

Nike Inc.

TICKER:
NYSE:NKE

MARKET CAPITALIZATION:
US\$ 84 billion

HEADQUARTERS:
United States

10 OUT OF 20
Company's Overall Ranking

49 OUT OF 100
Company's Overall Score

Nike shows slightly above average disclosure compared to its peers. Its score of 49/100 is driven by its disclosure in the areas of commitment, monitoring, traceability and purchasing practices. Notably, Nike discloses a map of its first tier suppliers which includes the percentage of migrant workers and has set sourcing targets for cotton and other key materials. To improve its performance, Nike is encouraged to implement internal as well as supplier training on forced labor, strengthen its recruitment practices, and put in place a remedy process for supply chain workers.

THEME LEVEL SCORE

Commitment and Governance	57 out of 100
Traceability and Risk Assessment	50 out of 100
Purchasing Practices	69 out of 100
Recruitment	33 out of 100
Worker Voice	41 out of 100
Monitoring	55 out of 100
Remedy	38 out of 100

LEADING PRACTICE

Traceability

Nike discloses a map of its factory supply chain by region. The map shows the number of factories in a region as well as demographics of the employees employed at factories in a particular region. Nike allows a user to download the names and locations of each factory, types of products each factory produces, and information about the workers at each factory, including the percentage of female and migrant workers.

Further, Nike has set a goal for 2020 to source 100% of its cotton sustainably and to source 100% of products from contract factories that meet its definition of sustainable. Nike set similar goals regarding its other key materials, including leather, polyester, and rubber.

NOTABLE FINDINGS

Purchasing practices

Nike has a policy to evaluate potential contracted factories before they enter the supply chain to



assess compliance, including on including forced labor, human trafficking, and slavery. The company has adopted a Manufacturing Index which scores factories on their sustainability performance, including labor practices, equal to cost, quality and on-time delivery. The company reports that this index has become "an important tool in factor selection encouraging performance improvement, eliminating underperformance in factories and driving business to those that perform best."

Nike requires its suppliers to not avoid labor legal related obligations through the excessive use of labor contracting or short-term contracts. Suppliers wishing to subcontract must seek written approval from Nike.

Further, the company reduced the number of suppliers with whom it is working to 692 (from 785) and focuses on "quality, long-term partnerships with fewer factories."

As a condition of doing business with Nike, suppliers have to implement and integrate Nike's Codes and submit to verification and monitoring.

Nike's standards also apply to all contract manufacturers, including subcontractors, and suppliers must ensure the compliance of any subcontractors producing Nike products.

Recruitment

Nike's suppliers are responsible for the recruitment fees of their workers and may not deduct from wages costs associated with employment eligibility, including required visas, health checks, employment registration, work permit, or recruitment agency/placement firm fees.

Nike requires its suppliers which employ foreign workers to have a foreign worker policy in place and to effectively communicate the policy to its workers. The policy should, as a minimum, include the requirements of fair treatment, payment of employment eligibility fees, payment of transportation costs, repatriation, and any requirements under country law.

Worker voice

Nike invests with factory partners to better engage and value their workers. The company discloses its New Ventures initiative where it is using technology to empower workers. Nike has developed apps to support communication with management, the provision of job and skills training, pay and leave management, grievance systems, and engagement programs.

For example, in China Nike initiated a program where workers were offered a smartphone service to access which provides a direct communication channel between contract factory workers and management. Workers had direct access to their personal human resources (HR) information, including salary, attendance, and annual leave.

In collaboration with an external partner, the company further developed an app through which suppliers' employees in Indonesia can submit grievances.

Where country law substantially restricts freedom of association, Nike encourages suppliers to facilitate alternative means to individually and collectively engage with employees and, to the extent permitted by law, encourages its suppliers to support the establishment of worker committees freely chosen by employees.

OPPORTUNITIES FOR IMPROVEMENT

Commitment and Governance

Nike is encouraged to put in place training programs to ensure that relevant decision-makers within the company and in its supply chain are aware of risks related to human trafficking and forced labor and are effectively implementing the company's policies and standards.

Nike is further encouraged to engage with trade unions, local NGOs, and policy makers in countries in which its suppliers operate on forced labor and human trafficking.



Recruitment

To further improve its recruitment practices and avoid exploitation of supply chain workers, Nike is encouraged to promote direct hiring and—where this is not possible—perform robust due diligence of third party recruitment agencies.

Remedy

Nike is encouraged to strengthen its process to create corrective action plans with suppliers found to be in violation by including in the plan a means to verify remediation and/or implementation of corrective actions, such as record review, employee interviews, spot-checks, or other means.

Nike is further encouraged to develop a process to provide remedy to workers in its supply chain in cases of human trafficking and forced labor and to provide examples of outcomes of this process.

COMPANY PROVIDED ADDITIONAL DISCLOSURE

Provided [link to relevant disclosure](#).

