

KnowTheChain 2023 Apparel & Footwear Benchmark

Additional Disclosure

Company Name: NIKE Inc.

Date: September 14th

Guidance:

- Please add any additional information you wish to provide under the relevant indicator elements below.
- 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.
- 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.
- Column F in the Scored Research tab of your excel sheet highlights questions to your company where the KnowTheChain team is seeking clarification or further detail on particular points of your company's disclosure.

INDICATOR 1: SUPPLIER CODE OF CONDUCT AND CAPACITY BUILDING

1.1 has a supplier code of conduct that requires suppliers to respect the ILO core labour standards, which include the elimination of forced labour; and requires suppliers to cascade/implement standards that are in line with the company's supplier code of conduct; and

1.2 engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labour to their own supply chains and/or trains suppliers below the first tier on such policies, and measures the effectiveness of capacity building.

FY22 Nike Impact Report (pg 82): <https://about.nike.com/en/newsroom/reports/fy22-nike-inc-impact-report>

Driving Improvement

For Tier 1 finished goods suppliers' who are not meeting Foundational Expectations on any industry tool, the program focuses on capability building to help address the issues impacting the supplier rating. Since these suppliers are used to being assessed for compliance, the overall goal is to confirm that all non-compliances are remediated in a sustained manner. This program provides an opportunity for suppliers to meet our Foundational Expectations in between industry

assessments. By the end of FY22, 37 facilities were enrolled in the program, and we expect them to successfully remediate findings in FY23.

For Tier 2 material suppliers, who are likely less used to being assessed for compliance, we worked with a third party to develop a program to provide trainings and dedicated coaching to build the capabilities unique to their needs. The program is designed to help set the foundation of suppliers' compliance management systems and enable issue remediation as the result. Many Tier 2 material suppliers have more than one non-compliance because they weren't accustomed to these assessments, and we expect them to take more than a year to build the capabilities to remediate their non-compliances and meet our Foundational Expectations. Our remediation program includes both trainings and dedicated support to follow up on plans that aim to improve suppliers' compliance management systems. We expect to see more Tier 2 suppliers successfully meet our Foundational Expectation as they continue to set their foundations and build compliance management systems. As of the end of FY22, 63 facilities were enrolled in this remediation program.

FY22 Nike Impact Report (pg 85): <https://about.nike.com/en/newsroom/reports/fy22-nike-inc-impact-report>

In FY22, Nike worked with the Responsible Labor Initiative (RLI) to deliver a responsible recruitment post-training program to all strategic material suppliers in Taiwan. This six-month program built on prior trainings with a series of practical coaching and consultation sessions between RLI experts and suppliers. In the program, the suppliers developed a gap analysis of their own recruitment systems and practices and prioritized key areas of improvement. All suppliers worked to strengthen their systems and practices in recruitment fees and recruitment agent due diligence. They were then divided into three smaller working groups based on their other areas of focus: responsible recruitment compliance monitoring, labor contract and job advertisement. These groups work directly with an RLI expert weekly in root cause identification, improvement plan development and implementation deployment. The suppliers also gather monthly for learnings and best practice sharing with their top management, and suppliers are coached to conduct self-evaluation of the improvements, so they have the capability to continue their improvement journey.

FY22 Nike's Statement on Forced Labor:
<https://about.nike.com/en/newsroom/statements/statement-on-forced-labor>

Nike 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, including those related to management of migrant

workers, a challenge that is faced by many of our suppliers and vendors in countries where it is common to recruit workers cross-border. For example, in FY22 we collaborated with Issara Institute to deliver a training session for factories in Thailand on the current challenges for foreign migrant worker visa renewal during the pandemic. This training helps provide additional guidance for suppliers faced with the decision of sending workers back to Myanmar, a situation that puts workers at risk, or continuing to employ them, putting the supplier at legal risk.

Nike is also partnering with the Responsible Labor Initiative (RLI) to deliver the Responsible Recruitment Due Diligence Toolkit training for all strategic Tier 2 suppliers in Taiwan. In FY22, 6-month post-training coaching and consultation program for these suppliers was completed. Post-training coaching and consultation provides direct support from RLI to identify gaps in recruitment systems, develop sustainable improvements plans and to prioritize these plans for implementation.

INDICATOR 2: MANAGEMENT AND ACCOUNTABILITY

2.1 has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labour; and discloses how incentives for staff (e.g. bonuses, part of employee performance reviews) are tied to improvements in working conditions in supply chains;

[Nike Executive pay linked to purpose targets](https://investors.nike.com/investors/news-events-and-reports/?toggle=reports)

<https://investors.nike.com/investors/news-events-and-reports/?toggle=reports>

We are accredited by the FLA and continue to work with them on programs like Supplier Compensation. See FY22 Nike Impact Report (pg 77):

<https://about.nike.com/en/newsroom/reports/fy22-nike-inc-impact-report>

2.2 discloses how it trains relevant decision-makers within the company on risks and policies that address forced labour; and

2.3 has tasked a board member or board committee with oversight of its supply chain policies that address forced labour, and describes how the experiences of affected workers or relevant stakeholders (such as civil society, unions, and workers or their representatives) informed board discussions.

