



# Assessment for Accreditation



**October 2024**  
**lululemon**

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# ABOUT FAIR LABOR ACCREDITATION



Fair Labor Accreditation represents a rigorous evaluation of a member company's business systems for compliance with the Fair Labor Association's (FLA) [Principles of Responsible Sourcing and Production](#) and the FLA [Workplace Code of Conduct](#).

These standards are designed to protect workers in member companies' global supply chains and are based on international practices and norms, including guidance from the International Labour Organization (ILO), the United Nations Guiding Principles on Business and Human Rights, and the Corporate Human Rights Benchmark. Each principle is backed by a set of benchmarks and key performance indicators (KPIs) that define what companies must do to successfully implement our standards.

Effective social compliance implementation is a process of continuous improvement. FLA companies are evaluated on the alignment of their social compliance systems with FLA standards, and the company's performance in executing those systems to support and protect workers. The accreditation program also supports companies' efforts to fulfill human rights due diligence expectations and legal requirements.

Following Fair Labor Accreditation, FLA evaluates companies on an ongoing basis to ensure that they maintain baseline requirements and standards. When a company shows consistent performance over and above FLA's requirements for accreditation, including in upstream supply chains, they can be reevaluated for a higher threshold of recognition. This report recognizes a company's achievements, acknowledges areas in which the company has gone above and beyond baseline requirements, and makes specific recommendations for future growth.

# EXECUTIVE SUMMARY

## HIGHLIGHTS OF LULULEMON'S FAIR LABOR ACCREDITATION

lululemon joined FLA in 2020. Since becoming an FLA member, lululemon has continuously improved its social compliance program and kept pace with the changes to FLA standards that have been enacted over the intervening years. This accreditation report details FLA's evaluation of lululemon's social compliance program, referred to as lululemon's responsible supply chain (RSC) program, through September 2024.

### Some highlights of lululemon's accreditation include:

**Supplier relationships:** lululemon has long-term and strong relationships with its suppliers and keeps supplier relationships as a priority within its RSC strategy. Since joining FLA, lululemon has made significant investments into new systems to enhance its assessment tools, enable more detailed data analysis, and maintain all supplier information to support effective supplier engagement. Suppliers have direct relationships with regional RSC staff, where the team provides support and guidance on improving workplace conditions. As lululemon is a subscriber to the Better Buying Institute (Better Buying), suppliers use the annual surveys to provide anonymous feedback on categories related to responsible purchasing practices (RPP) that help to inform the company's strategy. In addition, through its vendor grant program, lululemon works directly with eligible suppliers to help fund projects focused on wellbeing in the workplace and gender equity. Suppliers apply for project grants, with lululemon providing up to 50% of the funding for successful applications. Through this program, lululemon has supported 21 projects with 13 different suppliers across nine regions in 2024 alone.

**Social compliance monitoring:** lululemon's RSC program includes a comprehensive assessment tool and guidelines in line with its vendor code of ethics (VCoE) and compliance benchmarks, which align with and address FLA standards and requirements. Suppliers and assessors receive training and regular communication on the updates to the monitoring system. lululemon keeps and tracks all audit and supplier data in a robust supplier data management system and regularly utilizes supplier performance to inform business decisions.

**Capacity-building:** lululemon uses a third-party e-Learning platform for its suppliers that provides access to onboarding and workplace standards trainings as well as other social compliance and human rights related resources. lululemon closely tracks training records of each supplier within this system. The RSC assessment tool and procedures include a review of manager, supervisor and worker trainings and their effectiveness, including grievance mechanisms, which was verified by FLA staff through examples and audit field observation visits. FLA also verified that lululemon effectively uses root cause analysis of non-compliances to develop capacity building trainings and provides them to suppliers for further improvement. Lastly, lululemon partners with several civil society organizations (CSOs) to leverage local expertise in strengthening existing capacity building initiatives that uphold human rights and worker wellbeing, such as preventing human trafficking and forced labor, mitigating child labor risks, and improving women's health and wellbeing in supply chains.

