



NIKE, INC.

ASSESSMENT FOR REACCREDITATION

FLA BOARD OF DIRECTORS MEETING
FEBRUARY 2019

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Production line workers in a Nike contract facility in Vietnam.

INTRODUCTION

On February 27th, 2019, the FLA Board of Directors voted to approve the reaccreditation of Nike, Inc.'s (Nike) labor compliance program. When joining the FLA, Participating Companies and Participating Suppliers commit to implementing the [FLA Workplace Code of Conduct](#), which aims to ensure “respectful and ethical treatment of workers” and “promotes sustainable conditions through which workers earn fair wages in safe and healthy workplaces.” The [Principles of Fair Labor and Responsible Sourcing / Production](#) (“Principles”) serve as the standards upon which Participating Companies and Participating Suppliers are assessed towards an accreditation of their labor compliance program. Participating Companies and Participating Suppliers with [accredited](#) compliance programs have demonstrated that they have the systems and procedures in place needed to successfully uphold fair labor standards throughout their supply chains. In assessing for reaccreditation, the FLA looks for continued implementation of the workplace standards and focuses on key components that innovatively support the FLA's mission to “improve workers' lives worldwide.”

The FLA accreditation process involves staff conducting due diligence on the performance of a Participating Company or Participating Supplier during the implementation period. To assess an affiliate for reaccreditation of their labor compliance program, the FLA focuses on implementation of responsible purchasing practices, civil society engagement, remediation efforts, and program innovations. This assessment involved testing a selection of data points or information sources in order to verify actions by the company. Sources of information may include:

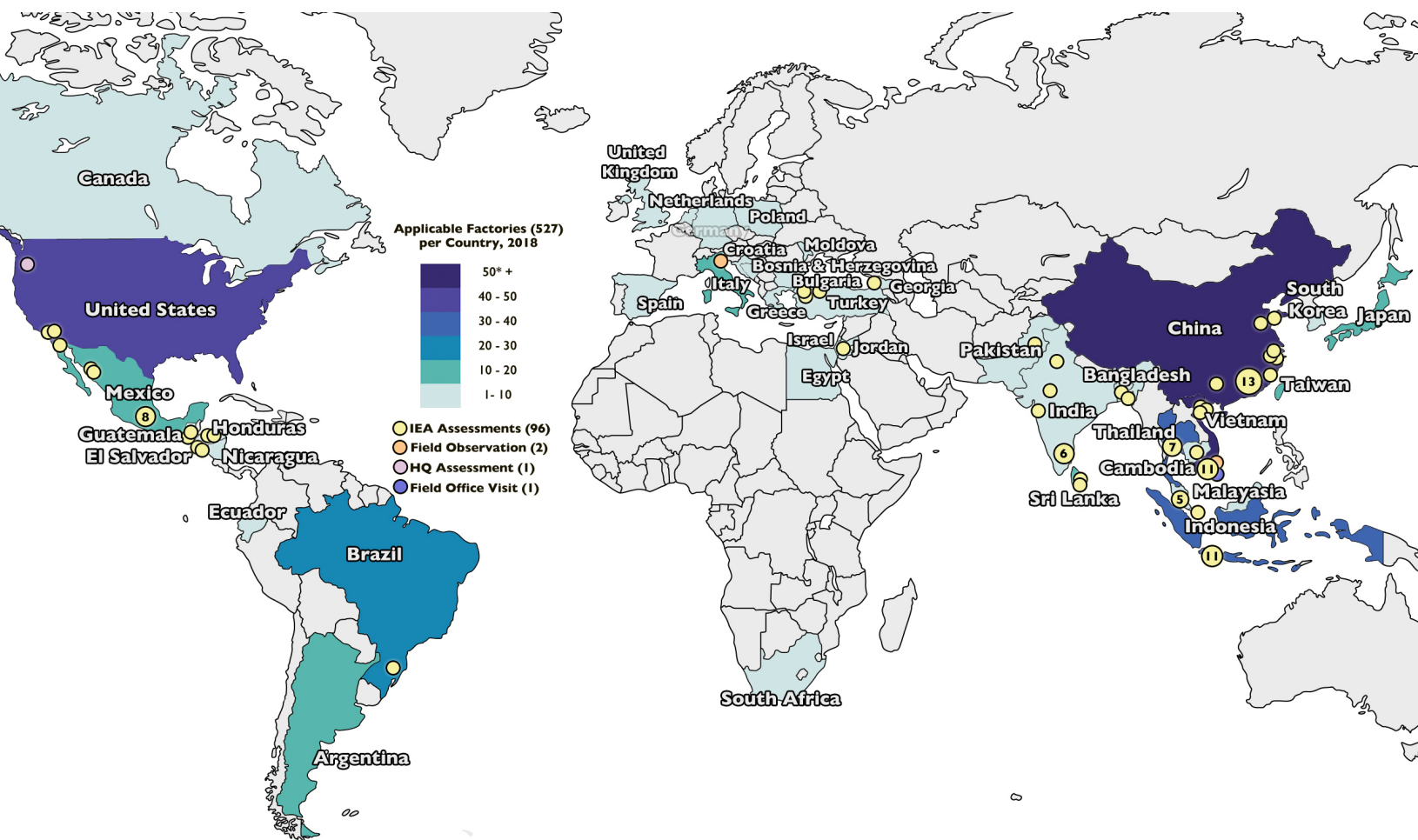


- 1) **Affiliate Headquarter Assessment:** Assessments at headquarters and field offices to interview staff involved in compliance and in other functions, and to review documentation, processes, and database capabilities. In some cases, the offices of agents are visited as well. In countries where the FLA is not able to conduct in-person assessments, interviews are conducted by phone with company staff involved in compliance and in other functions.
- 2) **FLA Factory-Level Assessments:** Independent External Monitoring (IEM), Independent External Verification (IEV), and Sustainable Compliance Initiative (SCI) assessments are all sources of information on compliance issues and remediation efforts. For reaccreditation, affiliates are subject to Verification Assessments, which verify remediation efforts and may include analysis of the affiliate's assessment tool.
- 3) **Annual Reports:** Affiliate reports for each year of implementation provide data on the evolution of an affiliate's compliance program in line with FLA Principles.
- 4) **FLA Safeguards & Third-Party Complaints:** Where relevant, an affiliate's involvement in, and responsiveness to, FLA Safeguards & Third-Party Complaints provide additional insight into compliance programs and remediation strategies.
- 5) **FLA Strategic Projects:** Where relevant, an affiliate's participation in FLA Strategic Projects provides opportunities to learn about the affiliate's compliance strategies for detecting and remediating complex issues.
- 6) **Observation:** Wherever possible, FLA staff accompanied affiliate compliance staff on internal audits, training sessions or remediation visits.
- 7) **Routine Interactions:** Information on the affiliate's compliance program has also been collected through discussions and interactions with affiliate compliance staff in the course of each year's program. Exchanges with civil society organizations and other stakeholders interacting with the affiliate provide additional perspective.

SECTION 1: NIKE, INC. AFFILIATE OVERVIEW

Name of Company	NIKE, Inc. (Nike)	Category	Participating Company
Location	Beaverton, OR	Product/s	Apparel, Footwear, Accessories
Total Annual Revenue	\$36.4 Billion (FY 2018)	Current Number of Applicable Facilities	527
FLA Affiliation Month/Year	1999 (Founding Member)	Last Reaccreditation Month/Year	October 2008
FLA Reaccreditation Lead/Support	Lead: Tiffany Rogers, Social Compliance Manager Supports: Jeff Sybertz, Social Compliance Associate; Phuong Do, Regional Manager, South East Asia; Gulden Ulker, Sr. Social Compliance Associate, EMEA; Renee Bowers, Social Compliance Director		
Unique Company Characteristics	<ol style="list-style-type: none"> 1) Nike has experienced significant growth since its last reaccreditation. The company's total revenue has grown from 5 billion USD in 2008 to 35 billion USD in 2018. 2) Nike was originally founded by Bill Bowerman and Phil Knight in 1964, originally as Blue Ribbon Sports. In 1971, the company established itself as Nike; in 1980, Nike became a publicly traded company on the New York Stock Exchange. 3) In 2002, Nike acquired Hurley International; and in 2003, Nike acquired Converse. Since Nike's 2008 Reaccreditation, Nike has fully centralized its sustainability program to include these subsidiaries. 		
Summary of Key Strengths	<ol style="list-style-type: none"> 1) Top management and Board of Directors commitment to uphold workplace standards; 2) Staff expertise of labor violations, trends, and methods for remedy with suppliers; 3) Continuous review and improvement of social compliance programs and tools to achieve positive impacts; 4) Strict protocols to ensure responsible purchasing practices are upheld; 5) Continuous development of partnerships with external stakeholders to address systemic labor violations; and 6) Innovative program development to support suppliers in improving working conditions. 		
Summary of Key Suggestions for Strengthening	<ol style="list-style-type: none"> 1) Continue to pilot the FLA Fair Compensation Data Tool to support the development of Nike's Fair Compensation Strategy; 2) Continue to strengthen relationships and engagement with local civil society organizations; 3) Continue to engage and ensure workers are represented, specifically when remediating systemic labor violations; and 4) Continue to ensure workers have access to a confidential reporting channel and are safeguarded for disclosing grievances. 		

SECTION 2: NIKE SUPPLY CHAIN & FLA DUE DILIGENCE ACTIVITIES FROM 2008-2018



As of 2018, Nike sources from 527 factories globally; with China, Vietnam, and Indonesia being its highest production volume countries. Nike sources from 118 factories in China, 89 factories in Vietnam, and 38 factories in Indonesia. By number of factories, Nike also sources from a significant number of factories in the U.S. (46), Thailand (30), Brazil (27), and Sri Lanka (19). From 2008 through 2018, Nike received 96 Independent External Assessments (IEAs). From 2008-2011, Nike received 48 Independent External Monitoring and Verification assessments; from 2012-2018, Nike received 48 Sustainable Compliance Initiative (SCI) and Verification (SCIV) assessments. These assessments covered 20 sourcing countries and 4 assessments for Hurley, 12 assessments for Converse, and 74 assessments for Nike. For the FLA's assessment for reaccreditation in 2018, Nike received an audit field observation in Italy and a calibration field observation in Vietnam. The FLA also conducted an HQ assessment at Nike's world headquarters in Beaverton, OR, U.S.; and a field office assessment in Ho Chi Minh, Vietnam.

