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NIKE STATEMENT ON FORCED LABOR, HUMAN TRAFFICKING AND MODERN SLAVERY FOR FISCAL YEAR 2019

I. BACKGROUND

At NIKE, we believe we have a responsibility to conduct our business in an ethical way. 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, modern slavery and human trafficking.

For more information on NIKE's sustainable engagement in our supply chain, please see our annual [Impact Report](#) that details some of the drivers we have in place to transform our working relationships with suppliers to incentivize changes that benefit their workers.

The following provides information required under the UK Modern Slavery Act of 2015 and the California Transparency in Supply Chains Act of 2010 as they relate to NIKE's business practices, and specifically how we address issues of forced labor.

II. NIKE OVERVIEW AND SUPPLY CHAIN STRUCTURE

NIKE is the largest seller of athletic footwear and apparel in the world. We sell our products through NIKE-owned retail stores and through digital platforms, to retail accounts and through a mix of independent distributors, licensees and sales representatives in virtually all countries around the world. Virtually all of our products are manufactured by independent contractors.

We are focusing on quality, long-term supply agreements with fewer factories, that are committed to our strict standards of sustainability and product excellence. Our sourcing strategy prioritizes and favors suppliers that show demonstrable leadership in corporate responsibility and sustainability, seeking to move beyond minimum standards. As part of our growth strategy, we seek suppliers who drive sustainable business growth by minimizing their environmental impacts, fostering a strong culture of safety and developing an engaged and valued workforce.

NIKE has disclosed the independent factories contracted to make NIKE products since 2005. An interactive map of NIKE's current suppliers can be found here: <http://manufacturingmap.nikeinc.com/>. The map includes the supplier group, location of the facility, type of products produced, number of workers, and information on the workforce profile including percentage employment of women and migrant workers.

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 Committee of the Board of Directors review and evaluate the Company's significant strategies, activities, policies, investments and programs regarding corporate purpose, including corporate responsibility, sustainability, human rights, global community and social impact, and diversity and inclusion; and provide oversight of management's efforts to ensure that the Company's dedication to sustainability (including environmental and supply chain sustainability and human rights) is reflected in its business operation.

NIKE's Purpose Committee – composed of our Chief Administrative Officer, Chief Communications Officer, Chief Financial Officer, Chief Operating Officer, Chief Marketing Officer, President Consumer and Marketplace, Executive Vice President Global Human Resources, Vice President/General Manager Global Categories, President of NIKE Direct, President Categories and Product, and the President Jordan Brand – reviews and confirms all company-wide sustainability policies and targets, reviews performance toward targets, receives updates on key issues and emerging trends, and provides oversight for efforts to improve data, transparency and disclosure.

III. NIKE'S CODE OF CONDUCT AND STANDARDS TO ADDRESS FORCED LABOR

NIKE takes seriously national and international efforts to end all kinds of forced labor – whether in the form of prison labor, indentured labor, bonded labor, human trafficking or otherwise.

NIKE's requirements for suppliers are contained in our Code of Conduct and Code Leadership Standards. The [Code of Conduct](#) lays out the required minimum standards we expect each supplier factory or facility to meet in producing NIKE products and includes strict requirements around forced and child labor, excessive overtime, compensation, and freedom of association amongst other requirements. The [Code Leadership Standards](#) specify how the Code of Conduct must be implemented. The document also articulates how we measure factories' compliance efforts and progress against our Code of Conduct including specific requirements on the management of key forced labor risks.

We have progressively raised expectations for our contract factories through evolving standards of our Code of Conduct and Code Leadership Standards. NIKE's Code of Conduct and Code Leadership Standards include specific requirements to address key risks of forced labor including, but not limited to, prohibiting workers paying fees for employment, requiring terms and conditions of employment to be provided and explained prior to departure from the home country with adequate time for review, providing contracts in both the worker's language and legally enforceable language in the receiving country, and prohibiting requirements to post bonds or make deposits as a condition of employment.