# LULULEMON ACCREDITATION

| FLA ACTIVITY   | PURPOSE   |
|--|---|
| <p><b>Headquarters and Field Office Assessments</b><br/><i>April 2024, Canada</i></p>  | <ul style="list-style-type: none"> <li>• Interview senior leadership and staff in the compliance, purchasing, production, and planning departments.</li> <li>• Review documentation, processes, and data.</li> </ul>                          |
| <p><b>Field Observations</b><br/><i>Audit; May 2022 Vietnam</i><br/><i>Audit; October 2023 Indonesia</i><br/><i>Training; September 2023 Virtual</i></p> | <ul style="list-style-type: none"> <li>• Evaluate internal audits, training sessions, and/or remediation visits for comprehensiveness and quality.</li> <li>• Verify improvement over time.</li> </ul>  |
| <p><b>Factory-Level Assessments (SCI)</b><br/><i>2021-2024 (4)</i></p>   | <ul style="list-style-type: none"> <li>• Identify any labor violations, assess root causes, and track remediation efforts over time.</li> </ul>   |
| <p><b>Milestone Evaluations</b></p>  | <ul style="list-style-type: none"> <li>• Review documentation demonstrating compliance with the Principles of Fair Labor and Responsible Sourcing.</li> </ul>   |
| <p><b>Fair Labor Investigations</b><br/><i>The Philippines, 2021</i></p>   | <ul style="list-style-type: none"> <li>• Investigate supplier for alleged non-compliance, report follow-up on remediation, and engage with union.</li> </ul>  |
| <p><b>Fair Compensation</b><br/><i>Living Wage Pilot in Vietnam (2022-2024)</i></p>  | <ul style="list-style-type: none"> <li>• Confirm use of the FLA Wage Data Collection Toolkit.</li> <li>• Evaluate the company's fair compensation blueprint.</li> <li>• Track measurable progress towards a living wage over time.</li> </ul> |
| <p><b>Stakeholder Engagement</b></p>   | <ul style="list-style-type: none"> <li>• Integrate perspectives from civil society and other relevant organizations on the company's social compliance program and human rights due diligence efforts.</li> </ul>                             |

| FLA ACTIVITY  | PURPOSE   |
|---|---|
| <p><b>Review of Internal Assessments</b></p> <p><i>Vietnam (5)</i><br/> <i>China (5)</i><br/> <i>Thailand (1)</i><br/> <i>Taiwan (1)</i><br/> <i>Indonesia (1)</i><br/> <i>Cambodia (1)</i><br/> <i>The Philippines (1)</i></p> | <ul style="list-style-type: none"> <li>• Review a sample of internal audit reports for alignment of company audit methodology with FLA standards and benchmarks, as well as review of corrective action plans (CAP) and remediation evidence.</li> <li>• Because Chinese law prohibits NGOs like FLA from operating in the country, FLA is unable to conduct factory-level assessments in China. Currently, FLA requires companies that source from China and are pursuing accreditation to provide an additional sample of internal audits, covering at least 5% of their factories in China, for FLA review. This internal audit review is reflected in the data presented in this report.</li> <li>• To learn more about the role audits play in Fair Labor Accreditation, please visit FLA's <a href="#">Accreditation FAQs</a>.</li> </ul> |

# COMPANY OVERVIEW

|                       |                          |                              |                         |
|-----------------------|--------------------------|------------------------------|-------------------------|
| <b>Name</b>           | lululemon athletica inc. | <b>Category</b>              | Member company          |
| <b>HQ Location</b>    | Vancouver, BC Canada     | <b>Product</b>               | Apparel, accessories    |
| <b>FLA Membership</b> | 2020                     | <b>Applicable Facilities</b> | 109 contract facilities |