SECTION 3: REACCREDITATION OF NIKE LABOR COMPLIANCE PROGRAM

Information used in this assessment originates from reports submitted by Nike and verified by the FLA through:

- 1) An assessment at Nike headquarters conducted by FLA staff in July 2018;
- 2) Information gathered in person, via phone interviews, and through email correspondence with Nike staff;
- 3) Documentation review of supporting evidence submitted by Nike;
- 4) Field observations of one audit and one calibration in Italy and Vietnam, respectively.
- 5) Results of FLA Verification Assessments at Nike applicable facilities conducted by FLA assessors to verify remediation efforts at the factory level;
- 6) Results of FLA Independent External Assessments at Nike applicable facilities conducted by FLA assessors and accredited service providers; and
- 7) Communication with stakeholders.

A REVIEW OF THE COMPANY'S IMPLEMENTATION OF THE PRINCIPLES OF FAIR LABOR AND RESPONSIBLE SOURCING¹

Nike Social Compliance Program Growth

With Nike's growth as a company since its last reaccreditation in 2008, Nike's social compliance program has also grown. At Nike's World Headquarters (WHQ), the Sustainable Manufacturing & Sourcing (SM&S) team has expanded to include teams for operations, environment, and labor/health and safety. Nike's SM&S Team is responsible for the operational supply chain implementation of Nike's sustainability standards, including the Code of Conduct and Code Leadership Standards. Nike has also established SM&S Teams at its Singapore office and other liaison offices in high production countries. The WHQ SM&S Team focuses on the strategy and policy development; the Singapore SM&S Team works with the WHQ SM&S Team to execute strategy deployment; the Singapore SM&S Team then works with the regional SM&S teams to implement programs in the field. The FLA also notes that as part of this reaccreditation, Nike's subsidiaries, Hurley and Converse, are included under the FLA's scope. Nike acquired Hurley and Converse in 2002 and 2003, respectively; at the time of the 2008 reaccreditation these subsidiaries had not been fully included in Nike's social compliance program. Throughout this reaccreditation process, FLA has verified that Hurley and Converse's factories are part of Nike's SM&S program.

Additionally, Nike has contracted with [Sumerra](#), an audit management and capacity building service provider, to manage its Factory Compliance Ownership program. Sumerra is responsible for managing the audit and follow-up cycle for Nike, selecting contracted auditors, and ensuring the selected auditors have completed the mandatory training prior to conducting Nike audits.

Nike's transparency on sustainability and social compliance has also expanded since 2008; Nike has been publishing its [factory list](#) since 2005 in an interactive map since 2012. Additionally, Nike continues to publish its [Sustainable Business Report](#), reporting Nike's work on social compliance and environmental impacts, every two years. Beginning in 2019, Nike will publish an annual sustainability report annually. For labor and social compliance, Nike reports on how it is upholding Sustainable

¹ The Principles of Fair Labor & Responsible Sourcing include the main components for a company to build a social compliance program. The complete sets Principles can be found on the [FLA website](#).

Development Goals (SDGs) 8: Decent Work and Economic Growth, 16: Peace, Justice, and Strong Institutions, 4: Quality Education, and 17: Partnerships for Goals. Nike continues to report its work on sustainable sourcing, including the percentage of suppliers that achieved a bronze sustainability rating in 2016 and 2017. The report also includes reporting on the number of audits conducted, Nike's long-term relationships with suppliers, its work to eliminate excessive overtime, and worker engagement.

Board of Directors & Top Management Commitment

Nike's Corporate Responsibility, Sustainability & Governance Committee provides board-level oversight of Nike's activities and policies regarding sustainability and contract manufacture labor practices. This committee reviews the brand's sustainable business strategy. At the top management level, Nike established its Performance and Disclosure Committee in 2012; this committee is composed of the Chief Finance Officer, the Chief Operations Officer, the Chief Sustainability Officer, the Executive Vice President of Global Communications, the Chief Administrative Officer and General Counsel and provides oversight and direction on Nike's public sustainability targets, reporting, and disclosure. Nike publicly discloses the responsibilities and governance of these committees on its [website](#).

Additionally, the SM&S Team is part of Nike's Global Sourcing & Manufacturing (GSM) Organization and works closely with Sourcing teams to ensure responsible purchasing practices are implemented to uphold the Nike standards. Along with GSM and the Global Sustainability Team, Nike has sustainability-focused functions within other teams, including Product Creation, and Supply Chain (Distribution and Logistics).

Nike has embedded sustainability across the organization, both formally and informally. Formally, the Global Sustainability Team communicates the public-facing business outcomes across the value chain, from innovation and product creation to retail and end of life. Informally, Nike employees often migrate through different areas of the business as part of personnel development. This internal rotational system allows for Nike staff from SM&S, Global Sustainability Team, and Global Sourcing & Manufacturing staff to work across the business and for Nike to improve operations by cross-pollinating department in better synergizing practices, program development, and upholding Nike's standards and strategic direction.

Implementing the Key Performance Indicators (KPIs) of the FLA Principles

In 2015, the FLA revised its [Principles of Fair Labor & Responsible Sourcing and Production](#) to raise the standards of company and supplier social compliance programs, with the most notable change being the improvement of Principle 8: Responsible Purchasing & Production Practices. Nike has actively worked to meet and exceed the current Principles in its program implementation. The FLA has verified improvement in the suggestions for strengthening² that FLA presented in its 2008 reaccreditation report. The FLA verified Nike's implementation of the new Principle KPIs from 2015 to 2018 through self-assessment submissions, field observations, and through the headquarters assessment and field office visit. Additionally, in 2017, Nike [aligned](#) its [Code of Conduct](#) with the FLA's Workplace Code of Conduct. Nike then updated its internal training programs for all head office staff to include the updated Code of Conduct standards and responsible purchasing practices.

² The six Suggestions for Strengthening included in the 2008 Reaccreditation Report were: Greater emphasis placed on verification of worker trainings or worker interactions; 2) Additional training for staff on worker interviews and grievance procedures; 3) Increased oversight of third-party monitors; 4) Strengthening of grievance procedures and confidential reporting mechanisms that are accessible to all workers' 5) Documentation of the implementation of supplier/worker capacity building to measure effectiveness and impact; and 6) Increased CSO outreach and consultation of knowledgeable local resources for monitoring and capacity building purposes.

Grievance Mechanisms & Confidential Reporting Channel

The FLA has reviewed Nike's audit tool (NCAT) that includes 65 questions to verify how a factory has implemented functioning grievance mechanisms. For comparison, the FLA's SCI Baseline Assessment Questionnaire includes 55 questions to verify functioning grievance mechanisms. Nike's questions include a review of policies, procedures, and training related to grievance mechanisms. Over 50% of the 65 questions require verification through worker interviews to ensure that workers are knowledgeable of the grievance processes and that workers receive resolutions to grievances and disputes in a timely manner. The FLA verified through its Audit Field Observation in Italy that the auditor followed these questions and interviewed every worker on their awareness and use of the factory's grievance mechanisms. The FLA recognizes Nike's assessment to ensure factories are implementing functioning grievance mechanisms that are available to workers as a best practice within the apparel and footwear industry.



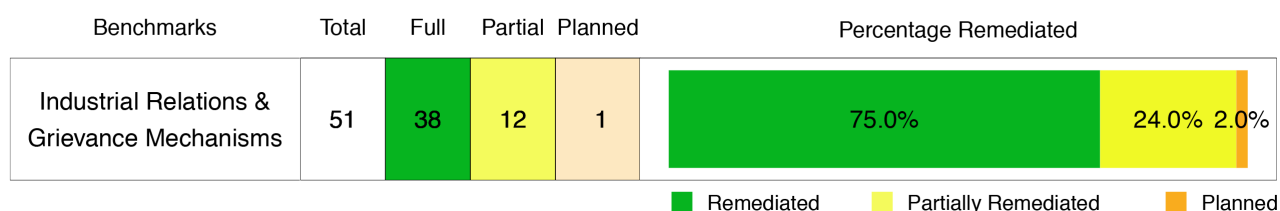
Workers at a production facility for Nike gather for a meeting.

During the FLA's Nike WHQ Assessment in Beaverton, Oregon, FLA staff provided recommendations that Nike establish a confidential reporting channel for workers, in the case a factory's grievance mechanisms are not functioning. The FLA recognizes that through Nike's Factory Compliance Ownership program, Nike is encouraging its suppliers to take ownership on remediation actions and working conditions; especially in how factories address grievances provided by their workers. While the FLA recognizes the importance of factories having functioning grievance mechanisms and the extent to which Nike's NCAT comprehensively assesses these mechanisms, the FLA noted that it is possible that some workers may not always trust the grievance mechanisms provided by the factory. Additionally, the FLA staff raised concerns that the auditors conducting Nike's audits may not be safeguarding workers from retaliation, in case factory management pressures interviewed workers on what information was disclosed during the worker interviews following the audit. The FLA recommended that Nike implement a policy with Sumerra that all auditors are required to provide contact information during the worker interview process. By providing auditor contact information, workers can report if there were further grievances, they did not feel comfortable disclosing to the auditor at the time of the interview, and workers can report if they experience retaliation following the audit.

Following the FLA's recommendations, Nike established a policy with Sumerra to ensure that auditors are providing contact information to workers during the worker interview process. The policy articulates that grievances submitted to the auditors will be treated according to the complaint resolution process that is already in place to address other third-party raised issues. The FLA verified the implementation of the policy during the Audit Field Observation in Italy and observed the auditors providing contact information to workers along with an explanation of how the workers could contact the auditor. The FLA recognizes Nike's improvement to safeguard workers and recommends Nike continue to work with Sumerra to ensure that this new policy is consistently implemented through Sumerra's and Nike's quality review process.

Below is a chart that shows the number of SCI Assessment violations the FLA has found on Industrial Relations & Grievance Mechanisms from assessing Nike facilities from 2014-2017. In 31 SCI Assessments, the FLA found 51 violations related to Industrial Relations & Grievance Mechanisms. Through Nike's reported remediation updates and the FLA's SCI Verification Assessments, Nike's facilities have completely remediated 75% of the 51 violations. The FLA recognizes the challenges in improving workers' access to functioning grievance mechanisms; for example, suppliers must have expertise in managing grievance mechanisms to ensure confidentiality and nonretaliation. Additionally, factory supervisors and managers must be knowledgeable of their roles and responsibilities to support a resolution process for all grievances. The FLA commends Nike's commitment to remediating these violations with its suppliers and recommends Nike continue to remediate violations of industrial relations and grievance mechanisms.

