

## 2017 Know the Chain – Forced Labor in the Leather Supply Chain

### NIKE, Inc. Response

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At NIKE, we believe we have a responsibility to conduct our business in an ethical way. We expect the same from our business partners, and focus on working with long-term, strategic suppliers that demonstrate a commitment to engaging their workers, safe working conditions and environmental responsibility. This includes working to combat risks of forced labor, modern slavery and human trafficking.

NIKE's commitment to responsible business conduct in our supply chain is contained in our [Code of Conduct](#). The detailed requirements behind our Code of Conduct are contained in our [Code Leadership Standards](#). The Code Leadership Standards communicate how contract factories should implement the Code of Conduct and articulates how we measure factories' compliance efforts and progress. The requirements include robust management systems of labor, health and safety and environmental conditions. They also contain provisions on effective workforce management such as the establishment of effective grievance systems.

We regularly audit contract factories against the NIKE Code of Conduct, Code Leadership Standards and local law. Audits include detailed criteria to look at risks for 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.

NIKE has disclosed a list of the independent factories contracted to make NIKE products, including those producing finished leather goods such as footwear, since 2005. A map of NIKE's current supplier factories by major product category, including factory address and information about the workforce, can be found here: <http://manufacturingmap.nikeinc.com/>.

NIKE does not typically have direct contractual relationships with the suppliers of raw materials for our products. Generally, raw materials are purchased directly by the independent contractors and suppliers which manufacture our branded footwear, apparel and equipment. Tanneries currently supplying leather for Nike products are located in China, Vietnam, Indonesia, South Korea, Taiwan, Thailand, Australia, and Brazil. NIKE also has an Animal Skins Policy which restricts sourcing hides from China, India or the Amazon Biome. NIKE requires our suppliers to comply with that policy in purchasing leather for production of our products.

We know there can be significant labor, health and safety, and environmental risks in raw material supply chains such as leather. However, we recognize that addressing those potential impacts requires collaboration and collective action across our industry and beyond. That is why NIKE has long been a participant in initiatives such as the Better Cotton Initiative (BCI) and the Leather Working Group (LWG) which are working to address environmental impacts in the production of cotton and tanning of leather. All of the leather suppliers for our Nike Brand products are certified by the LWG and, of those, 80% are

gold-certified. We also continue to deepen our commitments to source more sustainable raw materials such as sustainable cotton and recycled polyester.

In 2012, we launched our Sustainable Manufacturing and Sourcing Index (SMSI), a system for combining factory ratings for lean manufacturing and human resource management, as well as for health, safety and the environment (HSE). This system gives environmental and human resource management performance equal weight alongside business metrics in our sourcing, increases transparency to reduce noncompliant practices, and creates targets and incentives to go well beyond compliance for our Tier 1 suppliers, including those manufacturing finished leather goods.

We continue to look for ways to strengthen the way we incorporate labor, health and safety and environmental principles into our purchasing practices, both in finished goods manufacturing and in criteria for materials suppliers.

NIKE has long partnered with multi-stakeholder and external organizations such as the Fair Labor Association, Sustainable Apparel Coalition, and the International Labour Organization's Better Work Programme 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.

NIKE believes addressing human rights risks deeper in the supply chain, such as forced labor, requires a collective approach. We continue to work to deepen our engagement into the lower tiers of our supply chain with a focus on advancing industry approaches and collaborative tools through existing partnerships. The success of initiatives such as BCI and the LWG highlight the limitations of brands and retailers tackling such challenges by themselves and emphasize the importance of developing collaborative approaches.

For more information on NIKE's sustainable engagement in our supply chain, including information on efforts to drive greater worker engagement and effective workplace communication, please see our [Sustainable Business Performance Report](#).