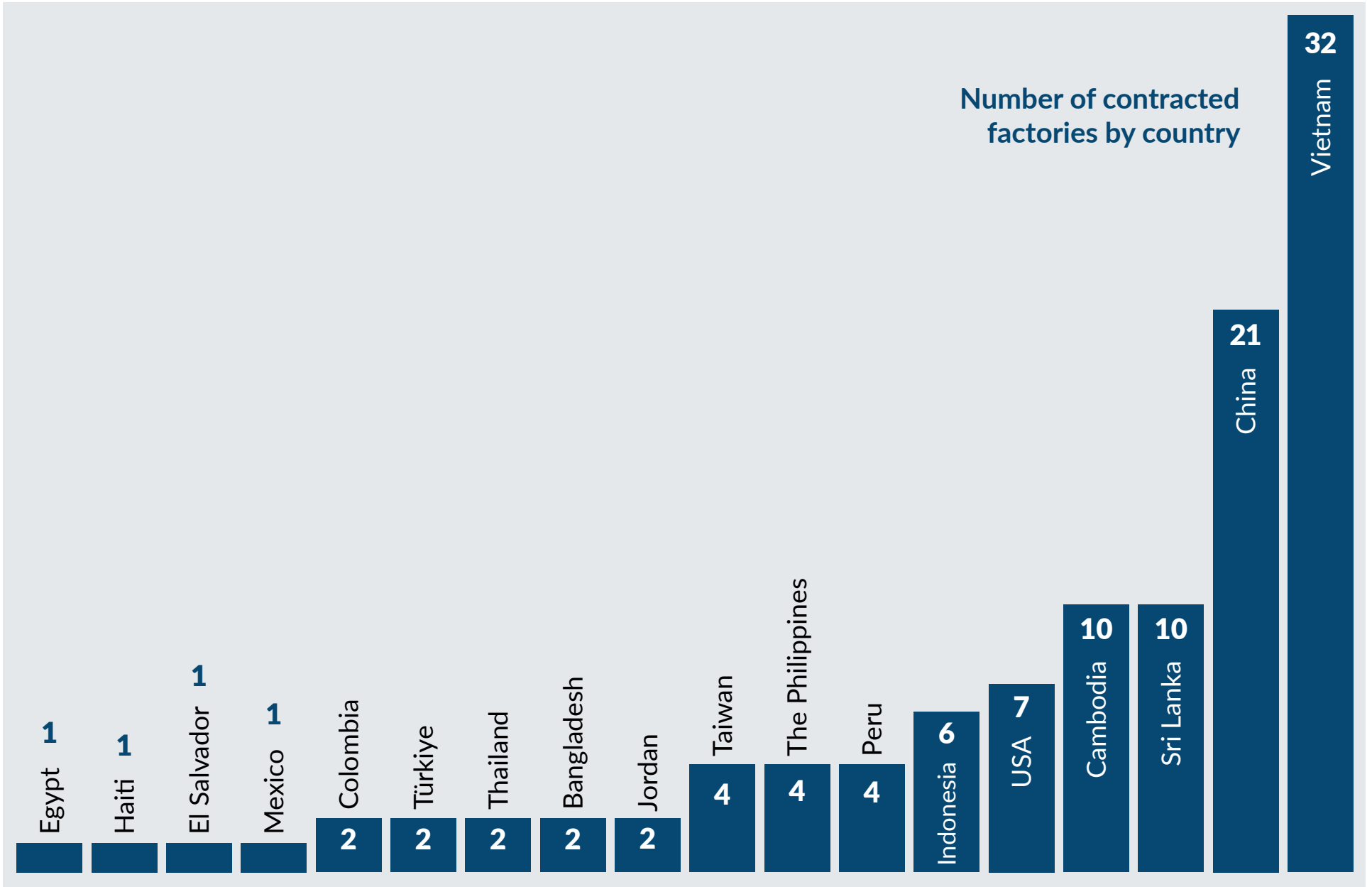
Established in 1998, and headquartered in Vancouver, British Columbia, Canada, lululemon is a publicly traded technical athletic apparel, footwear, and accessories company for yoga, running, training, and most other activities. lululemon employs around 38,000 employees globally and relies on contracted suppliers to provide fabrics for and to produce its products. The company sources from 109 contracted facilities in 17 countries in scope for FLA reporting; sourcing countries with the highest number of factories are Vietnam, China, Sri Lanka, and Cambodia. The lululemon team supports its suppliers to create and build upon safe, healthy, and equitable environments and meet international standards for working conditions, workers' rights, and environmental protection through continuous improvement.