FLA REMEDIATION PROGRESS CHART



Leadership within the FLA

Nike's SM&S staff regularly attend FLA's Board of Directors Meetings and contributes to the dialogue of understanding systemic labor violations in apparel and footwear supply chains. Vice President (VP), Sustainable Manufacturing & Sourcing is on the FLA's Communication Committee. Additionally, Nike's Sr. Director, Labor Systems Innovation presented at the FLA's Fair Compensation Panel in October 2017; the presentation included research on worker productivity and compensation further discussed under the Remediation, Innovation, and Collaboration section of this report. Nike's Director, Labor Performance and Capability presented at the FLA's University Advisory Council (UAC) meeting in January 2018 on the implementation journey FLA companies pursue to be accredited by the FLA. The FLA continues to be appreciative of Nike's support and engagement with a range of the FLA's caucus members to support further understanding of the complexities of labor violations and remediation.

CIVIL SOCIETY ENGAGEMENT³

Civil Society Engagement Strategy Development & Implementation

Throughout 2017 and 2018, Nike reviewed its management of relationships with external stakeholders, including civil society organizations. Nike's corporate culture is one which values gaining experience in different teams and departments; therefore, there is a great deal of movement between departments and managing relationships with external stakeholders can be challenging. In the Vice President (VP), Sustainable Manufacturing & Sourcing's former role as the Senior Director of Labor Partnerships, she led the development of Nike's strategy to manage external partnerships and engagement to ensure that partnerships with external stakeholders are embedded in Nike's processes through social compliance and sourcing. The priorities of the strategy are to accelerate sustainability initiatives, drive

³ Principle 9 "Consultation with Civil Society (CSO)" articulates how a company can engage with civil society to improve the lives of the workers in its supply chain.

industry collaboration, and enhance Nike's brand credibility and willingness to engage. The FLA interviewed the former Senior Director of Labor Partnerships (now the Vice President (VP), Sustainable Manufacturing & Sourcing) during the HQ Assessment process to verify the development and implementation of the strategy. Nike reported to the FLA that as Nike fills the role of Director of Labor Partnerships that Nike's external engagement team continues to implement the strategy with guidance from the VP.

Nike Sourcing Countries: Civil Society Engagement & Government Advocacy



Nike's three-year plan focuses on three goals: advance business opportunities, support Nike's brand, and drive industry collaboration. Throughout 2018, Nike has focused on improving its engagement with universities and the [Workers' Rights Consortium](#) (WRC), and to take stock of the current relationships Nike's field teams have with local civil society organizations. Nike is continuing to define who within the SM&S and Global Sustainability teams owns each relationship and clarifying how the information from this relationship can be embedded into Nike's operations. Nike also developed tools to manage and track the relationships with stakeholders to ensure stakeholder engagement is operationalized through a management system.

Nike and WRC Joint Protocol

Following the WRC and FLA investigations of Hansae⁴, a Nike supplier in Vietnam, in 2017, Nike and the WRC established a [joint protocol](#) to support improved facilitation and communication with the WRC when investigating labor violations in Nike suppliers. This protocol articulates processes for the WRC and Nike to follow when labor violations are found by the WRC in which access to the facility is needed to verify the violations. There are processes in place for the WRC to request access to the facility, processes for the WRC to follow when conducting the investigation, and processes for how the WRC will notify Nike of the findings and how Nike will work with the WRC to develop a remediation plan. This joint protocol is also part of Nike's retail licensing agreement with [Georgetown University and other university partners](#). Further information on the FLA's investigations of Hansae can be found in Appendix C: Nike's FLA Safeguards/Third Party Complaint Investigations Chart.

Transparency Pledge

Nike [signed](#) the [Transparency Pledge](#) from the Civil Society Coalition on Garment Industry Transparency, and engaged with the [International Corporate Accountability Roundtable](#) (ICAR), which

⁴ FLA's Publicly available reports on Hansae: <http://www.fairlabor.org/report/hansae-vietnam> & <http://www.fairlabor.org/report/hansae-vietnam-second-investigation>

is part of the coalition and a member of the FLA's Civil Society Caucus. At the time of the pledge, Nike had already been disclosing its Tier 1 suppliers on the interactive map on its website and has since added its strategic Tier 2 suppliers to its [public factory list and map](#) as well as naming the supplier groups. The pledge calls for apparel and footwear brands to publicly disclose their supplier lists to better collaborate with civil society in addressing labor and human rights violations in their supply chains. Additionally, Nike was one of only a few companies that attended a [convening](#) for the pledge in March 2018 to further discuss industry efforts towards supply chain transparency. Representatives from ICAR, Clean Clothes Campaign, Better Work, ETI, SAC, Fair Wear Foundation, and the FLA were in attendance along with other brands and NGOs at the program, where there was further discussion of supply chain transparency.

Americas Civil Society Engagement

Nike is actively involved in the Americas Group, a multi-stakeholder organization of brands and civil society organizations, who work together in addressing systemic labor issues in Mexico and Central America. Nike is a member of the America's Group's Coordinating Committee that drives the strategic direction and mission within the group. The FLA also is actively involved with the Americas Group and has verified Nike's participation and membership.

Mexico: Nike is on the Americas Group Mexico Committee and has provided support in carrying out the various initiatives such as on freedom of association and [protection contracts guidance](#), addressing precarious work, and advocating for labor justice reform. Nike provided feedback and support in drafting the Americas Group guidance in upholding freedom of association in factories in Mexico; and signed two joint letters with the brands of the Americas Group and the FLA to advocate for freedom of association in Mexico. Nike also participated in and invited its suppliers to join the freedom of association training for auditors that was held in June 2016; this training was observed by the FLA as part of [PVH's Reaccreditation](#). Currently, Nike is participating in a process to verify the steps their Mexican suppliers are taking to better ensure respect for their workers' right to freedom of association and collective bargaining, based on the actions requested in the Committee's Freedom of Association (FOA) Guidance document, published in January 2016 by the Mexico Committee. Nike is also supporting the development of a working group within the Mexico Committee that will focus on addressing wage violations.

Central America: Nike is also part of the Central America Committee, where they have worked to address issues identified for women working in the maquiladora sector, [identified](#) by the Central American Women's Network in Support of Maquila Workers (REDCAM). Nike has participated in multi-stakeholder forums and visits to childcare centers in El Salvador. Additionally, Nike has supported the work the Central America Committee has done to address sexual harassment and other forms of gender-based violence at work and occupational health and safety. Nike has been working with a supplier in Honduras which has implemented a strong occupational health and safety program and HSE committee; this program has been considered a best practice program amongst the Americas Group. Nike is also supporting an on-going dialogue amongst the multi-stakeholder committee to exchange best practices in the region to address occupational health and safety concerns.

South East Asia Civil Society Engagement

Indonesia: After years of freedom of association challenges in Indonesia, Oxfam Australia's Indonesia Labour Rights Project (ILRP), launched a campaign to call brands into action to work with civil society and unions. The [FOA Protocol](#) was signed in June 2011 by adidas, Nike, New Balance, PUMA, and other brands, 71 suppliers, and unions representing more than 700,000 workers. This initiative, originally coordinated by Oxfam Australia, upholds FOA standards that go beyond Indonesia's local

laws and provides operational standards to support the implementation of the protocol. The FLA notes that Oxfam Australia is no longer the coordinating partner for the FOA Protocol and encourages the signatory brands, suppliers, and unions to continue to engage to improve workers' right to freedom of association in Indonesia. Additionally, Nike is a strategic partner with Better Work in Indonesia to support the improvement of working conditions and workers' rights.

Malaysia: To address the prevalent violations of recruitment fees and other forced labor indicators for foreign migrant workers in Malaysia, Nike has been implementing various remediation and training programs, further discussed under the Remediation, Innovation, and Collaboration section of this report. In 2018, Nike reported to the FLA about their engagement with an NGO investigating forced labor risks at a Nike supplier in Malaysia. The NGO provided Nike and other identified buyers a report regarding recruitment fee and other workplace violations at the supplier facility. At the time of receiving the report, Nike had already found these violations in 2017 and was working with the supplier on remediation. Following receipt of the NGO allegations, Nike, Under Armour, and the other two buyers supported the supplier in implementing a multi-installment approach to providing back-pay to workers who had been paying fees during their employment. The FLA received a report in December 2018 from the NGO detailing the investigation and buyer actions to remediate, and further worked with Nike and Under Armour to verify their remediation actions, see the Remediation, Innovation, and Collaboration section for more details.

Nike is also a member of the Institute for Human Rights and Business' (IHRB) [Leadership Group for Responsible Recruitment](#) (LGRR), a cross sectoral group focused on driving ethical recruitment for workers globally and the eradication of worker paid fees for employment. To remediate violations of recruitment fees in Malaysia and other countries, Nike is engaging with other brands and organizations further described the under Remediation, Innovation, and Collaboration section of this report.

Vietnam: Nike apparel suppliers participate in the [Better Work](#) program, including its worker-management committee program, also known as the PICC program. The worker-management committee program supports the improvement of worker management relations. Nike is working to increase facility participation in the Better Work program Vietnam, especially for licensee facilities. The FLA also recognizes Nike has increased its participation with Better Work in Cambodia, Nicaragua, and Jordan.

As discussed earlier in this section, Nike engaged with the WRC and the FLA on allegations raised concerning its Hansae supplier in Vietnam. Through this engagement, Nike and the supplier worked to remediate various violations including installing cooling systems to mitigate worker fainting, conducting a process to identify more ergonomic chairs for the workers, and ending the practice of off-



Workers in a factory in Vietnam work on the uppers of Nike shoes.

the-clock overtime and back payment to workers for this practice.

East Asia

China: After worker strikes occurred at one of the facilities of FLA accredited Participating Supplier Pou Chen Group over social insurance contributions, Pou Chen Group came into compliance through social insurance and Housing Provident Fund contributions for all of its facilities in China. Nike, along with other FLA brands, was engaged throughout this process, including through the [FLA's Safeguard Investigation](#) to verify Pou Chen was in compliance with the social benefit payments, which was conducted a year after the strikes occurred.

Following this event, Nike's WHQ SM&S team set targets for footwear, apparel, and accessories suppliers to be in full compliance with social insurance and the Housing Provident Fund. To reach these targets, Nike's China SM&S Team engaged with suppliers, factory representatives from the ACFTU, and the Chinese government officials. Engagement with the worker representatives was critical to clarifying why the workers and the factory would need to further contribute to their social security benefits. By contributing to these benefits, workers have access to medical, maternity, unemployment, retirement, and injury insurance that is needed for unplanned events during a worker's life. Further information on how Nike suppliers in China came into full compliance with the legal standards on social insurance and the Housing Provident Fund is explained under the Remediation, Innovation, and Collaboration section of this report. The FLA notes the engagement with the ACFTU union representatives; however, the FLA also encourages Nike to continue to expand its engagement with civil society and other social compliance-focused organizations in China to improve working conditions.