The Corporate Responsibility, Sustainability & Governance (CRS&G) Committee oversees both the risks and the opportunities associated with Purpose. Specifically, this includes reviewing significant Purpose strategies, activities, policies, investments and programs; monitoring the development of, and progress toward, our Purpose targets; and providing guidance regarding Purpose reporting. To carry out its responsibilities, the CRS&G Committee receives regular updates from management regarding our Purpose work, including:

- At each regularly scheduled CRS&G Committee meeting, progress reports regarding the 2025 targets
- Regular presentations on each of the three Purpose pillars – People, Planet and Play – from the respective management leader
- Annual presentations on Purpose strategy and reporting at each Board meeting, the CRS&G Committee reports to the Board on Purpose highlights and key developments. The Compensation Committee also plays a significant role in the People pillar by overseeing talent management and development for executive officers and senior management, including with respect to employee engagement and workplace diversity and inclusion.

INDICATOR 3: TRACEABILITY AND SUPPLY CHAIN TRANSPARENCY

3.1 the names and addresses of first-tier suppliers;

3.2 the names and locations of below-first-tier suppliers (this does not include raw material suppliers); and

Our manufacturing map shows Tier 2 suppliers that are a part of our compliance program and in-scope for our Foundational Expectations Target: <https://manufacturingmap.nikeinc.com/#>

FY22 Impact Report: “In FY21, we also expanded the scope of this target. We added additional Tier 2 material suppliers representing approximately 90% of total footwear upper materials and apparel textile production, in-scope distribution centers representing at least 80% of volume and our Nike owned and operated Air MI facilities. We publicly disclose Tier 1 finished goods and Tier 2 material supplier facilities on the Nike Manufacturing Map.”

3.3 the sourcing countries of at least three raw materials at high risk of forced labour.

INDICATOR 4: RISK ASSESSMENT

4.1 details on how it conducts human rights supply chain risk or impact assessments that include forced labour risks or assessments that focus specifically on forced labour risks, including through

engaging with relevant stakeholders (such as civil society, unions, and workers or their representatives) in countries in which its suppliers operate;

4.2 details on forced labour risks identified in different tiers of its supply chains; and

4.3 how it has consulted with relevant stakeholders (such as civil society, unions, and workers or their representatives) in steps taken to address the risks identified.

INDICATOR 5: DATA ON SUPPLY CHAIN RISKS

5.1 the percentage or number of supply chain workers who are women;

5.2 the percentage or number of supply chain workers who are migrant workers' and

5.3 the percentage or number of supply chain workers that are being paid a living wage.

INDICATOR 6: PURCHASING PRACTICES

6.1 commits to responsible buying practices in its contracts with suppliers;

NIKE is FLA Accredited which requires Responsible Purchasing Practices:

https://www.fairlabor.org/wp-content/uploads/2022/05/Sourcing_Principals_2022_REV_English-1.pdf

6.2 describes how it has adopted responsible purchasing practices in the first tier of its supply chains, which includes planning and forecasting, and how it ring-fences labour costs; and

FY22 Nike Impact Report:

“Responsible Purchasing Practices: Another key element of our wage strategy is our responsible purchasing practices. We are not only driving compliance with the CLS with suppliers, but also looking internally at how our business practices impact those who make our product. We do this in several ways and continue to adapt as we learn more from suppliers and the industry to continue to steward and implement best practices.

“We have long-standing partnerships with most of the Tier 1 finished goods suppliers. Over 90% of Nike footwear and apparel is made by factory groups that we have worked with for over 15 years. To enable suppliers to have time to plan and act responsibly with workforce decisions, we meet with suppliers on at least a quarterly basis to discuss current and future business forecasts.

“Working across our Sourcing, Costing, and Government and Public Affairs teams, we help give suppliers visibility into areas for improvement and collectively work together to address the root cause of issues. Better Buying also continues to be an important partner for us and provides critical, anonymized input from suppliers on our purchasing practices. We have been participating in the Better Buying survey since 2018 and just received our most recent results back, in which we improved our total score since last year, increased our participation rate to above 50% and scored above the industry average overall.

“We regularly review our purchasing practices to make sure they both address marketplace demands and do not adversely impact compliance with our CLS. For example, during COVID-19 we paid in full for finished product from all suppliers globally, while honoring previously agreed payment terms for product in production. In the case of canceled orders, our policy with suppliers is, and has been, that Nike will pay the appropriate amount of the order, depending on the stage of production as communicated by supplier, to enable the supplier to recover costs associated with the canceled order.”

Nike is also FLA Accredited which requires Responsible Business Practices:

https://www.fairlabor.org/wp-content/uploads/2022/05/Sourcing_Principals_2022_REV_English-1.pdf

6.3 discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labour.

