of vulnerable worker groups such as foreign migrants, interns and temporary workers and high-risk practices such as payment of recruitment fees or restrictions on freedom of movement.

As a signatory of efforts such as the Responsible Sourcing Network's Turkmenistan Cotton Pledge and Uzbekistan Cotton Pledge, NIKE regularly engages in collective action to address targeted, regionally specific forced labor issues.

The reported situation in the Xinjiang Uyghur Autonomous Region (XUAR) in China is of a scale and complexity that is unprecedented in modern supply chains. We are deeply concerned about reports of forced labor in, and connected to, the XUAR. NIKE does not source products from the XUAR and we have confirmed with our contract suppliers that they are not using textiles or spun yarn from the region.

We have been conducting ongoing diligence with our suppliers in China to identify and assess potential risks related to employment of Uyghurs, or other ethnic minorities from XUAR, in other parts of China. In FY20, NIKE took steps to further strengthen our audit protocols to identify emerging risks related to potential labor transfer programs of Uyghurs, or other ethnic minorities, from the XUAR.

NIKE takes very seriously any reports about forced labor and we have been engaging with multi-stakeholder working groups to assess collective solutions that will help preserve the integrity of our global supply chains. We will continue to collaborate with industry experts, partners, industry associations, stakeholders and other organizations to understand, evaluate and address this critical global issue. For more information about our work, please see our statement [here](#).

NIKE monitors our suppliers' compliance with our Code of Conduct and Code Leadership Standards through regular announced and unannounced audits conducted by internal and external parties. This includes audits by the FLA and assessments by the Better Work Programme. Our monitoring activities are conducted on a schedule determined based on each supplier's facility's prior performance. When a supplier's facility is found to have serious violations of NIKE's standards, it is required to remediate all issues identified and have on-site verification of the remediation. If a concern is raised by a third party, NIKE promptly investigates and requires corrective actions for any issues identified. Should a supplier fail to remediate issues identified by an audit or allegation investigation according to NIKE's requirements it would be subject to review and sanctions, including potential termination of the relationship.

Nike's Code Leadership Standards contain specific requirements for managing employment relationship with the workers and foreign migrant workers, including:

Workers will not be required to turn over their original personal documents (such as passports, visas, work permits, travel or residency permits, national IDs, school certificates or other personal documents) to their employer, labor agent or another third party as a condition of employment. Workers will not be required to make deposits to gain access to their documents. The supplier, labor agent or other third party may not hold worker personal documentation on behalf of supplier's workers for safekeeping purpose, even with their consent. The supplier can temporarily collect the original identity documents when it is required by local law to process required documentation (such as residence permit, bank account, visa extensions). These original identity documents will be returned to the supplier's workers immediately afterwards.

During the recruitment process, the supplier will clearly communicate terms and conditions of recruitment and employment to all job seekers. Recruited foreign migrant workers are provided with rights-based and gender-sensitive pre-departure orientation training prior to signing the employment contract and leaving the sending country. The supplier will conduct post-arrival orientation for foreign migrant workers in a language that they understand after arrival in the destination country and before they commence their work. All orientations and trainings are conducted in the language of supplier's foreign migrant workers, including but not limited to:

- General trainings (for example, onboarding, company policy and procedures)
- Foreign migrant worker specific trainings (foreign migrant worker policy, non-retaliation against fees reported...)
- Grievance system for foreign migrant workers
- Rights of workers to join or participate in unions, committees or other forms of worker representation
- Job related trainings
- Safety trainings

Foreign Migrant Workers Contracts of Employment

In addition to the general requirements regarding contracts of employment (refer to the Regular Employment is Provided CLS), when employing foreign migrant workers:

- The contract will be signed at least five days prior to departure, by both the supplier and the foreign migrant workers, to allow adequate time for workers to review and request clarification if needed.
- The terms outlined in the worker's written employment contract will be fully explained prior to departure from their home country. The explanation will be accurate, complete and in terms the worker would understand. This includes conditions of employment and reasons for termination.
- The employment contract will be written such that it is legally enforceable in the receiving country and written in the worker's language.