# LULULEMON SUPPLY CHAIN

lululemon sources from 109 contracted Tier One facilities (including subcontractors for collegiate programs) across 17 countries. Its top four sourcing countries are Vietnam (32 factories), China (21), Sri Lanka (10 factories) and Cambodia (10 factories). From 2021 to 2024 (excl.), FLA conducted nine sustainable compliance initiative (SCI) assessments at lululemon's contract facilities in Cambodia, Indonesia, Peru, the Philippines, Sri Lanka, and Vietnam.

| FLA Field Activities      | Country          | Quantity |
|---------------------------|------------------|----------|
| <b>SCI Assessments</b>    | Peru             | 2        |
|                           | Indonesia        | 2        |
|                           | Sri Lanka        | 1        |
|                           | Vietnam          | 1        |
|                           | Cambodia         | 1        |
|                           | The Philippines  | 2        |
| <b>Field Observations</b> | Vietnam          | 1        |
|                           | Indonesia        | 1        |
|                           | Canada (Virtual) | 1        |
| <b>HQ Assessment</b>      | Canada           | 1        |





# ACCREDITATION ASSESSMENT SUMMARY



## PRINCIPLE 1: TOP MANAGEMENT COMMITMENT AND WORKPLACE STANDARDS

*Company Member is committed to accountability and transparency through established workplace standards.*

**WHY:** Respect for human rights and a commitment to workplace standards must be driven by a company's most senior employees. Workers' rights are more likely to be effectively integrated into all business decisions when a company's board of directors and/or Chief Executive Officer (CEO) sets clear expectations. Commitment from a company's upper management is an essential component of an effective social compliance program and supports human rights due diligence implementation.

## BASELINE REQUIREMENTS FOR ACCREDITATION

**CHART KEY:** ● Met baseline requirements    ● In process of implementing baseline requirements within the disclosed timeline

| Description and KPI   | lululemon System   | lululemon Performance   | lululemon Progress |
|---|--|---|--------------------|
| <b>Internal Commitment (1.1a)</b>                           | lululemon's senior vice president, sustainable business and impact (SVP, SB&I) leads the SB&I function, which oversees, executes and reports on <a href="#">Impact Agenda</a> strategies, policies and implementation plans. They work closely with the board of directors, chief executive officer and senior leadership team. The RSC team is part of this function. | lululemon launched its Impact Agenda in 2020, which includes 16 goals for the future, including supporting worker wellbeing and aiming to uphold the highest standards to support suppliers throughout its supply chain in providing safe and healthy workplace environments. | ●                  |
| <b>Public Commitment (1.1b)</b>                             | The VCoE details lululemon's commitment to respect human and labor rights, and to promote safe and fair working conditions for people in its supply chain. The VCoE is published on the company website.   | lululemon publishes an annual public impact report and periodically publishes its RSC disclosure on the company <a href="#">website</a> .   | ●                  |
| <b>Governance Responsibility and Accountability (1.1c)</b>  | The RSC team regularly reports to the CEO and executive impact council on progress in upholding workplace standards. The CEO and senior vice president of SB&I update the board of directors on impact, including the social compliance program, during quarterly board committee meetings.  | Leadership from all relevant functions meets every quarter to share updates on social compliance/RSC audits, supplier performance, and data informing purchasing practices.   | ●                  |
| <b>Code of Conduct and Compliance Benchmarks (1.2 a, b)</b> | The VCoE aligns with the FLA Code of Conduct and compliance benchmarks.  | This KPI includes only system metrics.  | ●                  |

# ACCREDITATION ASSESSMENT SUMMARY



## PRINCIPLE 2: RESPONSIBLE PURCHASING AND PRODUCTION PRACTICES

Company Member aligns planning and purchasing practices with workplace standards.

**WHY:** The sourcing practices of buyers and the sales and planning practices of suppliers affect workplace conditions and worker well-being. Without consistent and systematic attention to responsible purchasing and production practices, companies can undermine their efforts toward ethical working conditions in factories. This principle evaluates how headquarters' business practices (such as design, costing, and sourcing) are managed to support workers and address any negative impacts on working conditions.

