

## FLA Investigation on Hong Seng

### Recommendation and Implementation Plan Summary

Updated 28 February 2025

#### Implementation Plan:

##### **100% Compensation Leave for Unpaid Wage Claims (Pages 38 – 41)**

Nike is dedicated to upholding its commitments to human rights and worker welfare, while consistently striving for improvements in transparency and responsibility across our source base. While multiple parties concluded that the unpaid leave practice was consistent with Thai law, Nike aligned with its supplier on a proactive approach that goes above and beyond FLA recommendations for compensation at Cassia Garment and Hong Seng, by providing impacted workers with supplementary paid leave days and to further extend a financial package to affected former workers. The financial equivalent of this compensation is THB 7,051,293 (USD 211,539), substantially exceeding the THB 4,779,805.50 value of the FLA investigator's recommendations.

##### **1. Compensation Package Exceeding FLA Recommendation for Current Workers**

- a. The supplier will provide compensation as recommended by FLA – 50% of actual unpaid leaves taken by workers during the impacted period. This will be implemented by adding number of leaves to the existing leave balance of the workers – to be completed in March 2025. This implementation means that Hong Seng and Cassia will completely fulfil the FLA recommendation in March 2025.
- b. Going above and beyond the FLA recommendation, Hong Seng and Cassia will provide another 50% of unpaid leaves taken by workers during the impacted period. This will be implemented by adding the leaves to workers' leave balance – to be completed in January 2026.

**Context:** Per factory policy, workers will have the option to take leave throughout 2025, and any leave not taken will be paid in cash at year end.

##### **2. Enhanced Separation Payment for former Hong Seng Workers**

For covered former workers already separated from Hong Seng employment consistent with Thai law, the supplier will provide a cash payment equivalent to 100% of former workers' individual unpaid leave days. If former workers cannot be contacted or do not claim the compensation within 6 months, the funds will be reallocated to a fund to benefit current workers as set forth in this action plan.

##### **Reallocation of Unclaimed Funds to Worker Benefit Projects**

Any compensation unclaimed after 6 months will be deposited into a dedicated fund to support projects that benefit current workers. These projects will be developed and implemented in consultation with Issara Institute for alignment with worker needs and priorities. Issara is a Thai-based non-profit organization dedicated to improving the lives of workers in global supply chains through worker voice, partnership and innovation. This approach ensures that all allocated goodwill efforts ultimately serve to improve the well-being of workers within the two factories.

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Outlined below is a detailed implementation plan (including on-going and to be initiated) towards FLA report recommendation.

Focus Areas	FLA Report Recommendation	Implementation Plan	Timeline
<p><b>Coercion, Harassment, Abusive Treatment (Pages 41 – 42)</b></p>	<ul style="list-style-type: none"> <li>• Establish transparent systems for worker-management communication, including suggestion boxes, worker committees, and meetings with union representatives</li> <li>• Provide training for workers and management on grievance procedures and ensure these systems are accessible and widely known</li> </ul>	<p><b><u>Partner with Issara to elevate worker voice</u></b>            Through Issara’s Worker Voice app, workers can submit anonymous grievances. There is a structured process for Issara to share concerns raised through the app with factory management and work on resolution.</p> <p>The Worker Voice app is advertised on posters throughout the factories to raise awareness and enable workers to download the app anytime.</p> <p>Hong Seng and Cassia will continue to meet with Issara on an annual cadence to review the partnership and effectiveness of the Worker Voice app.</p> <p><b><u>Training on Grievance Procedures for Workers and Management</u></b>            Hong Seng and Cassia will provide regular training for workers on using the Worker Voice app, grievance reporting, and their rights, ensuring accessibility through multilingual sessions during working hours. Management training will focus on fair grievance handling, effective communication, and legal compliance.</p>	<p>Confirm full implementation by March 2025</p>