- The foreign migrant worker will receive a copy of the employment contract at least five days prior to departure.
- The employment contract will not be changed upon arrival in the facility unless changes are required to comply with local law and provide equal or better terms.

Storage

The supplier will provide to all foreign migrant workers individual, secure, and lockable storage for safekeeping of personal documents and other valuables. The workers will at all times, have immediate and direct access to the storage.

The supplier, labor agent or other third party may not hold worker personal documentation on behalf of supplier's workers for safekeeping purpose, even with their consent. The supplier can temporarily collect the original identity documents when it is required by local law to process required documentation (such as residence permit, bank account, visa extensions). These original identity documents will be returned to the supplier's workers immediately afterwards.

Nike also submitted our audit tools to the FLA, which includes verification of retention of worker's original documents.

To ensure employer pay principal is implemented, one of our suppliers in Jordan strengthened their agreements and follow-up process with its recruitment agents. Their agreements with recruitment agents in Nepal, Bangladesh and Sri Lanka explicitly prohibit the collection of recruitment fees from the workers. The supplier also signed compliance guidelines with all the agents, obtained agents' written confirmations and held quarterly meetings with agents. In addition to the engagement with agents, the suppliers also directly gave pre-departure trainings to workers in their local languages to that workers do not pay any recruitment fees. (*)

(*) Disclosure in Institute for Human Rights and Business (IHRB)'s Leadership Group for Responsible Recruitment (LGRR) Reporting Framework in 2020

THEME 5: WORKER VOICE

5.1 Worker Engagement

The company:

- (1) takes steps to ensure its supply chain policies that address forced labor and human trafficking are communicated to workers in its supply chains;
 - (2) takes steps to ensure that relevant stakeholders engage with and educate workers in its supply chains on their labor rights and/or supports worker-led efforts on labor rights education;
 - (3) provides evidence of the positive impact of worker engagement in its supply chains;
- and

(4) provides at least two examples of worker engagement initiatives covering different supply chain contexts.

In our FY20 FLA self-assessment, Nike disclosed that Nike joined Issara Strategic partnership in Thailand. Among Issara's engagement and focus is the worker voice aiming to provide multiple channels according to how migrant workers use technology and enable 2-way communication flow where Issara can also share information about worker's rights, policies, and processes affecting them.

Further information about Issara Strategic Partnership can be found on:
<https://www.issarainstitute.org/>

It is a NIKE policy that a supplier develops an internal Code of Conduct which, at a minimum, meets or exceeds the requirements set forth in the Nike Code of Conduct. The supplier's Code must include explicit policies on human trafficking forced labor and be posted and available in local languages within the supplier facility and that workers are trained on their rights and obligations as defined by the Code and applicable country law. NIKE verifies compliance with these provisions through our audit process as with all other provisions of the Code.

Through our Code of Conduct and Code Leadership Standards, NIKE requires onboarding training of workers on their rights as well as an explanation of the supplier's rules, benefits, and other entitlements and human resources policies. We further require training to be updated on a regular basis, and in particular, when any policies and procedures are revised.

We have set out to demonstrate to contract factories the importance of a valued and engaged workforce. We believe our future growth will increasingly rely on well-trained people learning new skills and using new technologies. To support this evolution NIKE has been working to develop innovative tools and approaches to measure worker engagement and identify ways to make improvements in supporting factory workers' experience in the workplace.

To help improve contract factory worker engagement, NIKE developed the Engagement & Wellbeing (EWB) Survey, a comprehensive and anonymous tool that captures the voice of the worker and provides actionable data for our suppliers. Through extensive piloting and refinement, NIKE developed the EWB Survey to drive a factory-owned model of measuring and improving their workers' experience, which we've been scaling since FY17. The survey is translated into all languages spoken by the workers, including foreign migrant workers, in the facilities deploying EWB surveys.