Europe, Middle East, and Africa (EMEA) Civil Society Engagement

Turkey: Nike has supported the FLA's work with United Nations High Commissioner for Refugees (UNHCR) and Turkey's Ministry of Labor on to uphold rights for Syrian refugees. Nike participated in the [multi-stakeholder meeting](#) on this topic, which included the FLA, UNHCR, brands, manufacturers, unions, workers' rights organizations, and representatives from the Turkish government. Nike is also working with the FLA, the Better Cotton Initiative, and İyi Pamuk Uygulamaları Derneği (IPUD) to improve employment practices and working conditions on cotton farms in Turkey.

Government Engagement

Cambodia: Nike has been participating in calls and meetings (coordinated through the FLA and American Apparel and Footwear Association (AAFA)) to address freedom of association and labor issues with the Cambodian government. In October 2018, Nike's Senior Director, Government & Public Affairs for South East Asia attended a convening with other FLA and AAFA brands to engage with the Cambodian government on the current state of labor rights and standards. Specifically, the delegation called for criminal charges to be dropped in the cases of labor leaders; amendments and implementing regulations to support workers to engage freely with unions; and it also noted the important role of Cambodia's Arbitration Council in resolving labor disputes.

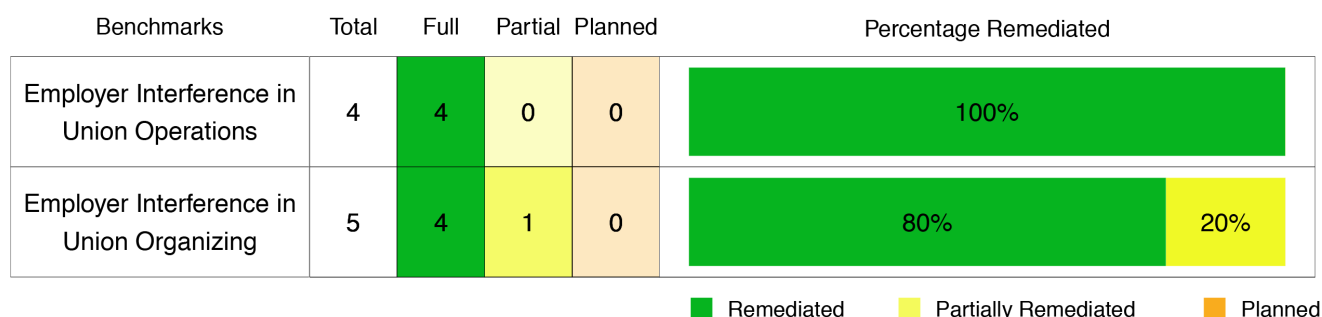
Vietnam: Nike has engaged with Chamber of Commerce and Ministry of Labor to encourage the adoption of ILO conventions on freedom of association and collective bargaining, child labor, and forced labor, including with respect to standards that were included in the original Trans-Pacific Partnership (TPP) trade agreement. While the U.S. withdrew from the TPP, there are 11 other countries still involved in a reframed agreement. Nike also supports the trade agreement being developed between the European Union and Vietnam, which includes a chapter in which Vietnam would be required to develop a roadmap towards adoption of the ILO conventions.

EMEA Region (Republic of Georgia & Turkey): Nike signed the [FLA's letter](#) calling for meaningful minimum wage legislation to the Georgian Minister of Labor. In Turkey, Nike signed the [FLA's letter](#) calling for greater access to work for Syrian refugees in Turkey to the President of the Republic of Turkey, advocating for Syrian refugees to be able to register for work permits.

Worker Representation

Nike's audit process includes interviews with union and/or worker representatives. Additionally, the FLA has verified Nike works with its suppliers to engage with unions or worker representative structures to support in the remediation actions suppliers are implementing. Specifically, Nike ensures that worker representatives are involved in the communication of changes happening at the factory-level so that workers can be clear on expectations, as noted in the engagement in China to improve social insurance contributions.

FLA REMEDIATION PROGRESS CHART



The FLA also recognizes the actions Nike and its suppliers have taken to remediate violations on employer interference in union organizing and operations. Nike has remediated all four labor violations regarding union operations found in the 31 SCI Assessments conducted from 2014-2017. For example, during an SCI assessment in Pakistan, FLA assessors found that the procedures for the workers' council were incomplete and that management regularly arranged and was present during workers' council meetings. Nike worked with the factory to revise its procedures to cover the objectives and functions of the council and to ensure that management did not arrange council meetings. Nike and its suppliers have remediated four of the five violations regarding union organization, with one violation that is partially remediated. Nike has also been involved in various FLA Third-Party Complaints and Independent Investigations since its last reaccreditation in 2008; all of which Nike has either closed or continues to remediate the violations with the facilities. See Appendix C for a summary chart on these reports.

Nike's Civil Society Engagement Looking Forward

The FLA recognizes the work Nike has implemented to engage with civil society to improve working conditions. The FLA recognizes the positive impact civil society engagement can have on improving workers' lives and recommends Nike continue to ensure civil society engagement is a strategic priority for the SM&S Team. The FLA also recommends Nike continue to expand civil society engagement in key areas.

RESPONSIBLE PURCHASING PRACTICES⁵

Nike's Responsible Purchasing Practices & Strategy

Nike is implementing a global sourcing strategy that upholds responsible purchasing practices and incentivizes its suppliers with business growth and capacity building incentives. The global sourcing strategy also prioritizes leadership, manufacturing innovation, operations, sustainability, and product creation; along with identifying long-term strategic supply chain partners in the implementation of this strategy. The FLA verified this strategy at the WHQ Assessment in July 2018 by interviewing the Vice President, Sourcing, Sr. Director, Apparel Sourcing, Director, Apparel Sourcing, and the Sourcing Manager, Footwear.

Nike's sourcing strategy identifies both internal and external stakeholders that are partners with Nike in successfully developing and producing products. These include factory owners and workers as well as Nike's sales, HR, procurement, planning, logistics, and other teams. The strategy also identifies the considerations that go into making Nike products, such as innovation, high quality, low cost, using less water, keeping production in-line with demand, on-time delivery. To ensure suppliers are able to meet these considerations and execute Nike's sourcing priorities, Nike relies on its integrated supplier scorecard to identify long-term supply chain partners. To implement this strategy, the FLA verified that Nike has put in place load review procedures, sourcing calendars, and sourcing

roles and responsibilities matrices to ensure responsible purchasing practices are implemented.

During the Vietnam Field Office Visit, the FLA further verified the implementation of Nike's procedures that uphold responsible purchasing practices. In an interview Nike's Partner Manufacturing & Sourcing Director, Footwear Planning reviewed Nike's various sourcing processes. Nike has strict timelines under which reviews are conducted to ensure the suppliers have the capacity to complete POs within Nike's workplace standards on overtime and compensation.



A member of the facility's "relief team" helps a fellow worker on production techniques.

Responsible Purchasing Practices Training

Because there has been regular transition of staff between the Sustainable Manufacturing & Sourcing team and the Global Sourcing & Manufacturing team, knowledge of factory compliance issues is regularly applied in Nike's purchasing practices. Additionally, Nike has established an internal training program (as mentioned earlier in this report) to ensure all Global Sourcing Manufacturing staff receive training on responsible purchasing practices. The FLA reviewed the content of this training and the

⁵ Principle 8 "Responsible Purchasing Practices" articulates how a company develops and implements responsible purchasing practices, that mitigate negative working conditions, informed by the company's social compliance program.

short questionnaire that is used to ensure training is effective. Additionally, Global Sourcing & Manufacturing staff receive sourcing calendar and PO system training to ensure they understand the capacity restrictions built into the PO placement system. Through the interviews conducted by the FLA at the WHQ assessment, the FLA noted that the rotation of Nike’s SM&S staff within the Global Sourcing Manufacturing Team facilitates the knowledge of responsible purchasing practices and allows workplace standards to be better ingrained in the purchasing decisions executed by Nike.

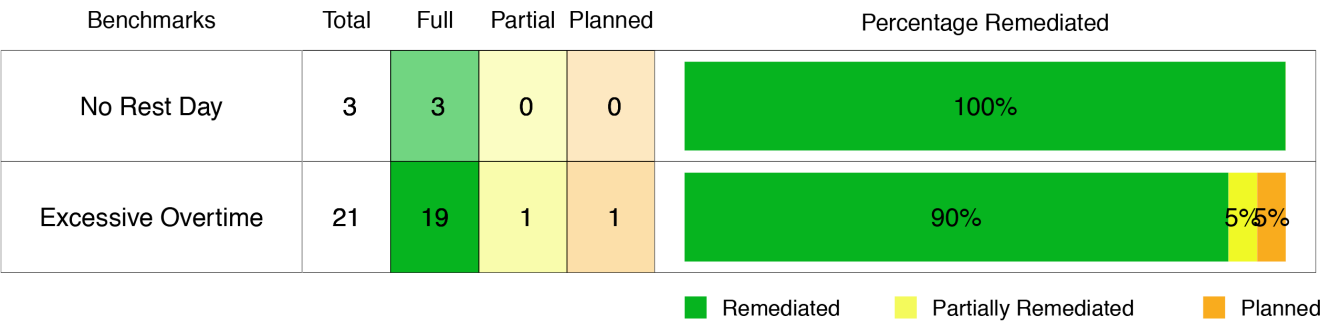
Accountability for Implementation of Responsible Purchasing Practices

Nike’s Global Sourcing & Manufacturing members are held accountable individually for implementing responsible purchasing practices; its two main accountability functions are its PO placement system and the Global Operating Cadence Overview meetings. Nike’s PO placement system restricts the placement of POs that are placed outside the required lead times, over the minimum order quantities, or exceeding the supplier’s production capacity. On a regular cadence, the Global Sourcing team reviews the PO demands and reviews if there were issues with PO placement. Additionally, in the last two years, Nike implemented a policy in which no orders would be accepted if they were not provided within the necessary lead time; implementing this restriction required Nike’s sales teams to confirm buys earlier so that they were not cancelled. Nike currently has a small percentage of orders from buyers that are not fulfilled due to the implementation of this policy. Nike also uses product class strategy calendars to define the deadlines internally to execute product development and place POs on-time. The FLA recognized Nike’s PO placement system restrictions to ensure orders are placed within required lead time, minimum order quantities, and production capacity limitations for suppliers as a strength of Nike’s responsible purchasing practices.

The FLA also considers the labor violations found during the SCI Assessments as indicators of whether responsible purchasing practices are successfully implemented. The chart below shows the number of violations for excessive overtime and no rest day for workers from 32 SCI and SCIV Assessments. The FLA notes that Nike has remediated the three violations in which workers were provided no rest day within a seven-day period. The FLA also recognizes the progress Nike has made remediating excessing overtime, as they have completely remediated 19 of 21 overtime violations.

