



FAIR LABOR  
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NIKE

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ASSESSMENT FOR REACCREDITATION

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## NIKE'S LABOR COMPLIANCE PROGRAM

Nike was a founding member of the Apparel Industry Partnership and has been an active participant in the Fair Labor Association (FLA) since its inception. Over time, Nike representatives have served on key FLA institutions, among them the Board of Directors, the Executive Committee, the Audit Committee and the Communications Committee. One or more Nike representatives regularly participate in meetings of the FLA Monitoring Committee.



Nike's Code of Conduct was created in 1992. In addition, Nike issued a set of Code Leadership Standards (CLS) in 2002 that are designed to amplify the meaning of the Code of Conduct language; to clarify gray areas between the Code of Conduct and local laws/regulations, cultural or business practices; and to describe labor and safety and health management systems that can be implemented at contract factories to improve sustainability in compliance.

Nike's Compliance Department reports to the Vice President of Corporate Responsibility. In 2007, the Compliance Department, directed by a Senior Director, consisted of 74 full-time employees, 16 at company headquarters in Beaverton, Oregon, and 58 in three regions – Asia (44), Americas (8), and Europe/Middle East/Africa (6). Staff from other departments within Nike also supported compliance goals. For example, sourcing staff provided factory remediation support, while the Environmental Engineering Department assist with environmental audits. Nike compliance staff conducted the bulk of labor compliance audits, with several third-party monitoring groups conducting pre-sourcing audits, follow-up audits, licensee audits, and environmental, safety and health (ESH) audits in regions where Nike had limited or no staff.

Nike's compliance effort during the course of this implementation period has focused on the design and delivery of what they refer to as their Generation III Strategy, which seeks to transform Nike's approach to compliance. Key areas of emphasis are to move from a model of: (1) policing to one of coaching and capacity building; (2) informing internal business units to engaging them more directly and making them drivers of change; and (3) focus on issues to a focus on systems and root-causes in an effort to achieve sustainable compliance. Departmentally, the compliance work falls into 6 main focus areas that help in the design and delivery of the Generation III Strategy: (1) regional work with business units and factories; (2) collaboration and integration, working with stakeholders including civil society organizations, other brands, licensees and agents to ensure they are better integrated into Nike's compliance oversight; (3) strategic initiatives, driving such projects as the Code review process, development of factory rating systems, human resource management training and the freedom of association initiative; (4) operations, ensuring that there are clear operating procedures guiding how work is carried out and liaising with the three product engines (footwear, apparel and equipment) to ensure that compliance is integrated into the business; (5) environment, safety and health, focused on ensuring ESH systems are developed and functioning effectively at the supplier level and beyond; and (6) working with affiliates to ensure that Nike's owned business subsidiaries are developing compliance systems that meet Nike standards and expectations.

Nike is continuing to deepen the integration of responsible practices into the business and decision-making processes of the corporation. For example, Nike has created an Overtime Taskforce to address excessive overtime in contract factories and is chaired by the CEO and includes leaders from the three product areas as well as from corporate responsibility. Nike uses a balanced scorecard that places corporate responsibility compliance alongside other important business measures such as quality, planning, and costing.<sup>1</sup>

The FLA Board of Directors accredited Nike's labor compliance program in May 2005, at the end of an initial implementation period of three years. This assessment for reaccreditation of Nike's labor compliance program covers the period 2005-2007. It is based on information provided by Nike in its annual reports to the FLA, verified through visits to headquarters and to field offices, a review of Independent External Monitoring visits (IEMs) and Independent External Verification visits (IEVs) conducted by FLA accredited monitors at Nike apparel and footwear facilities during 2005-2007, and Nike's participation in FLA projects and value-added programs.

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<sup>1</sup> See [http://www.nikeresponsibility.com/pdfs/bw/Nike\\_FY05\\_06\\_CR\\_Report\\_BW.pdf](http://www.nikeresponsibility.com/pdfs/bw/Nike_FY05_06_CR_Report_BW.pdf), Chapter 3.

