

**RESOLVED:** Shareholders request that Nike, Inc. (“Nike”) publish a report evaluating how implementing worker-driven social responsibility principles and supporting binding agreements would impact the Company’s ability to identify and remediate human rights issues in sourcing from high-risk countries.

**WHEREAS:** Nike has developed extensive corporate social responsibility (CSR) systems and initiatives in response to heightened scrutiny over exploitative and unsafe conditions in its global supply chains.

CSR approaches like Nike’s can foster efficient supply chain-wide human rights risk assessment and oversight. However, evidence demonstrates that dominant CSR approaches, which rely heavily on social audits, often fail to identify, and remedy persistent rights abuses such as wage theft, inadequate health and safety or gender-based violence.<sup>1</sup> Sourcing from high-risk countries exposes Nike to increased risks of operational disruptions, legal liability, and reputational harm. CSR models face challenges in high-risk countries, where national regulation and enforcement of labor laws are inadequate or compromised, or where it is dangerous for workers or their representatives to report abuse and seek remediation.<sup>2</sup> For example, in spite of its existing programs, workers at Nike suppliers in Cambodia and Thailand are allegedly still owed \$2.2 million in unpaid wages and benefits from 2020.<sup>3</sup>

Worker-driven social responsibility (WSR) principles were developed to protect the rights of workers, in response to the body of evidence illustrating that CSR approaches are insufficient.<sup>4</sup> WSR initiatives are led by workers, include binding agreements between workers and brands, and ensure independent monitoring. WSR initiatives also support timely and effective reporting of harms through grievance mechanisms and worker participation in the design and provision of remedy.<sup>5</sup> WSR initiatives are aligned with the United Nations Guiding Principles on Business and Human Rights and are effective even in contexts where workers are vulnerable to abuses and exploitation.<sup>6</sup>

For example, Nike supplier Hansae Vietnam, which had 26 separate social audits showing no rights violations in the same year that an investigation utilizing WSR principles unveiled extensive wage theft, forced and excessive overtime, unsafe conditions and abuse.<sup>7</sup> Vitally, using a WSR approach to remedy enabled full remediation of these issues.

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<sup>1</sup> See e.g., Sarosh Kuruville, *Private Regulation of Labor Standards in Global Supply Chains*, Cornell University Press (2021); <https://www.theguardian.com/sustainable-business/2016/jan/14/supply-chain-audits-failing-detect-abuses-report>

<sup>2</sup> <https://www.hrw.org/report/2022/11/21/only-instant-noodle-unions-survive/union-busting-cambodias-garment-and-tourism>

<sup>3</sup> <https://www.business-humanrights.org/en/latest-news/cambodia-thailand-investors-labour-rights-advocates-call-on-nike-to-pay-more-than-4000-garment-workers-unpaid-wages-of-22-million-incl-co-response/>; <https://www.iccr.org/joint-investor-letter-to-nike-on-outstanding-wage-payments/>

<sup>4</sup> <https://wsr-network.org/what-is-wsr/statement-of-principles>

<sup>5</sup> <https://fairfoodprogram.org/>; [https://electronicswatch.org/new-worker-driven-remedy-principles\\_2635094.pdf](https://electronicswatch.org/new-worker-driven-remedy-principles_2635094.pdf)

<sup>6</sup> [https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf); <https://www.ohchr.org/sites/default/files/2022-01/arp-note-meeting-effectiveness-criteria.pdf>

<sup>7</sup> <https://www.workersrights.org/factory-investigation/hansae-vietnam/>

Many of Nike's peers have taken steps to improve conditions for workers and remediate rights violations by employing WSR approaches or binding agreements with labor organizations, such as the International Accord and the Lesotho Agreement.<sup>8</sup> In contrast, Nike has not demonstrated the same level of due diligence in countries where binding agreements and WSR approaches to remedy are available and have proven to be essential in protecting vulnerable workers.

Evaluation of the impact of steps that could be taken to reinforce its due diligence, such as adopting and abiding by proven WSR solutions and binding agreements, would better position Nike to understand gaps in its efforts to mitigate legal, reputational, and human rights risks in high-risk countries.

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<sup>8</sup> <https://internationalaccord.org/signatories/>