One example of successful remediation took place in Indonesia, where FLA assessors found that a factory’s production plan included overtime. Nike worked with the factory to integrate regular working hours into the factory’s production planning and helped the factory develop more balanced planning processes. Especially for strategic suppliers striving to achieve silver status, Nike has specific programs (further discussed under the Remediation, Innovation, and Collaboration section of this report) that supports its suppliers to manage production and its workforce in mitigating excessive overtime.

FLA REMEDIATION PROGRESS CHART



Dialogue & Engagement to Implement Responsible Purchasing Practices in Nike's Supply Chain

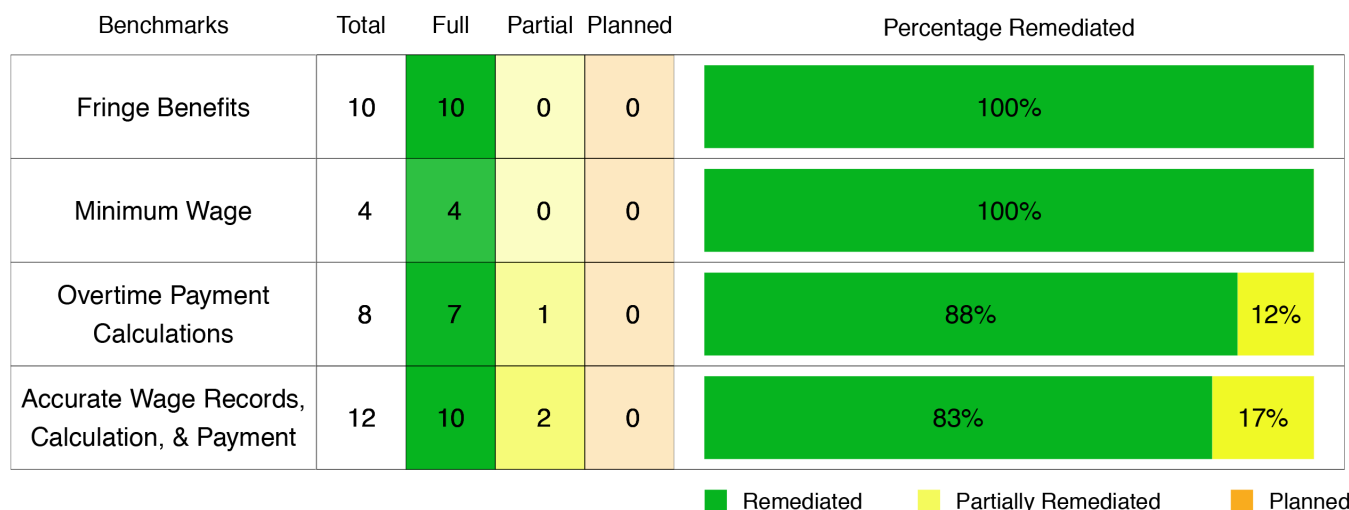
Nike's Global Operating Cadence Overviews are used to review the product demands, material deliveries, POs that have been restricted in the system, and weekly capacity planning. Nike reviews these issues at the factory-level for footwear and at the supplier group-level for apparel and accessories. Nike does not source through vendors or agents. On a quarterly basis, Nike's Global Sourcing & Manufacturing team conducts a quarterly source-base review to examine more long-term sourcing strategies with its suppliers. During these quarterly reviews, supplier sustainability performance is reviewed for suppliers that have dropped to or maintained a yellow or red compliance rating from Nike's social compliance audit (NCAT). Suppliers must maintain a bronze NCAT rating to be considered baseline compliant with Nike's workplace standards. When it is found that a supplier has dropped to a red rating and the supplier does not improve, Nike will discuss implementing long-term sanctions that would apply to the supplier in future seasons. These sanctions are not applied until six to nine months later, so that Nike can help manage the changes, the supplier can prepare for a reduction in Nike business, and the retrenchment of workers can be minimized. The first sanction flattens rather than reduces the supplier's growth with Nike until they are able to remediate the labor violations. Additionally, Nike is looking for its suppliers to recover to a bronze rating and sustain that rating. Depending on the remediation actions implemented, Nike may waive its sanction if the supplier sustains its bronze rating.

Nike's costing systems include practices that ensure that labor costs, including wages and fringe benefits, are included in the costing negotiation process. Nike's Asia Global Sourcing Manufacturing Team provides the labor rates and costing targets for countries and classifications in apparel and accessories. The team also uses global sewing data as a reference point to calculate the standard minute values. There is a unified costing structure that is being implemented throughout Nike's footwear suppliers; prior to this structure, different supplier groups used different methodologies to quantify minute costing. Nike does take considerations of compliance into its costing; for example, Nike sets a target for all of its suppliers to come into full compliance with social insurance laws in China. To support suppliers in China in achieving this target, Nike reviewed the calculations and increased costs to accommodate the social insurance contributions. Since 2015, Nike has been working with its suppliers in China to come into full compliance with social insurance and Housing Provident Fund laws in footwear, apparel, accessories, and equipment suppliers. As further discussed under the Remediation, Innovation, and Collaboration section of this report, Nike started engagement with its footwear suppliers. As the footwear suppliers made progress in coming into compliance with the social security benefits, Nike then implemented approaches for multi-buyer facilities for apparel and accessories. Nike's Business & Costing Teams worked with the suppliers to understand the costing impacts for the suppliers in China to come into full compliance with the social security benefits.

Below is a chart that includes the minimum wage, fringe benefits, and accurate wage records, calculations, and payment violations from the FLA SCI and SCI Verification Assessment conducted from 2014 to 2017. In 32 assessments, the FLA found four minimum wage violations; all of which Nike has remediated. The FLA found 10 labor violations involving fringe benefit violations, including social insurance; all of which Nike has completely remediated. The FLA notes that four of these violations occurred in three facilities of Nike in China. During one SCI assessment in China in 2017, FLA assessors found that all workers were provided with social insurance contributions as legally required but the contribution base for 70% of the workers was lower than their actual earnings. Moreover, the factory did not pay into the legally required Housing Provident Fund for any of the workers. Nike worked with the factory to ensure that all workers were provided with social insurance at the correct contribution level and the factory paid into the Housing Provident Fund for all workers. Nike's

Business & Costing Team also worked to ensure that the costing process incorporated the need for suppliers to contribute to these benefits. The FLA commends Nike for its tremendous work in remediating all minimum wage and fringe benefits violations through a multi-faceted approach of supplier engagement, worker engagement, and responsible purchasing practices. The FLA especially notes that for social benefits in China, it is a common industry misconception that workers do not pay more for their social insurance benefits. Nike's work to engage with its suppliers, review its costing negotiations, and engage with worker representatives is leading the industry to drive systemic change in how social insurance violations can be remedied so that workers have access to their legally-required benefits.

FLA REMEDIATION PROGRESS CHART



Nike formally collects feedback from its suppliers through its participation with Better Buying, and through regular engagement with its suppliers. In June 2018, Nike began to participate with the Better Buying Initiative's second round of supplier surveys. [Better Buying](#) is a supplier rating initiative that collects anonymous supplier responses on brand purchasing practices. All of Nike's suppliers were invited to participate in the survey and once the responses have been analyzed by Better Buying, Nike will receive a report that includes ratings on various purchasing practices and some examples of supplier feedback. Nike also has regular meetings with its suppliers to address capacity issues, communicate their long-term sourcing strategy, and to ensure that the supplier understands product development requirements. The FLA interviewed an FLA Participating Supplier and verified that there is regular and on-going communication between the supplier's business unit and Nike. Additionally, Nike facilitates collaboration between suppliers to maintain product consistency, if there are changes to PO allocation following the completion of salesmen samples. Because Nike may need to change suppliers between the salesmen sample production and PO production to balance planning, different suppliers will communicate with each other on specifications of the product to support the transition.

Incentivizing Suppliers to Produce Responsibly

Nike utilizes a comprehensive supplier scorecard to implement long-term sourcing strategies with its supply chain partners. This scorecard measures supplier potential (capability index) in leadership, operations, innovation, sustainability, and product creation; and supplier performance (manufacturing index) in quality, cost, delivery, and sustainability. The sustainability score is based on the factory's audit and remediation performance as measured through the NCAT.

Nike has developed a system of capacity building programs to incentivize suppliers to improve working conditions for long term partnership with Nike. To stay in good standing with Nike, suppliers must maintain a bronze rating during their annual audit through Nike's Factory Compliance Ownership program, which applies to all finished goods and select subcontractors and materials suppliers. Suppliers that receive a bronze NCAT rating are then eligible to pursue capacity building programs, such as Nike's LEAN 2.0 or Culture of Safety programs. Nike's program on lean manufacturing has evolved over the last few years since the original technical and operational application of lean manufacturing. Nike collaborates with a supplier based in Sri Lanka who hosts lean training courses for other suppliers. Nike's LEAN 2.0 program focuses on social and teamwork skills which are then applied to other capacity building programs, like the Culture of Safety program. More information of the LEAN 2.0 program and other programs are further discussed under the Remediation, Innovation, and Collaboration section of this report.

For suppliers to achieve silver or gold status, suppliers must apply Nike's capacity building, human resource management, and environmental programs to their operations. Suppliers also must show ownership in improving and managing their business and upholding sustainability initiatives. During the calibration field observation in Vietnam, the FLA observed that the supplier's business with Nike had been growing as they have implemented these capacity building programs. Over the past couple years, this supplier's facilities have all transitioned to be wholly-Nike supplier facilities; the president of the facility discussed with the FLA how one of the main challenges the facility faces with the growth of Nike's business is to be able to continue to recruit and maintain workers to sustain the business growth. Through the calibration field observation, which is further discussed in the next section, the FLA verified that Nike's capacity building program on HRM systems supports its suppliers in sustainable growth and compliance with workplace standards.

Nike also offers to suppliers that they can participate in the International Finance Corporation (IFC), a member of the World Bank Group program, which incentivizes supplier performance in sustainability by offering lower trade finance terms for facilities. Under Nike's scorecard, factories that achieve a bronze-rating or better may participate in the program. In 2018, Nike had 35 facilities participating in the IFC's program.

REMEDIATION, INNOVATION, AND COLLABORATION⁶

Remediation Process

Through its Factory Compliance Ownership program, Nike conducts annual audits of its factories and will conduct follow-up audits within six months of the annual audit if findings drop the factory below a bronze rating. While factories are not required to provide a documented corrective action plan to Nike, the factories are held accountable to remediating the violations through engagement with Nike's staff and through the follow-up audit process. This program includes all facilities that produce finished goods, uppers, outsoles, embellishers, screen printers, and 48 material suppliers disclosed in Nike's factory list. The follow-up audit is to ensure that any yellow or red-rating findings are remediated to maintain baseline compliance of Nike's workplace standards. Factories are responsible for remediating other non-compliances, which is reviewed in the next annual Nike audit. Through Nike's Learning Communities, which are set up by Nike regional staff to have suppliers within a country to share experiences, suppliers are able to discuss root causes and learnings of remediating violations.