By the end of FY20, we increased the reach of the EWB Survey to 64 factories in 13 countries. In total, the EWB Survey featured factories employing 385,000 workers. During FY20, NIKE rolled out an EWB Toolkit for suppliers to connect survey insights, root causes, and countermeasures with potential improvements in their HR

management systems, and advance engagement and wellbeing in their long-term strategies.

Scaling of the EWB survey is driven by the expanding access to new service providers to deploy this tool. During FY20, NIKE approved a new service provider, MOMENTUM, to facilitate the EWB Survey across the supply chain. By increasing the number of EWB providers, suppliers have more choice on how they survey workers to help identify opportunities and inform progress. This addition brings our total of approved EWB vendors to: MicroBenefits, Labor Solutions, Highfive, ELEVATE, Ulula, Cience and MOMENTUM.

Additional work to advance factory worker engagement includes supporting suppliers' development of technological solutions that help improve communication between workers and management enhancing worker knowledge and experience and enabling easier access to HR tools and policies. In FY20, ten suppliers had deployed these types of solutions through MicroBenefits and Labor Solutions, and 17 other suppliers had developed these capabilities in-house.

We've learned a lot on this journey to measure workers' experiences and support our factory partners in incorporating these experiences for a more engaged and valued workforce. When we started, we were brokering their relationships and dictating the process for deploying the survey with suppliers. Today, we have evolved to make our suppliers the owners of the surveying process while we play a supportive role by sharing best practices, identifying and vetting surveying vendors, implementing a consistent set of guidelines and ensuring accountability. While this approach takes longer to scale, it is more beneficial in the long run since suppliers can choose an approach that best suits them, which increases support and buy-in. Secondly, we have found that framing this approach as a learning and development tool (versus a compliance tool) helps factories better listen to workers and integrate their feedback into their operations. By removing a total score from the survey and centering conversations on understanding the root causes behind responses and taking action on the insights, factories are better able to focus on areas of improvement rather than chasing scores.

Finally, we used survey insights to help us prioritize and develop a more data-driven approach to our work with our suppliers. Through our 21-question survey, we analyzed 27 suppliers across 10 countries, and found key trends. For example, social connection, safety awareness and skills building were consistently the top scoring questions across geographies and demographic groups. Management support, stress and financial wellbeing concerns were the lowest scoring areas.

We did not see significant differences in response rates between men and women. However, another key learning is that while women make up the vast majority of production workers, there is less representation of women in initial supervisory roles.

In addition, survey results have helped inform our actions to implement the following:

- **Engagement & Wellbeing Toolkit:** We incorporated these insights into our Engagement & Wellbeing Toolkit to support factories in identifying how they can take the EWB survey results and strengthen their management system which will address low scoring areas such as strengthening their supervisory support or grievance channels. We are targeting that 100% of strategic suppliers are measuring and improving the engagement of the people making our products by 2025.
- **Occupational Health & Safety:** The insights from the EWB survey are incorporated in the CoSMA tool, an important data metric for how we evaluate safety awareness and the participation level of workers solving safety-related problems. For factories who have reached a higher level of safety maturity based on their CoSMA self-assessment, we take a deeper look into worker's perception of workplace safety and validate worker involvement in developing a positive safety culture using a third-party safety perception survey. We are targeting that 100% of strategic finished goods suppliers are building world class, safe and healthy workplaces for the people making our products.
- **Compensation:** These insights helped us better support factories in the development of their compensation strategies. In addition, it has helped us evolve our overall strategic HRM best practice recommendations to help factories think about compensation as a way to engage and retain their workforce.
- **Gender Equity:** This data guided our work on gender equity and in developing our approach to empowering more women in leadership positions and are targeting that 100% of strategic finished goods suppliers are increasing access to career opportunities and upward mobility for women employed in their facilities.

Information on our 2025 targets may be found in Nike's annual [Impact Report](#).