## **ACCREDITATION OF NIKE'S LABOR COMPLIANCE PROGRAM**

In May 2005, the FLA Board of Directors voted to accredit Nike's labor compliance program. The Board accepted FLA staff's recommendation based on an assessment that included evaluations both at headquarters and at the field level. FLA staff interviewed Nike personnel at headquarters in Beaverton, Oregon; inspected files; reviewed factory records in the database; conducted audits at Nike field offices in Thailand, and Hong Kong; interviewed Nike compliance specialists in Bangladesh and third-party monitors contracted by Nike; and analyzed findings from 128 IEMs conducted at Nike applicable facilities in 2002, 2003 and 2004. The FLA also took into consideration four Third-Party Complaints that involved Nike during the reference period.

By accrediting Nike's labor compliance program, the FLA Board formally recognized that the program fulfilled the requirements set forth by the FLA and those in the plan Nike submitted upon affiliating with the FLA. The FLA staff assessment concluded that during the implementation period, Nike had aligned its compliance program with FLA standards, benchmarks, and protocols, and met all of the requirements of FLA participation with respect to the applicable apparel and footwear operations. The FLA staff assessment also recognized that Nike was working on improvements in all of the areas covered by the accreditation review. Finally, the FLA staff recommended to the Board accreditation of Nike's compliance program for apparel and footwear. The original accreditation report can be found at <http://www.fairlabor.org/report/nike-assessment-accreditation>.

## ASSESSMENT FOR REACCREDITATION OF NIKE'S LABOR COMPLIANCE PROGRAM

FLA staff has assessed Nike's labor compliance program and its operation in 2005-2007 against obligations of Participating Companies in the FLA and the benchmarks for accreditation agreed to by the Board of Directors. In particular, the assessment sought to determine whether Nike's labor compliance program continued to achieve the high performance standards demonstrated during the initial implementation period.

The assessment concluded that from 2005-2007, Nike's labor compliance program continued to meet or exceed performance standards established during the initial implementation period.

Selected Nike actions and initiatives from 2005-2007 to maintain high standards and strengthen its labor compliance program are described below:

1. **ADOPTS AND COMMUNICATES A CODE:** *Formally adopts a code that meets or exceeds FLA standards; Informs all suppliers in writing; Posts the code in a prominent place in supplier facilities in the local languages of workers and managers; Ensures that workers are informed orally and educated at regular intervals (to take account of labor turnover); Obtains written agreement of suppliers to submit to periodic inspections/audits, including by accredited external monitors, to remediate instances of noncompliances with FLA Workplace Standards that arise, and to inform employees about those standards.*
  - Nike continues to require all factories in its supply chain to post in prominent locations Nike's Code of Conduct in a language accessible to workers and management. Nike has also continued to supply many factories with a card-sized Code of Conduct summary in a number of languages for distribution to workers. Only 10 of 63 IEMs/IEVs noted noncompliances in Code posting. Nike has strived to inform workers about the Code through posting and distribution of cards.
  - Contracted factories continue to be required to accept Nike's compliance standards, which include announced or unannounced audits by Nike staff or by designated monitors. Once a contract factory is approved to be added to Nike's supply chain, the factory receives a set of materials that includes the Nike Code of Conduct, Code Leadership Standards, and guidelines in a manual that sets out compliance expectations for contracted factories.
  - One of the obligations of factories in Nike's supply chain continues to be to provide training on the basic provisions of the Code for new employees as well as for existing employees on a periodic basis. Nike has provided substantial training to factory management on country-specific issues related to the Code's standards as well as on local law and Nike's labor, environment, safety and health management. During an observation of a Nike internal audit and during visits to local Nike offices, there was no evidence that Code awareness training had occurred and Nike staff does not retain documentation of such trainings, generally. In 33 of 63 IEMs/IEVs, a noncompliance for lack of training or lack of Code awareness was cited. Nike's management audit instrument does not specifically check on training initiatives, but the lack of training is one of the common root causes identified which leads to a breakdown in management systems at the factory level. Nike has put in place remediation plans to address these noncompliances and has embarked on some worker education initiatives described below. The FLA recommends that Nike continue efforts on this issue and maintain documentation of the trainings provided.