⁶ Principle 7 "Timely and Preventative Remediation" articulates the expectation for companies to work with its suppliers to sustainably remediate noncompliances and improve working conditions.

Nike provides guidance and support through its capacity building programs so that factories can improve working conditions related to systemic issues. Some of these programs, like LEAN 2.0 and Culture of Safety (further explained below) are only available to suppliers that maintain a bronze-rating. For some specific regional issues, Nike hosts supplier learning communities that provide training and knowledge sharing amongst Nike's suppliers. In regard to implementation of Nike's "no fees" for migrant workers policy and to come into full compliance with social insurance in China, as discussed under the Civil Society Engagement section of this report, Nike hosted learning communities for suppliers in these countries to discuss the challenges in implementing Nike's standards.



Nike, FLA, and supplier staff work to verify the implementation of the supplier's HRM systems during the calibration field observation.

Social Insurance & Housing Provident Fund Remediation in China

Nike worked with its suppliers and union and/or worker representative structures to come into full compliance with China's regulations for social insurance contributions and the Housing Provident Fund. For suppliers to come into full compliance with these social security benefits,

Nike implemented a phased

approach, first prioritizing footwear suppliers and then apparel and accessories suppliers. While it has become increasingly more common for suppliers in China to provide some contributions to these benefits, it is also common for the contributions to be aligned with minimum wages and not the actual workers' wages, violating local laws. To remediate these violations, both the supplier and workers had to increase their contributions to align with local laws. Nike engaged with its suppliers so there was clear understanding amongst the supplier and Nike on the steps required to come into compliance.

Nike disclosed to the FLA that there were some cases in which suppliers did not agree to come into compliance with the social security benefits; Nike then worked with its sourcing teams to implement a responsible exit plan. The learning communities provided a space for the suppliers to share best practices and experiences; additionally, Nike developed a tool kit for suppliers to support increasing payments for the social security benefits. Nike's footwear suppliers came into full compliance with social insurance and the Housing Provident Fund in 2016 and 2017, as verified by Nike's internal audits. All apparel and accessories suppliers were required to be in compliance with full social insurance requirements in January 2018 and with Housing and Provident Fund requirements in January 2019. Nike is continuing to verify that all apparel and accessories suppliers have come into full compliance. As mentioned throughout this report, the FLA recognizes Nike's leadership in addressing social insurance violations in China, a systemic labor violation trend in the industry. The FLA encourages Nike to share best practices and learnings to support other FLA brands and suppliers in remediating social insurance violations and improving workers' access to vital insurance programs.

Worker Voice through Engagement Well-Being Surveys

To review the effectiveness of various programs and remediation actions, Nike has developed a mechanism to capture worker voice, known as the engagement well-being (EWB) survey. To develop this survey, Nike tested surveys at 17 different factories in four countries, covering over 30,000 workers from 2013-2016. The survey includes questions about the workers' well-being, not

satisfaction, during and outside of work. To ensure anonymity and to protect workers from retaliation, worker surveys are managed by external third-party service providers approved by Nike. Nike found that where workers were engaged, and factory management responded to worker feedback, workers had an easier time managing changes to their work (for example, learning to make a new style.) Nike now uses these surveys to measure the impact on workers during different interventions, such as implementing the LEAN 2.0 and Culture of Safety Program. The FLA reviewed the EWB survey program during the WHQ Assessment in July 2018 and also verified implementation during the Vietnam Field Office Visit.

Maturity Assessments: LEAN 2.0, Human Resource Management (HRM), and Culture of Safety

Nike suppliers striving to achieve silver and gold ratings must implement Nike's capacity building programs. Nike's LEAN 2.0 program establishes the basics of understanding efficient production line management and includes skillsets that are necessary to develop prior to implementing the more advanced program. Through the LEAN 2.0 program, suppliers are able to see improvements in productivity and worker engagement, which hopefully leads to better capacity management. Nike's capacity building programs are developed to address multi-faceted root causes for suppliers to address multiple systemic issues. For example, the LEAN 2.0 and HRM programs support Nike facilities in comprehensively addressing issues on production efficiency and excessive overtime through worker retention and engagement.

Nike looks to work with suppliers who are trying to mature their human resource management (HRM), especially those who are looking to diversify how they recruit and attract employees who are skilled in improving workforce efficiency and incorporating new technologies in automation. To begin implementation of the HRM program, Nike conducts an onsite diagnostic of the facility's HRM systems to identify gaps in HR practices. Through Nike's HRM program, Nike suppliers improve their understanding of HR practices, including how to accurately collect data and analyze root causes. Suppliers then submit a self-assessment to provide Nike an update on how they have improved their HRM program. In the final phase of the HRM program, Nike conducts a calibration to verify the improvement of the supplier's HRM program.

The FLA conducted a field observation of an HRM calibration at a Vietnam footwear facility in October 2018. While Nike's calibration process can be considered an assessment, the FLA notes that this process was not similar to a typical factory audit. The calibration was most similar to how the FLA assesses its Participating Suppliers for accreditation, recognizing Nike's focus being specifically on the HRM program and not general social compliance and responsible production practices. As part of the field observation, the FLA observed how Nike worked with a footwear supplier in Vietnam to implement beyond compliance standards on HRM systems. The supplier had previously received the gap analysis from Nike and had completed the self-assessment earlier in 2018. The calibration observed by the FLA verified the supplier's implementation of Nike's HRM beyond compliance standards. For example, Nike's HRM calibration reviewed the staff, IT, and financial resources the supplier had devoted to improving HRM systems for production line staff. Nike reviewed how the supplier is training and documenting skillsets of the workers, so that the supplier can better adjust production lines and teams when meeting production challenges.

Nike also reviewed how the supplier manages its "relief team," or production workers who have been trained on multiple skillsets and can be easily transitioned to different lines when needed. The supplier had invested in a comprehensive IT HRM platform that maintained the training and skillset records of all production workers; and this system was utilized on the production floor for supervisors to make adjustments to production lines as necessary. The supplier was also implementing Nike's LEAN 2.0 program, which supported the diversifying skillset training for workers. Through this field

observation, the FLA verify the collaborative approach Nike has executed to supporting strategic suppliers in improving their HRM systems beyond basic compliance and code standards so that the suppliers can continue to grow with Nike and continue to attract workers in a competitive market.



During the FLA calibration field observation, the supplier's HRM staff member demonstrates its platform system for Nike's calibration team in Vietnam.

Nike's Culture of Safety program was developed to complement Nike's LEAN 2.0 program, in which it leverages leadership accountability, organizational capabilities, and management systems to continuously improve safety conditions on the factory floor. To progress throughout the program, the supplier takes a self-assessment, develops a roadmap, and the supplier implements improvements. Following, Nike conducts a calibration in which the supplier is scored. Nike works with five service providers that support suppliers throughout the process. To ensure the program is having an impact on workers, part of the calibration is including a safety perception survey, which is administered by the third-party service providers. There are five levels in the Culture of Safety program that progress as the factory implements strategies and systems to improve health and safety conditions and worker engagement. Similar to the HRM calibration that was observed by the FLA,

Nike's regional SM&S teams conduct calibrations to evaluate implementation and assess the facility's progress in implementing Nike's standards for the Culture of Safety program. Nike also measures the impact of the program implementation; for example, in Vietnam six facilities have implemented the Culture of Safety Program, and Nike has been measuring the number incidents on a regular basis. In all six facilities, the number of worker incidents have decreased. Additionally, Nike has a machine safety program and is developing an occupational health and hygiene program that suppliers can implement to complement the Culture of Safety Program.

In addition to these main initiatives, Nike has developed programs with specific focuses, such as a pressure vessel program in collaboration with Better Work. Nike has also adopted FLA's Fire Safety Training program, which heavily focused on the importance of training for trainers, to implement a Workplace Facilitator Program that includes cascading mechanisms to ensure workers were aware of the fire safety standards of the factory.

Fair Compensation

Nike worked on a three-year academic study with the University of California, Berkeley, factory management, workers, and labor and manufacturing consultants to pilot compensation incentives to drive productivity enhancements while making progress towards fair compensation in a factory in Thailand. Nike presented this research at the FLA's Fair Compensation Panel at the October 2017 Board of Directors meeting. This pilot was connected to the implementation of lean manufacturing systems at the factory, which also supported production efficiency. The research paper, written by Niklas Lollo and Dara O'Rourke, has been posted on the website of the Institute for Research on Labor and Employment of the University of California at Berkeley and is under peer review by an

academic journal, Management Science. Nike has been engaging with its suppliers to develop and implement a model based on the learnings from the study. Nike also implemented its EWB surveys to measure what workers valued and what created stress to revise the program to focus more on social dialogue and stress management. Additionally, the factory management and worker representatives were trained in social dialogue and stress management. These training programs supported communication between factory management and workers on compensation changes and managing levels of stress.

Nike has been working to develop a strategy on fair compensation to elevate supplier capabilities that drive ownership of improved performance in the treatment of workers and minimizing the impact on the environment. Aspects of the strategy include improving visibility into wage levels in the finished goods manufacturing base; aligning internal Nike systems to enable strategic compensation approaches; engaging externally to learn from others and share best practices; and for Nike's strategic finished good suppliers to implement strategic compensation approaches in their factories. In January 2019, the FLA reviewed the strategy with Nike's SM&S Team and the Director of Labor Performance and Capability. Additionally, Nike is piloting the FLA's Compensation Data Collection Toolkit in three facilities: one facility each in China, Vietnam, and Indonesia, Nike's three largest sourcing countries. Nike plans to be done with the pilots by the end of February. The FLA recognizes the work Nike has done to support progress in addressing fair compensation, and recommends Nike continue to develop and implement its strategy to improve compensation for workers throughout its manufacturing source base.

Brand Collaboration & Upstream Supply Chains

Nike has been developing a strategy to improve working conditions in material suppliers and potentially work collaboratively amongst the industry to support the reduction of audit fatigue and improve remediation efforts. Currently, there are 48 tier 2 suppliers that are part of the FCO program. With audit fatigue and industry collaboration at mind, Nike became a signatory of the [Social Labor Convergence Project](#) (SLCP) and is currently piloting the SLCP Verification Tool, a standard-less assessment questionnaire, with five tier 2 facilities in China during the Fall of 2018. Nike hopes to use the SLCP in its strategic tier 2 facilities, where further collaboration between brands can be used to leverage better working conditions in the upstream supply chain. Currently, there are 77 identified upstream suppliers that are not included in the Factory Compliance Ownership program; however, strategic tier 2 suppliers in China are being prepared to participate in the SLCP pilot in 2019. Additionally, since 2017, Nike has been working to increase formal collaboration with a group of sportswear, fashion, and retail brands along with their top management in operations, sourcing, and/or production on how the companies can work more effectively together to improve workers' rights in their collective supply chains.