5.2 Freedom of Association

The company:

- (1) works with independent local or global trade unions to support freedom of association in its supply chains;
- (2) discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labor rights agreement with trade unions or worker organizations;
- (3) takes steps to ensure workplace environments in which its suppliers' workers are able to pursue alternative forms of organizing (e.g., worker councils or worker-management dialogues) where there are regulatory constraints on freedom of association; and
- (4) provides at least two examples covering different supply chain contexts of how it improved freedom of association and/or collective bargaining for its suppliers' workers such as migrant workers (e.g., by taking action where suppliers impede workers' rights to freedom of association and/or collective bargaining or by engaging policy makers to improve respect for such rights).

We believe all contract factory workers have the right to freely associate and collectively bargain. Where freedom of association and collective bargaining are restricted under law, NIKE requires suppliers to allow for parallel means for independent and free association and bargaining.

Our Code Leadership Standards contain detailed requirements on how suppliers must respect the rights of workers to freely associate. Those requirements include prohibitions on interference with workers seeking to organize or carry out union activities, as well as on any sort of activity which seeks to intimidate, harass, or retaliate against workers for participation in a union or other representative organization or for attempting to organize or form a union.

NIKE was an original signatory in 2011 to the Freedom of Association Protocol in Indonesia which was signed by unions, suppliers, and leading brands manufacturing in the country. The Protocol provides an implementation framework for suppliers to support union activities to fully respect the rights of workers to join unions of their choosing and to bargain collectively. We meet regularly with the National Committee to review progress and discuss further opportunities for improvement.

Beyond our own standards and programs, NIKE also advocates publicly for strengthening local laws protecting the rights of workers to fully realize their right to freedom of association and collective bargaining. For example, in 2017 we joined the FLA, as well as other brands and retailers in advocating for legislative reforms in Mexico. The details of the most recent letter to the Secretary of Labor and Social Welfare of Mexico can be found here: <https://www.fairlabor.org/blog/entry/fla-and-14-brands-support-freedom-association-mexico>

5.3 Grievance Mechanism

The company:

- (1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives;
- (2) takes steps to ensure that the existence of the mechanism is communicated to its suppliers' workers;
- (3) takes steps to ensure that its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism;
- (4) discloses 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
- (5) provides evidence that the mechanism is available and used by workers below the first tier in its supply chains.

Establishing trusted, effective grievance mechanisms for workers to use to raise concerns about working conditions and conditions of employment are an essential element in protecting the rights of workers and building an engaged workforce.

NIKE's Code Leadership Standards require our suppliers to have effective grievance processes which include the ability to raise grievances anonymously and confidentially without fear of retaliation. The standards also require the involvement of worker representatives and worker participation in the resolution of grievances, training of workers on the facility's grievance system as well as a process to track grievances and to respond to workers in a timely manner. Suppliers are also encouraged to involve worker representatives in resolution of grievances.

In addition to formal grievance processes, NIKE believes that effective two-way communication between management and workers is key to creating strong and growing businesses. Some of our supplier's facilities have one or more formal unions where their elected representatives serve a critical function in representing and negotiating on behalf of workers and as an important partner in broader communications.

Nike is a signatory of the Social Labor Convergence Program (SLCP) and requires Tier 1 and Tier 2 suppliers deploy the verified assessment annually. The assessment evaluates the effectiveness of facility grievance systems, including verification that grievances may be reported without threat of penalty and that confidential channels are available.

THEME 6: MONITORING

6.1 Monitoring Process

To improve implementation of its supply chain policies, conditions at supplier level can be monitored in different ways. This could include specialized audits to detect forced labor at higher-risk suppliers or worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities).

The company has a supplier monitoring process that includes:

- (1) non-scheduled visits;
- (2) a review of relevant documents;
- (3) off-site interviews with workers;
- (4) visits to associated production facilities and related worker housing; and
- (5) steps to ensure that suppliers below the first tier are monitored.