INDICATOR 7: RECRUITMENT-RELATED FEES

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

7.2 provides detail on the implementation of the Employer Pays Principle in its supply chains by demonstrating how it works to prevent the charging of fees to supply chain workers in different supply chain contexts; and

Publicly available CUMULUS 2-pager:

[https://urldefense.com/v3/https://verite.org/cumulus/!!KLCbKzk!k1mgqLfoohfmoVdkimt56L-vHnRQ4HmesZZbwY_L2kB3DvgGX13e0GumrBCkmMecQ5Pgn-LDG8G_g3Kn9A\\$](https://urldefense.com/v3/https://verite.org/cumulus/!!KLCbKzk!k1mgqLfoohfmoVdkimt56L-vHnRQ4HmesZZbwY_L2kB3DvgGX13e0GumrBCkmMecQ5Pgn-LDG8G_g3Kn9A$)

“Verité’s CUMULUS Forced Labor Screen™ maps cross border labor supply chains using patented technology to gather data on workforces, recruiters, and unethical recruitment and employment practices.

The membership-based platform proactively screens priority operations, supply chains, and investment portfolios for the presence of the International Labour Organization (ILO) forced labor indicators.

Companies, suppliers, and investors use CUMULUS to conduct forced labor due diligence to align with best practice guidance, including the [Organisation for Economic Co-operation and Development \(OECD\) Due Diligence Guidance for Responsible Business Conduct](#). Grounded in internationally recognized standards and practices, CUMULUS can be applied to virtually any sector, geography, or supply chain tier.”

CUMULUS presentation at CBP Forced Labor Technical Expo: <https://verite.org/cumulus-at-cbp-forced-labor-technical-expo/>

CUMULUS provides mapping of labor supply chains including agents.

FY22 Nike’s Statement on Forced Labor:

<https://about.nike.com/en/newsroom/statements/statement-on-forced-labor>

Nike uses the CUMULUS Forced Labor Screen™, a due diligence tool to help identify risks related to the recruitment of foreign migrant workers by Nike suppliers. We have expanded use of the tool to all Tier 1 finished goods and strategic Tier 2 suppliers hiring foreign workers. In FY22, a new feature was added for verification of recruitment fee payment and reimbursement. This 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 to 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.

7.3 in the event that it discovers that fees have been paid by workers in its supply chains, provides evidence of re-payment of recruitment-related fees to workers. The company describes how it engages with affected workers in the remediation process.

INDICATOR 8: RESPONSIBLE RECRUITMENT

8.1 discloses information on the recruitment agencies used by its suppliers; and

8.2 provides details of how it supports responsible recruitment in its supply chains (e.g. by collaborating with relevant stakeholders to engage policy makers to strengthen recruitment standards).

INDICATOR 9: FREEDOM OF ASSOCIATION

9.1 works with independent local or global trade unions and/or other legitimate worker representatives to improve freedom of association in its supply chains;

9.2 discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labour rights agreement with trade unions or worker organisations; and

9.3 discloses the percentage of supply chains covered by collective bargaining agreements.

INDICATOR 10: GRIEVANCE MECHANISM

10.1 takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labour conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives across supply chain tiers; and

10.2 discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved; and

10.3 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.

INDICATOR 11: MONITORING

11.1 its methodology for monitoring the implementation of its supply chain policies addressing forced labour;

FY22 Nike Impact Report: “We assess Foundational Expectations through verified Social & Labor Convergence Program (SLCP) assessments, Higg Facility Environmental Module (Higg FEM) assessments and Zero Discharge of Hazardous Chemicals (ZDHC) wastewater testing.”

SLCP’s data collection and verification process can be found here:

- [SLCP Data Collection Tool](#)
- [SLCP Verification Protocol](#)
- [SLCP Verifier Guidance Doc](#)

11.2 the findings of monitoring reports, including details regarding any violations revealed in relation to forced labour and indicators of forced labour, across supply chain tiers; and

11.3 the use of worker-driven monitoring (i.e., monitoring undertaken by independent organisations that includes worker participation and is guided by workers’ rights and priorities).

INDICATOR 12: REMEDY AND RESPONSE TO ALLEGATIONS

A(1) a process for responding to potential complaints and/or reported violations of policies that address forced labour and how it engages affected stakeholders as part of this process; and

A(2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers.

In addition, where an allegation is identified in a company’s supply chains:

B.1.1 that it engages in a dialogue with the stakeholders reportedly affected in the allegation(s)

B.1.2 outcomes of the remedy process in the case of the allegation(s); and

B.1.3 evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

Where an allegation is identified in the company’s supply chains, but is denied by the company:

B.2.1 a description of what actions it would take to prevent and remediate the alleged impacts; and

B.2.2 as part of this process, it would engage with affected stakeholders and their representatives.

NON-SCORED RESEARCH

Reporting Legislations

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

Yes/No. Please provide link to a publicly available statement.

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

Yes/No. Please provide link to a publicly available statement.

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

Yes/No. Please provide link to a publicly available statement.

High Risk Sourcing

Please indicate whether your company sources any of the below high-risk raw materials. Note 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.

- Bamboo
- Cashmere
- Cotton
- Leather (cattle)
- Rubber (natural)
- Silk
- Viscose
- Wool

Please indicate whether your company sources from any of the below high-risk locations.

- Argentina
- Bangladesh
- Brazil
- China
- Ethiopia
- India
- Malaysia
- Nepal
- North Korea
- Thailand
- Vietnam