IV. DIRECT SUPPLIERS' CERTIFICATION OF MATERIALS

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 Supply Agreements also explicitly require suppliers to comply with all local and country-specific labor laws and NIKE's Code of Conduct and Code Leadership Standards.

V. DUE DILIGENCE, RISK ASSESSMENT AND MONITORING

RISK EVALUATION

NIKE continually evaluates and updates its systems to identify and address risks in its supply chain, including those related to slavery and human trafficking. 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 to expand engagement with Tier 2 suppliers where additional risks of forced labor may occur.

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 is among the first adopters of the tool during its limited release with our initial launch in Malaysia. In 2020, we will continue to evaluate expansion to other high-risk countries.

Additionally, in FY19, NIKE began foreign migrant worker due diligence assessments for both our Tier 1 and Tier 2 suppliers in Malaysia. We are scaling to additional countries in FY20. The work aims to help us understand current recruitment practices more deeply and map overlaps in recruitment agents at both the facility and country level.

These steps will allow NIKE to identify opportunities to further support our suppliers and their recruiting agents in implementing best practices.

AUDITING

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 FY19 we conducted 553 total audits and assessments.

NIKE audits include detailed criteria to identify risks of forced labor or human trafficking 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.

VI. REMEDIATION AND EFFECTIVENESS

NIKE works 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, we investigate it immediately. 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.

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 working with our suppliers to enhance their capabilities.

For example, in FY18 we worked with a supplier to address issues, identified through a NIKE audit, where foreign migrant workers paid fees related to their employment in violation of NIKE's Code of Conduct and Code Leadership Standards. In FY19, we were alerted by a third party of its concerns that recruitment fees at the facility were not fully remediated. Upon further investigation, we coordinated with other buyers from the factory to help the factory achieve full remediation. The process yielded key learnings which we incorporated into capability-building for our current suppliers around labor agent due diligence.

VII. TRAINING AND ACCOUNTABILITY

NIKE believes suppliers that prioritize the well-being of their workers, by engaging with them to understand their needs, have better factory performance. We also believe that our ability to influence suppliers is dependent, in part, on how we build the right incentives and sanctions into our business relationships. Our Manufacturing Index (MI), introduced in 2012, scores factories on sustainability – including labor practices – on a par with traditional metrics of cost, quality and on-time delivery.

To more fully integrate our sustainability criteria into sourcing decisions NIKE provides required, annual training to those with direct responsibility for supply chain management. The training advances enhanced understanding and compliance with our sustainability policies and our Code of Conduct. The training curriculum was updated in FY19 and includes a specific highlight on our requirements to prevent risks of 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, suppliers in Thailand organized a learning community event related to foreign migrant workers where they shared migrant management processes prior to recruitment, applicable legal requirements, fee mapping processes, and common challenges.

NIKE also organized supplier workshops in Malaysia and Taiwan during FY19, where suppliers were trained on mapping forced labor risks related to recruitment processes. In Malaysia, where the participants were largely Tier 1 suppliers and more mature in their management of foreign migrant workers, the focus was on strengthening their due diligence processes in the sending countries and differentiating those processes based on country of origin. In Taiwan, where the participants were Tier 2 suppliers, they were introduced to a management system framework to evaluate and improve their recruitment practices. Those Tier 2 suppliers were also offered support in developing improvement plans towards responsible recruitment, focused on successful implementation of the Employer Pays Principle, a commitment that no worker should pay for a job and the employer should pay the full costs of recruitment.

VIII. COLLABORATIVE SOLUTIONS

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, Sustainable Apparel Coalition, 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 and human trafficking.

In FY18 we joined a project facilitated by the FLA in partnership with İyi Pamuk Uygulamaları Derneği, as well as several other international brands, on improving employment practices in the Turkish cotton sector. The project focuses on preventing and addressing child labor risks and improving labor recruitment practices at the farm level.

NIKE has also been involved with leading brands and retailers in Europe developing an approach to supporting factories to recruit and manage a modern day multinational workforce, with the aim to enable manufacturers and their workers to adapt best practices in recruitment, integration and end of service.

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

Was this answer helpful?



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