2. **TRAINS INTERNAL COMPLIANCE STAFF:** *Identifies the staff or service provider responsible for implementing their compliance program; Ensures that they had training in all the areas under their responsibility, including, as appropriate, international and national labor standards, local languages, occupational and production risk factors, and techniques for monitoring, interviewing, and remediating; Updates that training at regular intervals.*
- Nike regularly trains its internal business units as well as its licensees and agents. More than a focus on training, the business counterparts are expected to be directly engaged in compliance either through communicating messages about compliance or involvement in discussions about critical compliance issues with the factories. Nike has also developed a licensee and agent accountability policy and conducts regular trainings for all agents and licensees. Nike has a scorecard to evaluate the implementation of licensee and agent performance and has a person on staff to oversee agent and licensee relationships. The FLA staff has reviewed copies of the licensee policy, training material, and has a sample scorecard on file; Nike has also invited FLA staff to observe licensee and agent training. Moreover, Nike recently created a Director of Affiliates to ensure affiliates owned by Nike have consistency in the application and implementation of Nike standards in their contract facilities. The FLA confirms that such trainings take place at both the headquarter and regional levels.
  - Each of Nike's four regions holds a regional compliance group meeting at least once a year, and sometimes twice. The meetings are designed to build the teams' capacity to perform their functions through the review of regional compliance trends, presentations by experts on specific issues, and seminars on topics such as communication, management, negotiation, and professional development. Internal compliance staff regularly attend professional seminars and conferences on the topics of environment and safety and health, corporate social responsibility, and communication. Functional staff are also provided opportunities to develop their expertise in areas such as hazardous waste, chemical management, and best practices on worker safety. In 2007, each region attended specific training tailored to regional development needs; for example, the China compliance team attended training on root cause analysis and China's new labor laws, while other teams focused on capacity building's contributions to compliance and best practices. New compliance staff undergo basic training at each local country office under the direction of a manager/director or an experienced compliance staff member. New compliance staff members are trained on ESH and Management Audit Verification (MAV) audits by experienced staff.
  - Third-party monitors undergo training on the Nike audit tools and protocols. Nike has begun to review third-party audit reports for quality purposes but oversight at the regional level varies. Training is often provided to a delegate in the monitoring organization but not to the teams necessarily conducting the audits; staff also reported that there are limited resources available to observe third-party auditors during a monitoring visit on Nike's behalf. The FLA recommends that Nike continue to focus on and strengthen review efforts for third-party monitors.
  - Although documentation of training at the regional level was inconsistent, examples of training material was provided during a headquarter visit. The FLA can also confirm that Nike staff has participated in FLA 3.0 (grievance procedure and hours of work training) as well as trainings on the Guidelines of Good Practice. Given Nike's focus on a coaching model and based on FLA observations, the FLA recommends further training for staff on capacity building particularly focused around human resources systems and grievance procedures as well as consistency in worker interviews. Although there are written procedures for stakeholder mapping and it is a requirement of the MAV procedures, outreach at a country level is limited in some countries while very strong in others. Nike has already started planning for many of these trainings based on their internal needs assessments.