The Nike revised Code Leadership Standards includes requirements that the supplier will maintain all documentation needed to demonstrate compliance with the Code and CLS and applicable laws and specific documentation identified in each CLS. Such documentation will be maintained on the supplier's premises and organized to be readily identifiable and easily

accessible by Nike employees or designated third-party representatives. Documentation will be retained for at least 12 months or as required by local law, whichever period is longer. This includes, but is not limited to, reports, notices, announcements, computer files, emails and production records.

Definition of document: Document or documentation is printed, written or electronically stored information. It includes, but is not limited to, contracts and agreements, reports, notices, announcements, workers' grievances and complaints, computer files, emails, personnel files, payroll and timekeeping records, production records, and other correspondence.

Nike monitors suppliers' compliance with our Code of Conduct and Code Leadership Standards through regular announced and unannounced audits conducted by internal and external parties that include: a thorough review of factory documentation; inspection of physical spaces including production and non-production facilities such as employee housing, childcare facilities and canteens; and interviews with both facility management and employees.

This includes audits by the Fair Labor Association and assessments by the International Labour Organization's Better Work Programme. Our monitoring activities are conducted on a schedule determined based on each supplier's facility's prior performance.

High volume, Tier 2 suppliers currently participate in Nike's compliance monitoring program through the use of the Social Labor Convergence Program (SLCP) and Sustainable Apparel Coalition Facilities Environment Module (FEM).

At NIKE, we believe in the power of collective action to tackle issues preventing our suppliers from putting the health and wellbeing of their workers first. We also believe that the work we do in partnership with others in the industry serves as a communal benefit and helps level the playing field for both brands and suppliers. Our continuous support of partnerships that streamline auditing and improve approaches to remediation and capability building, adds a spotlight on worker wellbeing and environmental protection, through support for the Social and Labor Convergence Program, work with the Fair Labor Association and Better Work, and participation in the Sustainable Apparel Coalition's Facility Environmental Module (FEM).

Through this journey, we have also learned that we are dealing with complex issues – for example, forced labor and responsible recruitment – and to drive real change, we need partnerships that align stakeholders across sectors, support government engagement and provide expertise and resources to suppliers. Partnerships like the Issara Institute, the Leadership Group for Responsible Recruitment and the Responsible Labor Initiative enable us to work together to drive positive change in the international foreign worker recruitment industry. Here, we can advocate to governments and organizations and provide the necessary tools and expertise to support our suppliers and the workers they employ.

6.2 Monitoring Disclosure

The company discloses:

- (1) the percentage of suppliers monitored annually;
- (2) the percentage of unannounced monitoring visits;
- (3) the number or percentage of workers interviewed; and
- (4) information on the qualification of the monitoring organization used and/or the use of worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities); and
- (5) a summary of findings, including details regarding any violations revealed.

We evaluate our factories' sustainability performance based on standards set out in NIKE's Code of Conduct and Code Leadership Standards. Those expectations align with leading international standards to protect worker rights, create a safe working environment, safeguard communities where suppliers operate, and advance environmental protections. Across our compliance and capability-building initiatives, our approach is grounded in supplier ownership; we expect sustainability to be a core consideration of our suppliers' business models.

In addition to performing our own audits or hiring third-party auditors, NIKE also works with third-party organizations to independently audit facilities. These include the Fair Labor Association (FLA), which brings together universities, civil society organizations, and companies to find sustainable solutions to systemic labor issues, and Better Work, a joint program of the ILO and the IFC, a member of the World Bank. Results of audits done by these third-party organizations are shared transparently through their sites.

The audits are conducted on an announced and unannounced basis and we require training for all internal and external auditors. Third party auditors are required to have a minimum of 6 years auditing experience and have regularly conducted audits in the previous year. Prior to approval, training on Nike standards and audit methodology must be completed and an exam passed. Third-party auditors are managed by an independent party who performs quality review of all audits, conducts shadow audits and maintains quality scoring for the auditors. Auditors failing to maintain baseline quality evaluations are required to attend supplemental training to maintain approval status. All third-party auditors are required to attend annual refresher training to maintain approval within the program.