Nike is also a member of the [Sustainable Apparel Coalition](#) (SAC) and is also piloting a self-assessment methodology for suppliers using the HIGG index, FEM 3.0. Nike has rolled the FEM 3.0 out to 95 tier 2 facilities in 2018. Additionally, strategic tier 2 suppliers in China will participate in FEM 3.0 in 2019. Nike also actively participates with the Zero Discharge of Hazardous Chemicals and the Leather Working Group, which are industry associations with the mission to improve chemical management and discharges in apparel and footwear manufacturing. In Turkey, related to the Syrian Refugee work already discussed under Civil Society Engagement, Nike also collaborates with FLA accredited Participating Companies, adidas, PUMA, and New Balance, as well as a home furnishing brand, to support employment of Syrian Refugees. In Jordan, Nike is working with the same home furnishing brand to develop materials for Syrian Refugee employment in Jordan factories, in collaboration with Jordan's Ministry of Labor.

Additionally, Nike is participating in the FLA's grant project from the U.S. Department of State's Bureau of Democracy, Human Rights, and Labor (DRL) on workers' rights and child labor risks in the garment and textile sectors in Turkey, specifically in Tier 2 and subcontracting suppliers. This project includes other brands, the Turkey Ministry of Labor, three Turkey labor unions (DERITEKS, DISK, and TEKSIF), and the Textiles and Garments Employers' Association.

Responsible Recruitment Commitment

In July 2018, Nike engaged with the FLA and American Apparel & Footwear Association (AAFA) to encourage both organizations to spearhead a [commitment to responsible recruitment](#) of foreign migrant workers. This commitment was formalized in October 2018 and calls for apparel and footwear brands and suppliers to create conditions where no worker pays for their job; workers retain control of their travel documents and have full freedom of movement; and workers are informed of basic terms of their employment. As of January 2019, 127 brands and suppliers are signatories of this commitment, making it one of the largest formal commitments in the apparel and footwear industry to improve working conditions.

The FLA also recognizes Nike's remediation of recruitment practices and freedom of movement violations found in its FLA SCI and SCIV Assessments from 2014-2017. In 32 assessments, the FLA found a total of eight findings for both types of violations. The FLA recognizes Nike and its suppliers have completely remediated all eight of the findings. During one SCI assessment in Malaysia in 2015, SCI assessors found that the factory retained migrant workers' passports and that the factory required migrant workers to pay a cash deposit if they wanted to return to their home countries. Nike worked with the factory to ensure that migrant workers retained the original copies of their passports and did not have to pay a deposit to return to their home country. This same factory received a verification assessment in 2018 and the assessor verified that these two findings had been completely remediated.

FLA REMEDIATION PROGRESS CHART

Benchmarks	Total	Full	Partial	Planned	Percentage Remediated
Freedom of Movement	4	4	0	0	100%
Recruitment Practices	4	4	0	0	100%

■ Remediated
 ■ Partially Remediated
 ■ Planned

As mentioned in the Civil Society Engagement section, Nike had been working with Under Armour to remediate violations of recruitment fees and working conditions found in a shared supplier in Malaysia. Following receiving the report from the NGO in July 2018, Nike Under Armour, and two other identified buyers at the facility worked to collectively remediate the violations found on recruitment fees and working conditions.

Nike has been working with this supplier since 2008 to ensure that Nike's "employer pays" policy was implemented to address recruitment fees. The supplier had remediated this issue in 2009, providing a payout to migrant workers who had been paying fees to labor contractors. The supplier then continued to pay the fees to its labor contractors so that workers would not have to pay the fees; however, in 2017, through Nike's improved audit tool and methodology, it was found that workers

were still paying fees, despite the supplier paying fees to the recruitment and labor contractors. Nike worked with the supplier to conduct another round of repayment to workers in the spring of 2018. Following receipt of the NGO allegations in summer 2018, Nike, Under Armour and the two other buyers worked together to support the supplier in contracting Verite to further investigate why labor recruiters and contractors continued to charge workers fees. It was found that the labor contractors had been charging the supplier and the workers recruitment fees and collecting double payments. Nike, Under Armour, and the two other buyers then worked with the supplier to provide additional reimbursements to the workers in 2019 to complete remediation for fees paid by the workers. Nike and Under Armour have reported that workers shall receive their payments by the end of February 2019; the FLA will request documentation to verify. Both payouts averaged about \$350-\$400 per worker, with about 950 workers receiving both payouts in 2018 and 2019. Specific amounts received vary by worker nationality and recruitment time.

Nike also continues to improve its SM&S program based on its learnings about remediation of recruitment fee violations. Through Nike's learning communities, especially in Malaysia, suppliers have received informative sessions from Verite and ILO Malaysia on how to address these issues. The Nike learning communities are in-region meetings held with suppliers to provide information on Nike's Sustainability strategy, highlight key issues, and provide guidance in compliance standards. The setting, inclusive of multiple suppliers, creates an environment where Nike is able to broadly communicate topics, but also where suppliers may share best practices and implementation strategies. Additionally, as disclosed in its [FY2018 Modern Slavery Statement](#), Nike continues to remediate this violation in other countries where foreign migrant labor is prevalent. Nike is also a member of the [Responsible Business Alliance's Responsible Labor Initiative \(RLI\)](#), which is focused on providing support to brands and suppliers across industry sectors to better understand and address forced labor risks through the development of tools designed to improve recruitment and employment practices. Nike works with these organizations as well as the FLA and others to connect to cross-sectoral work seeking to drive systemic change in how foreign migrant workers are recruited and managed. The FLA recognizes the expertise Nike's SM&S staff have in understanding the complexities of recruitment fees, foreign migrant labor, and labor contractors. Through FLA's verification of remediation, Nike's Director, Labor Performance and Capability has shown strong expertise on the issue, the conditions at the facility, the foreign migrant workers who are impacted, and how its supplier can implement sustainable remediation actions.

Moving Forward to Improve Workers' Lives

Through this reaccreditation process, the FLA has verified and recognized the strengths of Nike's social compliance program; in particular, the expertise of Nike's SM&S team on labor violations and how suppliers can sustainably remediate violations has been a consistent noteworthy strength of the social compliance program. The FLA encourages Nike to continue to expand its engagement with civil society, worker representatives, suppliers, and other stakeholders to ensure labor violations are identified and sustainably remediated. The FLA also encourages Nike to continue to share its best practices with the FLA and manufacturing industries so that more workers globally can have improved livelihoods.



Workers in a factory in Indonesia work on the uppers for Nike shoes.

SECTION 4: CONCLUSION AND RECOMMENDATION TO THE BOARD OF DIRECTORS

This review of Nike's labor compliance program is intended to help inform the decision of the FLA Board of Directors on whether to reaccredit the affiliate's program.

The FLA staff's conclusion is that since affiliation as a Participating Company, Nike has developed an increasingly comprehensive labor compliance program that, on balance, aligns with FLA standards, benchmarks, and protocols. Reaccreditation is the FLA's continuing assessment of an affiliate's labor compliance program towards ensuring respectful and ethical treatment of workers. The FLA recognizes that no labor compliance program is perfect; the notion of continuous improvement means that there will be instances when a specific principle or benchmark is not met, yet such occurrence does not call into question the integrity of an affiliate's entire program. The FLA will continue to provide programmatic recommendations to further an affiliate's labor compliance efforts in support of the FLA's mission to protect workers' rights and ensure decent working conditions. FLA staff recommends to the FLA Board of Directors the reaccreditation of Nike's labor compliance program.

The assessment identified certain areas in which Nike's labor compliance program has been strong, and also areas to which improvements are possible.

Strengths of Nike's labor compliance program include:

- 1) Top management and Board of Directors commitment to uphold workplace standards;
- 2) Staff expertise of labor violations, trends, and methods for remedy with suppliers;
- 3) Continuous review and improvement of social compliance programs and tools to achieve positive impacts;
- 4) Strict protocols to ensure responsible purchasing practices are upheld;
- 5) Continuous development of partnerships with external stakeholders to address systemic labor violations; and
- 6) Innovative program development to support suppliers in improving working conditions.

Suggestions for strengthening Nike's labor compliance program include:

- 1) Continue to pilot the FLA Fair Compensation Data Tool to support the development of Nike's Fair Compensation Strategy;
- 2) Continue to strengthen relationships and engagement with local civil society organizations;
- 3) Continue to engage and ensure workers are represented, specifically when remediating systemic labor violations; and
- 4) Continue to ensure workers have access to a confidential reporting channel and are safeguarded for disclosing grievances.

APPENDIX A: NIKE'S CODE OF CONDUCT

COMMITMENT IS EVERYTHING.



OUR MINIMUM STANDARDS

At Nike, we believe that although there is no finish line, there is a clear starting line.

This Code of Conduct lays out the minimum standards we expect each factory or facility to meet.

These minimum standards are integral to NIKE, Inc.'s sourcing strategies, how we evaluate baseline factory performance, and determine the suppliers with which Nike will continue to engage and grow our business.

OUR EXPECTATIONS

We expect all our suppliers to share Nike's commitment to the goals of respecting the rights of workers with particular care for the unique vulnerabilities and needs of worker groups such as women, migrants, and temporary workers, and to advancing the welfare of workers and communities, reducing waste, using resources responsibly and efficiently and working to reduce carbon in line with international climate targets.

Our sourcing strategy prioritizes and favors suppliers who show demonstrable leadership in corporate responsibility and sustainability and who seek to move beyond minimum standards. As part of our growth strategy, we seek partners who are developing agile and resilient management systems which enable them to drive sustainable business growth through minimizing their environmental impacts, fostering a strong culture of safety and developing an engaged and valued workforce.

OUR VISION FOR PARTNERSHIP

Nike recognizes that achieving our vision of a leaner, greener, and equitable supply chain requires increased collaboration and joint action not only with our suppliers but with all stakeholders in the supply chain. We believe that partnerships based on transparency, collaboration and mutual respect are integral to making this happen. We will partner with our suppliers as we continue to expand engagement with civil society, unions, governments, and with others in our industry and beyond to affect systemic change to labor, health and safety, and environmental conditions in countries where we operate.