- 3. PROVIDES EMPLOYEES WITH CONFIDENTIAL REPORTING CHANNELS:** *Encourages the establishment of grievance procedures at supplier facilities; Provides channels for Company employees and workers at those facilities to contact the Company directly and confidentially if warranted; Ensures the channel is secure, so workers are not punished or prejudiced for using it.*
- Nike requires contractors to have a grievance system and monitors compliance against this standard. Globally, Nike has communicated expectations about the establishment of grievance procedures within the CLS and assesses the functionality of internal grievance procedures and any root causes of ineffective grievance mechanisms through management audits. The FLA observed Nike staff conducting a management audit in Turkey in which grievance procedures were assessed and discussed with factory management. Regionally, training and advising factories on the development of grievance procedures has varied. In some regions, the CLS is emailed to the factory or discussed as part of the broader CLS training. In China, more focused training on grievance procedures has been conducted through the services of a third-party. Nike suppliers have also attended grievance procedures training through participation in the FLA's Soccer Project and FLA 3.0 in China and Thailand. The FLA recommends that Nike continues its focus on grievance procedures development in all factories and on tracking the progress of suppliers in their implementation to ensure grievance procedures are being effectively established.
  - During audits, compliance personnel interview workers confidentially. The distribution of business cards during confidential interviews is not required in Nike's audit protocol but auditors will hand it out if requested by workers or if a sensitive issues is being discussed. During follow up audits, Nike auditors also check to ensure that workers previously interviewed continue to be employed at the factory; in cases in which a worker has been terminated, however, this step will not provide a sufficient safeguard. The FLA observed factory audits in China, India, and Turkey and found the practice of business card distribution to be inconsistent. In 38 of 63 IEMs/IEVs, no noncompliance reporting mechanism was reported to be available to workers or workers were not aware of an existing channel. The FLA recommends that Nike take measures to provide an accessible channel to workers to safeguard against retaliation.
  - In some countries and regions Nike is developing and identifying effective channels for confidential reporting. In Latin America, Nike has been working with local stakeholders to identify local ombudsmen to resolve grievances between workers and management, strengthening local processes and capacities for managing grievances. In southern China, Nike has also partnered with a local non-governmental organization to create a hotline service for workers, which will be directly reported to Nike local staff. Nike auditors also reported receiving complaints via telephone calls and following up on them. While the FLA finds these efforts to be very positive, there was no consistent tracking or documentation of complaints available to review. The FLA recommends that Nike track the grievances received from workers and the outcome of Nike's efforts to address, resolve, and respond to issues raised.
- 4. CONDUCTS INTERNAL MONITORING:** *Internally monitors an appropriate sampling of suppliers to assess compliance, which includes worker interviews, records review, occupational safety and health review, practices of suppliers in relation to the FLA Workplace Standards; Collects, verifies, and quantifies compliance with workplace standards; Analyzes the monitoring results and implemented remediation plans to address non-compliance issues; Tracks the progress of remediation.*
- Nike's internal monitoring program consists of two main audits: Management Audit Verification (MAV), a labor assessment tool designed to audit performance through root cause analysis with respect to hours of work, wages,



benefits, grievance systems, and freedom of association. Nike has also invested significant resources in the development of a comprehensive ESH system, which focuses on environment, safety, and health and provides a baseline assessment of noncompliance incidents and management system performance. Nike has also established a detailed set of CLS to help factories respond to ESH risk.<sup>2</sup> Factories are rated on the basis of five risk factors – (1) country where the factory is located, (2) factory worker population, (3) type of factory operation, (4) manufacturing process, and (5) past compliance performance history – and these factors are also used to prioritize internal audits. Worker interviews are an integral part of the audits. Additionally, Nike conducts pre-sourcing audits at factories prior to production taking place. In 2007, Nike staff conducted about 577 visits to factories to verify remediation progress based on the critical issues identified in audits. FLA staff reviewed Nike’s database and confirmed that an appropriate sample of audits takes place on a regular basis. Audit reports were reviewed during office visits and examples of Nike audits are on file at the FLA office.

