



**NIKE Inc.**

**Banners:** Information below only applies to the NIKE and Jordan brands managed by NIKE Inc.  
**Type of company:** Public, NYSE: NKE

Notes on Findings	Company Score	Question weighting (% of section)
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**1. Governance and Risk Management**

<b>1.1 Board level responsibility for labour standards issues in the supply chain</b> -There is a board "Corporate Social Responsibility" committee responsible for labour issues, among other things <i>p. 6, 2004 CSR report</i>	100	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -Fair Labour Association (FLA) conducts risk assessment to determine which factories will be subject to independent external monitoring. Nike also conducts an internal risk analysis of labour standards compliance in its supply chain to determine which factories receive Nike's more extensive "M-audits" (as opposed to less intensive but more frequent SHAPE audits) <i>p.21-22, FLA Charter document <a href="http://www.fairlabor.org/all/about/FLAcharter.pdf">http://www.fairlabor.org/all/about/FLAcharter.pdf</a>; p. 22, FY04 CR Report</i>	100	30
<b>Section total score / section weighting</b>	70	X 10%

**2. Code for Labour Standards in the Supply Chain**

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a "Code of Vendor Conduct" -It covers the core ILO conventions but limits the company's commitment to: -Freedom of association: "Nike partners with contractors who share out <i>commitment to best practices and continuous improvement</i> in management practices that respect the rights of all employees, including the right to free association and collective bargaining." -It does not meet the hours of work standards -It does not include a living wage requirement	25	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -It is published on their website <a href="http://www.nike.com/nikebiz/nikebiz.jhtml?page=25&amp;cat=code">http://www.nike.com/nikebiz/nikebiz.jhtml?page=25&amp;cat=code</a>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Code applies only to Nike and Jordan brands <i>p.16, 2004 CSR report</i>	50	20
<b>Section total score / section weighting</b>	45	X 15%

**3. Stakeholder Engagement**

<b>3.1 Multi-stakeholder processes</b> -Member of the Fair Labour Association (FLA) <i>p. 32, 2004 CSR report</i>	100	30
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -CR report mentions examples of Nike's engagement with local NGOs and other stakeholders in importing countries and, to a lesser extent, in countries of manufacture. However, there is no reported evidence of onsite engagement over time.	50	30
<b>3.3 Worker and third party complaints</b> - workers and third parties have access to FLA third party complaints process	66.7	40
<b>Section total score / section weighting</b>	71.7	X 20%

## 4. Management

<b>4.1 Resource Commitment</b> -There is a "Director of Global Apparel Operations and Corporate Responsibility" -This person is a member of the CR Business Leadership team that reports to the CR board Committee. <i>p.7, 2004 CSR report</i>	100	25
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -The Nike compliance team provides generalized training or makes it available through outside resources, to raise factory team competencies and capacities to self-manage labour, environment, safety and health -16,950 factory workers and management received training in 2004 -No indication that this is scheduled or ongoing practice <i>p. 19 and 30, 2004 CSR report</i>	66.7	25
<b>4.4 Rewards and Incentives</b> -Use a "balanced scorecard" wherein compliance issues are considered alongside with cost, delivery and quality when choices are made about sourcing. <i>FY04 report, pps 10-14</i>	50	25
<b>Section total score / section weighting</b>		<b>54.2 X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -"all factories with which Nike places orders directly should receive an initial SHAPE assessment and third party labour audit at minimum" -Being a member of the FLA also commits NIKE to having a percentage of factories audited by the FLA <i>p.18 CSR report</i>	100	15
<b>5.2 Status of the audit schedule</b> -An auditing work plan has been scheduled and is currently being implemented -Factory Compliance Cycle -FLA schedule <i>p. 17 CSR report, www.fairlabor.org</i>	100	5
<b>5.3 Public disclosure of manufacturing sites</b> -Disclosure of factory level manufacturing facilities for NIKE brand products, but not for all brands owned by company - <a href="http://www.nike.com/nikebiz/nikebiz.jhtml?page=25&amp;cat=activefactories">http://www.nike.com/nikebiz/nikebiz.jhtml?page=25&amp;cat=activefactories</a>	66.7	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -The auditing methodology is publicly available and follows generally accepted practices -Internal audit methodology is available in CSR report -FLA audit methodology available through website <i>p.35, 2004 CSR report, www.fairlabor.org</i>	100	15
<b>5.5 External verification of labour standard audits</b> -FLA external verification includes input from NGOs and unions onsite but it is unclear how systematic this third party involvement is <i>p.22,2004 CSR report, www.fairlabor.org</i>	66.7	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -There is some disclosure and analysis of audit findings at the factory or supplier level -FLA tracking charts -Mostly aggregate audit findings <i>p. 36, 2004 CSR report, www.fairlabor.org</i>	60	20
<b>5.7 Dealing with non-compliance</b> -There is a publicly available policy for handling instances of non-compliance and it includes a staged approach to dealing with violations <i>p.17, 2004 CSR report</i>	100	15
<b>Section total score / section weighting</b>		<b>82 X 35%</b>

**Total Score 68 /100**