In FY20, NIKE and auditing partners completed audits at 100% of our 518 Tier 1 factory partners. The top issues of non-compliance identified during audits in FY20 remained consistent with previous years, primarily working hours, wages and benefits. For all findings, the factories were required to remediate the identified issues and the corrective actions were verified through another on-site audit.

7.1 Corrective Action Plans

The company discloses:

- (1) a corrective action process for its suppliers and potential actions taken in cases of non-compliance, such as stop-work notices, warning letters, supplementary training, and policy revision;
- (2) a means to verify remediation and/or implementation of corrective actions, such as record review, employee interviews, or spot-checks;
- (3) potential consequences if corrective actions are not taken; and
- (4) a summary or an example of its corrective action process in practice.

NIKE works with internal, external, and independent monitors to carry out audits and help in remediation and capability-building efforts. If we are provided evidence of an issue of non-compliance within one of our contract factories, we investigate it promptly. Where improvements are required, we seek to drive ownership by factory management to identify and correct issues, and also improve systems to address root causes in order to prevent future reoccurrences.

If we identify an issue of non-compliance within a contract factory we require the supplier to correct the issue and improve systems including policies and processes to address root cause.

We verify corrective actions through full on-site follow-up audits, the cadence of which is determined based on the type of issues identified. If the factory fails to address identified issues, it is subject to review and sanctions, including potential termination.

Nike also regularly engages directly with suppliers to remediate particularly complex issues noted during assessments or through other sources. Since 2017, various approaches to remediation and training have been developed and deployed in Malaysia to address issues related to recruitment fees. Additionally, Nike engages in remediation activities with the Fair Labor Association as a Participating Company. More information may be found in Nike's [2019 FLA Reaccreditation Report](#).

We also work with our suppliers and third parties to help build management capability at supplier facilities. For example, we have suppliers in four countries participating in the Better Work Programme, through which not only is their performance assessed against local law and international standards, but Better Work staff also provides advisory services to help improve effective management systems.

7.2 Remedy Programs / Response to Allegations

A. The company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking; and
- (2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers; and
- (3) a description of what actions it is taking to prevent and remediate the use of forced Uyghur labor.

Working with a wide range of organizations and experts, NIKE continuously seeks to improve our approach to evaluating working conditions in our supply chain and supporting suppliers' efforts to enhance their capabilities.

Through our ongoing assessment process, NIKE has been in close collaboration with a supplier group to evaluate enhancements to programs designed to ensure foreign migrant workers did not pay fees related to their employment, in violation of NIKE's Code of Conduct and Code Leadership Standards.

In FY20, a third party alerted us to concerns that workers were paying recruitment fees at one of the group's material production facilities. Upon further investigation, we coordinated with other stakeholders to help the factory develop and implement a remediation plan. The process yielded key learnings, which we continue to incorporate into capability-building for our other current suppliers around labor agent due diligence.

During FY20, NIKE was also involved in specific factory remediation, in Malaysia and Taiwan, in collaboration with other brands, to advance responsible recruitment and employment practices across the sector and deeper within our supply chain.

B.1. If one or more additional allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;
- (2) that it engages in a dialogue with the stakeholders reportedly affected in the allegation(s);
- (3) outcomes of the remedy process in the case of the allegation(s); and
- (4) evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

In 2018, Nike engaged with an NGO to investigate forced labor risks at a supplier in Malaysia. Nike engaged directly with the facility, their other customers and the Fair Labor Association to address the report of recruitment fees and other workplace violations at the facility. As a result of the allegations, we partnered with the supplier's other customers to investigate the issues, resulting in the implementation of a multi-installment approach to providing backpay to the affected workers as well

as addressing other issues noted. Information on the engagement is outlined in Nike's FLA Reaccreditation report.