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<p><b>Retaliation (Pages 43 – 44)</b></p>	<p><b>1. Compensation of Worker 1 <u>Worker 1</u></b></p> <ul style="list-style-type: none"> <li>No legal violation and no evidence of retaliation</li> <li>Provide partial compensation based on the severance pay Worker 1 would have been entitled to if Worker 1 had been dismissed.</li> </ul> <p><b>59,580 THB = USD 1,746.27</b> (180 days’ wages, based on severance pay for three years of employment).</p> <p>This compensation is suggested as a reasonable approach to ensure fairness and equity, not as full restitution for all losses.</p>	<p><b>Compensate Worker 1 (W1)</b></p> <p>Compensation for W1 disputed unpaid leave was completed in 2020.</p> <p>Hong Seng and Cassia will work with Issara to locate W1 and provide compensation equivalent to the suggested severance pay amount, beyond requirements under Thai law.</p>	<p>Hong Seng and Cassia will work with Issara to locate W1.</p> <p>If W1 cannot be contacted or does not claim the compensation within 6 months, the funds will be reallocated to benefit current workers.</p>
<p><b>Retaliation (Pages 43 – 44)</b></p>	<p><b>1. Compensation of Worker 2 <u>Worker 2</u></b></p> <ul style="list-style-type: none"> <li>Evidence of retaliation identified, despite Worker 2 denying a connection between the dismissal and filing a complaint with the DLPW.</li> <li>Retaliation constitutes an unfair labor practice under Thai Labor Relations Law, but Worker 2 is unable to pursue a claim due to exceeding the 60-day filing limit.</li> <li>Provide compensation based on maximum compensation Worker 2 could have received if the case had been filed and won in 2020, with 15% annual interest from the dismissal date.</li> </ul> <p><b>43,030 THB = USD 1,261.19</b></p>	<p><b>Compensate Worker 2 (W2)</b></p> <p>Compensation for W2 disputed leaves was completed in Oct 2020, and severance was provided in Feb 2021.</p> <p>Hong Seng and Cassia will work with Issara to locate W2 and provide compensation equivalent to the suggested recommendation, beyond requirements under Thai law.</p>	<p>Hong Seng and Cassia will work with Issara to locate W2.</p> <p>If W2 cannot be contacted or does not claim the compensation within 6 months, the funds will be reallocated to benefit current workers.</p>

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<p><b>Retaliation (Pages 43 – 44)</b></p>	<p>Adopt and enforce procedures aligned with the FLA Code of Conduct to prevent retaliation and discrimination, ensuring compliance with benchmark ER.17.6.</p>	<p>Hong Seng and Cassia will enhance training and awareness of anti-retaliation policies and procedures across all levels of the organization on a regular basis, aligned with the FLA Code of Conduct benchmark ER.17.6.</p> <p>This training will be completed by March 2025, equipping workers with the knowledge and confidence to uphold and support these policies.</p> <p>To further understand worker concerns, Cassia and Hong Seng will retain a third party to conduct a baseline Engagement and Wellbeing survey; use the results to improve factory systems and processes; and continue the survey on an annual basis.</p>	<p>March 2025</p>
<p><b>Workload and Overtime Pay (Page 44)</b></p>	<ul style="list-style-type: none"> <li>• Adjust production targets to a level that is achievable within regular working hours.</li> <li>• Offer overtime work to those seeking additional income if production targets cannot be met during regular hours.</li> </ul>	<p>Hong Seng and Cassia have policies in place to achieve production targets and salary during normal working hours to attract and retain talent, with OT only when necessary.</p> <p>Regardless of targets or piece rates, all workers are guaranteed at least the legal minimum wage for hours worked, with overtime compensated in compliance with local laws and Nike standards.</p> <p>Hong Seng and Cassia to enhance understanding of line leaders to communicate KPIs more effectively across their teams and address gaps in understanding.</p>	<p>Current policy</p> <p>March 2025</p>

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<b>Transparency and Cooperation (Pages 44 – 45)</b>	<ul style="list-style-type: none"><li>• Confidentiality issues related to the Elevate Report and WRC evidence. “Although the WRC report is publicly available on their official website and some documents were shared with the Investigator in the early stages of this investigation, much of the evidence remains confidential” (p. 11).</li><li>• All parties adhere more closely to the FLA Charter and Terms of Reference, which emphasize transparency and provide safeguards for confidentiality.</li><li>• Enhanced trust and cooperation in future investigations are crucial to ensure timely and accurate conclusions and to uphold the integrity and reliability of FLA’s investigation process.</li></ul>	<p>As a founding member of FLA, Nike recognizes that engagement and transparency are the foundations of responsible business. Nike looks forward to continuing its commitment to the FLA Charter, and endeavours to uphold trust and cooperation in all investigations.</p> <p>Nike to review its policies to address conducting investigations in extraordinary circumstances, such as the COVID pandemic.</p>	
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