

26 October 2023

Letter re: outstanding wage payment for workers employed by Ramatex Group, Violet Apparel in Cambodia and Hong Seng Knitting in Thailand

Dear Mr Donahoe,

We are writing to you as a growing group of investors in Nike to express significant concern over non-payment issues at two Nike suppliers. These two suppliers are both related to Ramatex Group: Violet Apparel in Cambodia as well as Hong Seng Knitting factory in Thailand. As investors, we are raising this issue with you in line with the expectations for investors provided by the United Nations Guiding Principles for Business and Human Rights (UN GPs) and the OECD Guidelines for Multinational Enterprises (OECD Guidelines) because we understand that remedy has not yet been adequately provided.

In the context of a meaningful commitment to provide access to remedy if the company has caused, contributed, or is linked to negative human rights impacts, investors encourage Nike to enable payment to workers at the Violet Apparel factory that have not been paid terminal wages (an estimated sum USD 1.4 million) and correct under-payments at Hong Seng Knitting (an estimated sum of USD 800,000).

Violet Apparel (Ramatex Group)

In the first place, Ramatex has failed to pay terminal benefits to workers at its factory, Violet Apparel (Cambodia), thereby violating Cambodian labour law. Violet Apparel produced products for Nike, through subcontracting.

There seems to be credible and consistent evidence that Nike-branded clothing was being manufactured at Violet Apparel having been subcontracted from a Ramatex sister factory Olive Apparel. In June 2020, citing a drop in orders due to Covid-19, Ramatex dismissed all the factory's 1,284 workers with less than one week's notice, without paying compensation in lieu of such prior notice and damages as both the law and Nike's stated policies require. Ramatex has denied its workers their legal right to an estimated USD 1.4 million in terminal compensation — for three years and not responded to numerous requests for information and remedy on many levels¹. Despite the fact that Ramatex potentially violated Nike's own supplier code of conduct with these alleged human rights violations, it is still a Nike supplier. This raises questions about Nike's supply chain oversight and its ability to promote better buying principles and adherence to its own policies.

Nike has stated that it did not have a direct relationship with Violet Apparel, the evidence seems to point towards that production was illicitly subcontracted without declaration by Ramatex. This potentially constitutes a legal breach by Ramatex, which has a long-standing supplier relationship with Nike, and we also question why Ramatex was not in the position to notify Nike and ask for a license to subcontract to Violet Apparel. It also raises questions about Nike's due diligence process and monitoring to ensure production is not subcontracted without its knowledge. Nike's conclusion that Nike goods were not produced at the factory is based on an investigation after the Violet Apparel factory had already closed and did not include speaking to workers. This is troubling both because of the manner and outcome of the investigation, as well as the conclusion by Nike that it is not responsible for the rights of workers

¹ [WRC-Factory-Investigation-Findings-at-Violet-Apparel-Cambodia.pdf \(workersrights.org\)](#)

manufacturing its products. For investors, there seems to be enough evidence that Nike has a direct relationship with the rightsholders at Violet Apparel, and we urge Nike to take up its responsibility.

The Cambodian Arbitration Council has ruled in favour of Ramatex on the issue of damages but declined to rule at all on the issue of compensation in lieu of prior notice. However, Nike must be aware of the deteriorating human rights context in Cambodia and indeed that Human Rights Watch have referred to the Violet Apparel case in its report on the worsening context for unions and civil society in Cambodia², given the concerns Nike has raised about this issue as part of a delegation that met with Cambodian government officials in October 2018.

Hong Seng Knitting Thailand

We are also troubled by another outstanding case of non-payment of wages in Nike's supply chain, at the Hong Seng Knitting factory in Thailand, where it is understood that workers were not paid legally owed partial wages during a factory shutdown during the Covid-19 pandemic in 2020. Nike seems to support its supplier's position that workers voluntarily ceded owed wages to the factory in spite of workers documenting coercion and intimidation when they attempted to ask for what they were owed under Thai law. The Worker Rights Consortium has raised this issue with Nike and Hong Seng Knitting and estimates that workers are owed more than USD 800,000.

The UN GPs and the OECD Guidelines include an expectation that companies that are linked or contributing to adverse human rights impacts have a responsibility to support access to remedy. We believe access to remedy in this case requires that workers are compensated for lost pay and that the workers are satisfied with the process of compensation. Furthermore, we believe the sum that workers say they are owed is relatively small given the growing reputational risk to Nike and other brands involved in this dispute.

Purchasing Practices and supply chain leadership

We believe in both cases a commitment to responsible purchasing practices, as described by Nike in its Impact Report 2022, could result in a deeper two-way partnership between brand and supplier that might result in more positive outcomes for rightsholders. We encourage Nike to explore implementation of the American Bar Association Model Contract Clauses³, and of the recommendations of Sustainable Terms of Trade Initiative (STTI)⁴, which are both designed to reflect a shared responsibility to supplier standards.

Nike has been a Fair Labor Association (FLA) member since 1999 and have held FLA accreditation since 2008. Furthermore, Nike was party to a 2020 FLA statement on the application of the FLA principles during the pandemic⁵, which include a recommendation on responsible retrenchment.

We are therefore concerned that Nike has not moved to take up these issues with its suppliers as these cases appear to be a clear case of suppliers violating Nike's standards, international norms, and Cambodian and Thai law.

² [Only "Instant Noodle" Unions Survive: Union Busting in Cambodia's Garment and Tourism Sectors | HRW](#)

³ [Contractual Clauses Project \(americanbar.org\)](#), see also the [Responsible Contracting Project](#)

⁴ [Sustainable Terms of Trade Initiative](#)

⁵ [FLA affiliates respond to COVID-19 - Fair Labor Association](#)

Investor Expectations of Nike:

As investors, we urge Nike to fulfil its human rights responsibilities, show leadership and apply the access to remedy principle under the UN GPs and ensure that workers are adequately compensated for their lost pay.

1. We would like to see full repayment of the USD 1.4 million terminal wages for workers at Violet Apparel and correction of underpayments at Hong Seng Knitting to the total of USD 800,000.

Full repayment of the wages would be seen by investors as a very encouraging sign of Nike taking its human rights leadership commitments seriously.

In addition, we also highly encourage Nike to show:

2. A commitment to provide Access to Remedy for rightsholders in similar cases in the future.
3. A commitment to responsible purchasing practices through fair collaboration with suppliers.

We are looking forward to your response. In the meantime, we will continue to raise awareness of this issue among Nike investors. This particular case is also referenced in the Proposal 6 - Tulipshare proposal regarding a supply chain management report, which investors are voting on during the 2023 Annual Meeting.

Yours sincerely,

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Martin Buttle, Better Work Lead, CCLA Investment Management

(on behalf of the signatories)

SIGNATORIES:

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