As a result of the report produced by the Australian Strategic Policy Institute (APSI) in 2019, Nike clarified that we not have relationships with the Haoyuanpeng Clothing Manufacturing, Qingdao Jifa Group, Changji Esquel Textile or any of Esquel's other facilities in the XUAR, as was inaccurately reported. Related to the Taekwang Group, when reports of the situation in XUAR began to surface in 2019 Taekwang stopped hiring new employees from the XUAR to its Qingdao facility and an independent third-party audit confirmed there are no longer any employees from XUAR at the facility. Our ongoing diligence has not found evidence of employment of Uyghurs, or other ethnic minorities from the XUAR, elsewhere in our supply chain in China.

B.2. If one or more allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, and the company denies the allegation, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;
- (2) a description of what actions it would take to prevent and remediate the alleged impacts; and
- (3) that it engages in a dialogue with the stakeholders reportedly affected in the allegation or requires its supplier(s) to do so.

NIKE takes issues of non-compliance seriously, partnering with internal, external, and independent monitors to carry out audits and help in remediation and capability-building efforts.

If we are alerted to an issue of non-compliance within one of our contract factories by a third party, we investigate it immediately and, where improvements are required, we seek to drive ownership by factory management of correcting and identifying issues and improving systems to address root causes in order to prevent future reoccurrences.

If the factory fails to make progress against that plan, it is subject to review and sanctions, including potential termination. NIKE works with a variety of stakeholders to identify and address potential issues with contract manufacturers.

Nike has an established protocol with the Worker Rights Consortium (WRC), which provides the WRC with formal access to Nike supplier factories that manufacture WRC-affiliated collegiate products, to investigate working conditions and strengthen coordination regarding any remediation efforts. Additionally, Nike has engaged on multiple occasions with the Fair Labor Association through their third-party complaint mechanism to further investigate and to partner with the impacted supplier to implement remediation. Since 2008, all issues reported through this mechanism have either been closed or continue to

progress. Information on reports through the FLA third-party complaint mechanism may be found in Nike's FLA Reaccreditation report.

NON-SCORED DISCLOSURE

Target Setting

The company discloses measurable and time-bound targets to address forced labor in its supply chains.

No

The company reports on progress towards achieving previous targets on an annual basis.

Nike reports annually on progress toward address forced labor in our supply chain in our annual statement on Forced labor, available [here](#), and in our annual Impact Report, available [here](#).

Reporting Legislations

UK Modern Slavery Act: Where applicable, the company discloses at least one statement under the UK Modern Slavery Act.

Yes. <https://purpose.nike.com/nike-statement-on-forced-labor>

California Transparency in Supply Chains Act: Where applicable, the company has a disclosure under the California Transparency in Supply Chains Act.

Yes. <https://purpose.nike.com/nike-statement-on-forced-labor>

Due Diligence on Third-Party Products

Where a company—in addition to own branded products—sells third-party food and beverage products, the company discloses how it assesses and addresses forced labor risks related to third-party food and beverage products.

Not applicable.

High Risk Sourcing³

Please provide a full list of raw materials present in your supply chains, or alternatively indicate for each of the commodities below whether it is present in your supply chains. Note

³ Data according to US Department of Labor's list of Goods Produced by Forced Labor website as of September 2020. Accessed October 2020.

* = Risk factors identified based on publicly available sources and discussions with expert organizations.

where a company does not provide this information, KnowTheChain will review the company's website as well as third party sources to identify relevant information.

Raw Materials

- Bamboo – yes
- Cashmere* – yes
- Cotton – yes
- Rubber (natural) – yes
- Silk– yes
- Viscose*– yes
- Wool* - yes

Sourcing Countries for Apparel & Footwear Supply Chains (garments, textiles, etc)

- Argentina - yes
- Brazil – yes
- China - yes
- Ethiopia - No
- India - yes
- Malaysia - yes
- Nepal- No
- North Korea - No
- Thailand - Yes
- Vietnam - Yes

A full list of suppliers and sourcing countries is available at <http://manufacturingmap.nikeinc.com/>.

Presence of Migrant Workers in Supply Chains

Yes, please see Nike's manufacturing map for % of migrant workers by facility:

<http://manufacturingmap.nikeinc.com/>.