- Nike is encouraging factories to take more ownership of their compliance systems and asks many of the contract manufacturers to conduct their own internal audits using Nike’s Safety, Health, Attitude of the Management, People and Environment (SHAPE) tool. Moreover, Nike has divided its factories into focus and non-focus factories. For non-focus factories, traditional third-party audits are used while for focus factories (strategic partners) a capacity building approach is used. Nike requires its licensees to perform audits or use third-party auditors and to report the results to Nike on a regular basis.
- FLA staff observed three audits conducted by Nike staff in China, India and Turkey. The audits in China and India were SHAPE audits more focused on basic ESH issues while the audit in Turkey was a MAV. FLA staff found that Nike communicated well with management, particularly during opening and closing meetings. During the SHAPE audits staff appeared to be well versed on ESH standards and were able to provide constructive input to the factories, which was welcomed by factory management. The approaches to worker interactions varied among staff during the audits observed. FLA staff recommends further training on worker interviewing and interview protocols. During ESH audits, interviews with worker committees and workers on the shop floor should be included in the sample. This is particularly emphasized given feedback from some factories that the LEAN approach has resulted in more strains on workers and further documentation is required.

**5. SUBMITS TO INDEPENDENT EXTERNAL MONITORING (IEM):** *Provides the FLA with an accurate, up-to-date factory list, factory profile, access letters to factories, etc.; Ensures that the suppliers selected for IEMs cooperate with the FLA monitors; Cooperates with FLA requests for information, clarification, and follow-up in the IEM process.*

- Nike continued to meet this requirement and has promptly provided the FLA with additional information as appropriate.<sup>3</sup>

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<sup>2</sup> In 2007, Nike made available to the public some of its auditing tools, including the MAV and the ESH. See <http://www.nikeresponsibility.com/#crreport/resources>.

<sup>3</sup> It should be noted that, starting in 2005, Nike has made public a list of all of its active factories. Nike has been publishing a list for factories that produce collegiate products since 2000.

6. **COLLECTS AND MANAGES COMPLIANCE INFORMATION:** *Maintains a database; Generates up-to-date lists of its suppliers when required; Analyzes compliance findings; Reports to the FLA on those activities.*
- Nike has had a contractor database since 1998. This database holds all contractor information, monitoring activities, and factory remediation information. The database is accessible to Nike compliance personnel globally and is updated and improved continuously. Nike is currently in the process of shifting the contractor database to a web-based platform, which will make compliance information available to other departments within the corporate responsibility department and other areas of the company.
  - Nike headquarters staff, with participation from regional managers and directors, review monitoring results to identify areas for capacity building of factory personnel, involvement by Nike sourcing staff, or other interventions. Compliance and remediation results enter into the factory ratings that Nike compiles for each supplier. Samples of the analysis Nike conducts have been reported regularly to the FLA via company annual reports and analysis is published in the company's corporate social responsibility report.
7. **REMIEDIATES IN A TIMELY MANNER:** *Upon receiving the internal and independent external monitoring reports, contact the supplier concerned (within a reasonable time frame) to agree to a remediation plan that addresses all compliance issues identified by the monitor; Implement a remediation plan regarding the noncompliances and the actions taken to prevent the recurrence of such noncompliances; Within sixty (60) days, supply the FLA with the remediation plan citing all progress made and a timeline for outstanding items; Confirm the completion of remediation; Condition future business with contractors and suppliers upon compliance standards.*
- Nike rigorously tracks progress of remediation through the Master Action Plan (MAP), which is developed by the factory with support from Nike's sourcing representatives and compliance staff. Nike field staff close critical issues on the MAP through on-site verification. For other issues, documentary proof – in the form of authenticated documents or photographs – is accepted. Remediation follow up is determined on a case-by-case basis. Nike has also developed some innovative tools for tracking the remediation of complex noncompliances, for example a tool to track the payment of back wages in cases where workers have been underpaid; examples of the tool in use were reviewed during a visit to the Turkey office.
  - The FLA confirms that in relation to IEMs, Nike submits remediation plans on a timely basis and seeks to establish plans that are preventative and sustainable in nature. Recent remediation plans in some regions have demonstrated thoughtful plans to address root causes of noncompliances.
  - Nike has continued to further integrate compliance into its business practices. Nike has an Operations Director who has regular meetings with each product engine in the company to review compliance issues and determine the scorecard. Regional managers also meet regularly with sourcing and merchandising counterparts to review factory ratings and discuss concerns. In cases where the business may end for repeated noncompliances, a warning letter system is implemented. Nike has developed an exit policy whereby factories are given a minimum of 6 months notice if business will be affected.
  - Nike's factory rating system (A through D) is a major factor in determining future commercial relations with suppliers. A rating of "C" means the factory has serious compliance issues that should be remediated before increasing

orders; a rating of “D” means the factory had one or more critical issues that have persisted beyond the time required to remediate them and may result in a recommendation to the sourcing team to prepare to end the commercial relationship unless steps are taken to correct the issues driving the low rating.