CODE OF CONDUCT STANDARDS

RESPECTED



EMPLOYMENT IS VOLUNTARY

The supplier does not use forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor. The supplier is responsible for employment eligibility fees of all workers, including recruitment fees.

EMPLOYEES ARE AGE 16 OR OLDER

Supplier's employees are at least age 16 or over the age for completion of compulsory education or country legal working age, whichever is higher. Employees under 18 are not employed in hazardous conditions.

SUPPLIER DOES NOT DISCRIMINATE

The men and women employed by the supplier are not subject to discrimination in employment, including hiring, compensation, promotion or discipline, on the basis of gender, race, religion, age, disability, sexual orientation, pregnancy, marital status, nationality, political opinion, trade union affiliation, social or ethnic origin or any other status protected by country law. Women and men shall receive equal pay for work of equal value.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING ARE RESPECTED

Supplier shall recognize and respect the right of employees to freedom of association and collective bargaining. Where the right to freedom of association and collective bargaining is restricted under law, the supplier allows the development of parallel means for independent and free association and bargaining.

FAIR



HARASSMENT AND ABUSE ARE NOT TOLERATED

Supplier's employees are treated with respect and dignity. Employees are not subject to physical, sexual, psychological or verbal harassment or abuse.

WORKING HOURS ARE NOT EXCESSIVE

Suppliers shall not require workers to work more than the regular and overtime hours allowed by the law of the country where the workers are employed. The regular work week shall not exceed 48 hours. Suppliers shall allow workers at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be consensual. Suppliers shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate. Other than in extraordinary circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.

COMPENSATION IS TIMELY PAID

Supplier acknowledges that every employee, male or female, has a right to compensation for a regular work week that is sufficient to meet employees' basic needs and provide some discretionary income. Supplier's employees are timely paid at least the minimum wage required by country law, or prevailing wage, whichever is higher, and provided legally mandated benefits, including holidays and leaves, and statutory severance when employment ends. There are no disciplinary deductions from pay. When compensation does not meet the employees' basic needs and provide some discretionary income, supplier shall develop, communicate and implement strategies to progressively realize compensation that does.

COMMITMENT IS EVERYTHING.



REGULAR EMPLOYMENT IS PROVIDED

Supplier shall adopt and adhere to rules and conditions of employment that respect its employees and safeguard their rights under the higher of, country and international labor and social security laws and regulations, or the requirements in this Code. Work is performed on the basis of a recognized employment relationship established through country law and practice. The supplier does not use any form of home working arrangement for the production of Nike-branded or affiliate product.

SAFE



THE WORKPLACE IS SAFE

The supplier provides a safe workplace setting and takes necessary steps to prevent accidents and injury arising out of, linked with or occurring in the course of work or as a result of the operation of supplier's facilities. The supplier has systems to detect, avoid and respond to potential risks to the safety of all employees.

DORMS, CANTEENS AND CHILDCARE FACILITIES ARE HEALTHY AND SAFE

All facilities operated by the supplier, including residential, dining and childcare, are safe, hygienic, and healthy. Facilities, including childcare, must adhere to applicable country laws or the appropriate Nike standards that cover building construction and health and safety. Suppliers have robust safety management systems in place to reduce or eliminate safety and health risks of operating these non-manufacturing facilities.

BUILDING IS FIT FOR PURPOSE

The supplier's building and load bearing structures are constructed according to the laws of the manufacturing country, certified civil or structural engineering construction approvals or international standards. Multi-use occupancies are not allowed.

FIRE & EMERGENCY ACTION PLANS ARE IN PLACE

Suppliers have fire prevention and emergency action plans to protect workers during normal working operations and emergency situations. The supplier provides alarm systems to notify workers of emergencies, safe exit routes when workers need to leave the building and safe shelter locations when workers are required to remain in the building during emergencies.

OCCUPATIONAL HEALTH AND HYGIENE HAZARDS ARE CONTROLLED

Suppliers anticipate, recognize, evaluate and control occupational health and hygiene hazards in the workplace. Suppliers use routine monitoring and analytical methods to determine the potential health effects of hazards that are present in the workplace. Workers are not exposed to physical, chemical or biological hazards above occupational exposure limits.

SUSTAINABLE

WATER IS VALUED

Supplier minimizes freshwater withdrawals and discharges wastewater in compliance with relevant local laws, regulations and Nike standards. Supplier strives to be a good water steward by understanding and managing its water risk, and promoting the continuous reduction and efficient use in its operations.

WASTE IS MINIMIZED AND HANDLED PROPERLY

Supplier properly segregates, manages, transports, and disposes of all solid/hazardous waste in compliance with local regulations and Nike standards. It must obtain all required permits and verify solid/hazardous waste vendors are properly qualified and licensed. The supplier measures and continuously improves material efficiency and value added recycling.

ENERGY AND CARBON ARE MINIMIZED

Energy and electricity purchasing records are maintained and best practices are implemented on key energy systems. Supplier strives to find cost-effective methods to improve energy efficiency, tracks and reduces greenhouse gas emissions, and uses renewable energy wherever feasible.

AIR EMISSIONS IMPACT IS MINIMIZED

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are characterized, routinely monitored, controlled and treated according to the laws of the manufacturing country prior to discharge. Supplier conducts routine monitoring of the performance of its air emission control systems.

CHEMICALS ARE PROPERLY MANAGED

Supplier demonstrates a consistent and competent approach to restricted substance management, supported by an effective and legally compliant chemicals management program. The program clearly identifies and mitigates chemical risks to workers, the environment, and consumers by facilitating safe handling, storage, use, procurement and disposal of chemicals.

ACTIVE

THE CODE IS FULLY IMPLEMENTED

As a condition of doing business with Nike, the supplier shall implement and integrate this Code and accompanying Code Leadership Standards and applicable laws into its business, including development of effective management systems, and submit to verification and monitoring. The supplier shall post this Code, in the language(s) of its employees in all major workspaces, train employees on their rights and obligations as defined by this Code and applicable country law; and ensure the compliance of any sub-suppliers producing Nike branded or affiliate products.

("Nike") means NIKE, Inc. and its direct and indirect subsidiaries, which include portfolio brands and divisions, such as NIKE Brand, Jordan Brand, Hurler and Converse.

APPENDIX B: NIKE'S REMEDIATION PROGRESS CHART

FLA REMEDIATION PROGRESS CHART

Benchmarks	Total	Full	Partial	Planned	Percentage Remediated
Recruitment Practices	4	4	0	0	100%
Freedom of Movement	4	4	0	0	100%
Verbal Abuse	3	3	0	0	100%
Monetary Fines	5	5	0	0	100%
Employer Interference in Union Operations	4	4	0	0	100%
Fringe Benefits	10	10	0	0	100%
Minimum Wage	4	4	0	0	100%
No Rest Day	4	4	0	0	100%
Personal Protective Equipment	25	24	1	0	96% 4%
Excessive Overtime	21	19	1	1	90% 5% 5%
Overtime Payment Calculations	8	7	1	0	88% 12%
Fire Safety & Emergency	61	53	6	2	87% 10% 3%
Accurate Wage Records, Calculation, & Payment	12	10	2	0	83% 17%
Protection of Pregnant Workers & New Mothers	11	9	2	0	82% 18%
Employer Interference in Union Organizing	5	4	1	0	80% 20%
Industrial Relations & Grievance Mechanisms	51	38	12	1	75% 24% 2%
Supervisor Training	38	26	12	0	68% 32%

■ Remediated
 ■ Partially Remediated
 ■ Planned

APPENDIX C: NIKE'S SAFEGUARDS & THIRD PARTY COMPLAINT INVESTIGATION CHART

Supplier	Year	Country	Supplier Relationship	Other Brands	Complaint or Investigation Request Submitted By ⁷	Summary
Hugger and Vision Tex	2010	Honduras	Indirect (Subcontractor)	None	Nike	Nike and the Central General de Trabajadores de Honduras (CGT) engaged in dialogues to determine a package to benefit workers impacted the factory closure. The package included relief fund, vocational training programs, hiring priority, and health coverage
PT Glostar⁸	2012	Indonesia	Direct	adidas, VF Corporation	Nike	The companies & supplier (Pou Chen) developed and implemented a corrective action plan to address findings on harassment and abuse.
Pou Chen⁹	2015	China	Direct	New Balance, Nike, Under Armour	Pou Chen (FLA Participating Supplier)	In 2014, Pou Chen Group workers in China went on strike, protesting that Pou Chen was not making contributions to social insurance and housing benefits. Pou Chen began remediation in May 2014. FLA conducted a verification as a safeguard investigation in May 2015 to assess the implementation of the remediation plan at four Pou Chen facilities. FLA found that Pou Chen was making accurate benefit payments to the benefits and provided retroactive contributions. Because Pou Chen is a Participating Supplier, FLA worked directly with Pou Chen, keeping the brands informed.

⁷ Complaints submitted by workers, unions, or another NGO are considered Third Party Complaints. Investigation requests submitted by Nike or another brand are considered safeguard investigations. More on FLA's safeguard mechanisms can be found [here](#).

⁸ Owned by Pou Chen, an FLA Participating Supplier

⁹ An FLA Participating Supplier

Supplier	Year	Country	Supplier Relationship	Other Brands	Complaint or Investigation Request Submitted By ⁷	Summary
CSA Guatemala	2016	Guatemala	Direct	Delta Apparel	Ad Hoc Committee of United Workers of the Enterprise C.S.A. Guatemala Sociedad Anónima (union in formation)	The union in formation alleged a range of worker rights violations, centering on freedom of association, and including abusive treatment of workers by management, forced overtime, failure to pay workers' wages on time, and failure to pay workers required benefits. Nike, Delta Apparel, and supplier implemented a remediation plan with the factory to remedy these allegations.
Hansae Vietnam (First Report & Second Report)	2016	Vietnam	Direct	None	First Complaint: Cornell University Second Complaint: University of Washington	The FLA received two complaints: The first on issues related to payment of productivity bonuses that resulted in strikes in October and November 2015; and the second on allegations of violations of worker rights and poor working conditions. The FLA and WRC conducted investigations that verified the allegations. Nike and Hansae worked to develop and implement a corrective action plan to address all allegations. As of 2018, Nike did not have production in Hansae's facilities.
New Holland Nicaragua	2018	Nicaragua	Direct	Under Armour	Nike & Under Armour	Nike and Under Armour requested the FLA to engage an independent expert to investigate allegations of violations of freedom of association and dismissal of a union leader. The FLA conducted this investigation and provided recommendations to Nike, Under Armour, and the supplier to improve working conditions and freedom of association. The FLA encourages the brands to continue to work with the supplier to address the violations and provide updates to the FLA on remediation progress.