- Internal perspectives about the success of the rating system varied among staff interviewed. Some staff felt the rating system gave a conflicting message to suppliers. With Nike’s new Generation III Strategy, compliance staff is turning to a consulting and partnership model with factories based on trust and transparency, while at the same time factories are sometimes given low grades for issues that may not be fully within their control (e.g. overtime). Other staff view the rating as a way to increase business involvement in raising compliance levels, arguing that the message of a low rating was meant to encourage the business to step in and support factories in meeting compliance objectives to maintain the factory relationship. The FLA encourages Nike to continue to align its monitoring and sustainable compliance approaches. Nonetheless, the scorecard appears to have worked effectively to increase orders from strategic partners as well as divest from partners who are not aligned with Nike expectations. Nike has focused on overtime as a priority issue, is assessing the root causes and addressing how Nike’s role in influencing excessive working hours can be mitigated. This initiative is being lead by Nike’s CEO, reflecting the top-level commitment to addressing this complex issue.

**8. TAKES ALL STEPS NECESSARY TO PREVENT PERSISTENT FORMS OF NONCOMPLIANCE:**

*Analyze compliance information to identify persistent and/or serious forms of noncompliance; Establish and implement programs designed to prevent the major forms of such noncompliance; Take steps to prevent recurrence in other applicable facilities where such noncompliance may occur.*

- Nike disseminated learnings from one set of factories experiencing noncompliance issues to other factories in three ways: (1) developing training and capacity building services; (2) sharing best practices and providing alerts to potential noncompliances; and (3) enhancing worker education. The FLA confirms that Nike has invested in supplier trainings aimed at helping factories to internalize analysis of compliance issues and the development of preventative systems. In China, suppliers received training on labor law and good recruitment systems, particularly aimed at preventing child labor and discrimination. In Thailand, trainings have included a focus on root cause analysis and migrant labor. In Malaysia, training has covered harassment and abuse prevention. Nike has also placed a strong emphasis on the establishment of ESH committees and management systems to prevent the occurrence of critical noncompliances. Copies of the training materials and training schedules were reviewed during office visits and samples of the material are on file at FLA headquarters. FLA staff has also observed trainings held for Nike suppliers during the course of the implementation period and most recently was present during an Industrial Relations training held for Nike suppliers in Vietnam. Internally, Nike tracks factory best practices and includes this information in the monthly report card. The FLA confirms that Nike also participated in a number of sustainable compliance initiatives including CAmP, the Soccer Project, and FLA 3.0.
- Nike is taking some innovative approaches to dealing with sustainable compliance. To date, however, the bulk of training has been focused at the management level. In China, Nike encouraged two footwear factories to join a project designed to assist manufacturers in setting up labor relations committees and educating workers on how to participate in the committees. The program guides factories, and the committees in particular, in establishing a process for handling grievances, organizing monthly meetings, and conducting random interviews with employees. On the basis of positive results, Nike encouraged two additional factories to join the program in 2008. Moreover, Nike is involved in a project with a civil society organization and other companies in India looking at strengthening

worker-management committee interactions and effective communication at selected factories. During visits to the Nike regional offices, FLA staff was not able to review documentation measuring the implementation, progress, or impact of Nike's training and capacity building efforts. The FLA encourages the expansion of worker trainings and documentation of progress and impact of these initiatives.

- Nike has prioritized the following areas for development of Nike staff capacity and factory capacity in an effort to achieve sustainable compliance: (1) Emphasis is being placed on factory self-governance, allowing key partners to monitor their own supply chain and report regularly on their own developed factory activity and improvement plans; (2) Nike is developing a Human Resource Management systems training module aimed at creating both an empowered workforce and an efficiently producing factory, aligned with the principles of LEAN manufacturing; (3) Nike has sought to collaborate with other brands in sharing ESH standards as well as conducting joint audits in an effort to have a broader industry impact and reduce audit fatigue at the factory level; and (4) Nike has prioritized Freedom of Association training in 2009. As a first step, Nike staff has been developing and maintaining country level profiles outlining existing laws related to freedom of association and collective bargaining, a summary of key provisions, an overview of the political landscape and stakeholder perspectives, and a profile of unionization and Nike freedom of association activities in a particular region. Many of these initiatives are under development or have not been fully implemented but Nike plans to implement these initiatives by fiscal year 2011. The FLA encourages continued development and implementation of these initiatives.

**9. CONSULTS WITH CIVIL SOCIETY:** *Maintain links to organizations of civil society involved in labor rights and utilize, where companies deem necessary, such local institutions to facilitate communication with company employees and employees of contractors and suppliers in the reporting of noncompliance with the workplace standards; Consult knowledgeable local sources as part of its monitoring activities; Consult periodically with the legally constituted unions representing employees at the worksite regarding the monitoring process and utilize the input of such unions where appropriate; Assure the implementation of monitoring is consistent with applicable collective bargaining agreements.*

- Nike has continued to work with civil society organizations at all levels to stay informed of labor rights and ESH issues and trends across the globe. In 2007, Nike worked with a civil society organization and legally constituted unions in Honduras, Mexico, and the Dominican Republic to resolve a range of labor management and organizations issues. In China, Nike has worked with an external organization to raise awareness of the new worker representation provision of the employment contract law. Two contracted footwear factories participated in a project designed to assist manufacturers in setting up labor relations committees and educating workers on how to participate on them.
- To strengthen stakeholder engagement, Nike has been identifying stakeholders in key regions and critical issues for engagement. The resulting mapping will be used to systematize and prioritize stakeholder engagement. During the office visits, FLA staff noted that local engagement with civil society organizations and knowledgeable sources varied. In some countries where observations took place, very limited outreach had been conducted by local staff. The FLA encourages Nike's focus on the mapping and prioritization of stakeholder engagement.
- Nike engaged with global organizations, trade unions, non-governmental organizations, and multi-stakeholder initiatives to comment on its proposed industrial relations approach. Nike has also been very active with other multi-stakeholder initiatives. Nike has engaged with a campaign in Europe and has been involved with civil society

organizations about a supplier program. Nike has partnered with a civil society organization in India in an effort to strengthen worker-management committees

- Civil society organizations played an active role in shaping the company's fiscal year 2005-2006 corporate social responsibility report, with representatives of civil society organizations on the Report Review Committee. FLA interactions with many civil society organizations at the global level yielded positive feedback about Nike's responsiveness to issues raised to the company's attention.

**10. PAYS DUES AND MEETS OTHER PROCEDURAL REQUIREMENTS:** *Pay annual dues; Pay IEM administrative and monitoring fees; Sign and honor required FLA contracts; Submit factory lists, a standardized annual report, and other information in complete form and on time.*

- All Nike dues and administrative and monitoring fees have been paid on time. All contracts have been signed and honored. Factory lists and annual report have been submitted in complete form and on time.

## CONCLUSION

Reaccreditation of Nike's compliance program should not be interpreted as a guarantee against issues and risks in the supply chain. Rather, reaccreditation indicates that the company has the systems in place to proactively identify and remediate those risks. Reaccreditation is not granted automatically, and is only renewed periodically following a satisfactory FLA evaluation of labor compliance systems and activities during the timeframe. FLA will continue to conduct standard due diligence activities on Nike. To check an affiliate's accreditation status, visit <http://www.fairlabor.org/accreditation>.