## BASELINE REQUIREMENTS FOR ACCREDITATION

CHART KEY: ● Met baseline requirements    ● In process of implementing baseline requirements within the disclosed timeline

| Description and KPI                                    | lululemon System  | lululemon Performance  | lululemon Progress |
|--|---|--|--------------------|
| <b>Policies and Procedures (2.1a, b)</b>               | lululemon's leadership approved its RPP policy in August 2023.  | Relevant staff from lululemon are trained in RPP and support the policy's development. FLA verified that lululemon is developing key objectives and task forces that align with the goals created within the RPP policy.   | ●                  |
| <b>Accountability (2.2a, b)</b>                        | lululemon's implementation of RPP is supported by collaboration with cross-functional teams and processes that effectively manage changes that may occur throughout the production process.   | Internal purchasing, planning, and development departments meet weekly with the calendar adherence team to track and evaluate necessary production changes on a seasonal basis.  | ●                  |
| <b>Dialogue (2.3a, b, c, d)</b>                        | lululemon consistently holds numerous cross-departmental meetings to analyze the impacts of purchasing practices on working conditions and meets with suppliers on a regular basis. lululemon solicits anonymous supplier input through the Better Buying Partnership Index™. | lululemon's senior director of responsible supply chain contributes regularly to leadership discussions where factory issues, worker retrenchment, and responsible exits are discussed. Regional managers are in close contact with sourcing staff to communicate issues as soon as they are identified. | ●                  |
| <b>Supplier Evaluation and Incentives (2.4a, b, c)</b> | lululemon provides scorecards to suppliers quarterly that weigh scores in the categories of production, quality, sustainability, and customs. lululemon discusses these scorecards bi-annually with suppliers.  | lululemon offers positive incentives to high performing suppliers such as long-term partnerships, recognition at vendor summits, and financial support for suppliers' worker wellbeing projects through the vendor grant program.  | ●                  |

## ACCREDITATION ASSESSMENT SUMMARY



### PRINCIPLE 3: RESPONSIBILITY AND HEAD OFFICE TRAINING

*Company Member identifies and trains specific staff responsible for implementing workplace standards and responsible purchasing practices and provides training to all head office and regional staff.*

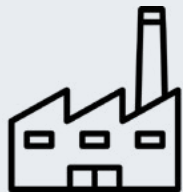
**WHY:** Effective implementation of social compliance standards and human rights due diligence systems depends on having staff at headquarters who are well-trained and tasked with clear responsibilities around human rights and workplace standards. Additionally, all headquarters staff must be aware of the company's commitment so that workplace standards are embedded throughout the business.

## BASELINE REQUIREMENTS FOR ACCREDITATION

**CHART KEY:** ● Met baseline requirements    ● In process of implementing baseline requirements within the disclosed timeline

| Description and KPI   | lululemon System  | lululemon Performance   | lululemon Progress |
|---|---|---|--------------------|
| <b>Responsible Staff (3.1a, b)</b>                                  | lululemon's RSC team employs 17 full-time social compliance and project staff in Vancouver and seven countries across Asia. Their roles involve factory monitoring, addressing workers' rights violations, and reporting on social compliance to company leadership. The senior director, RSC leads this team and reports into the senior vice president of sustainable business and impact.  | This KPI includes only system metrics.  | ●                  |
| <b>Social Compliance Staff Training (3.2a, b, c)</b>                | The RSC training manager conducts an annual training needs assessment to identify new, relevant training for RSC staff to enhance their knowledge of labor issues. RSC staff can access continuous learning via internal and external platforms.  | lululemon trained its RSC staff on topics such as collective bargaining, union engagement, worker-management channels, labor violation trends, civil society engagement, responsible purchasing practices, fair compensation, and emerging issues. The RSC training manager monitors training effectiveness with post-training quizzes and surveys. | ●                  |
| <b>Head Office and Regional Staff Training (3.3a, b, c)</b>         | The RSC team developed and implemented RSC 101, a training for head office and regional staff on the RSC program and workplace standards, in collaboration with the learning and leadership team. RSC 101 includes a post-training knowledge check and survey, with results tracked by RSC staff. Employees are automatically enrolled in this training for onboarding and annual refreshers. | FLA verified that lululemon teams have been enrolled in this training in April 2024 and achieved satisfactory results on the post-training quiz.  | ●                  |
| <b>Responsible Purchasing Practices (RPP) Training (3.4a, b, c)</b> | lululemon introduced the RPP training for its product and supply chain departments in December 2023. The RPP training, available on the internal training platform, includes interactive scenarios demonstrating the impact of brand decisions on suppliers and concludes with a quiz and feedback survey.  | Since the implementation, FLA has verified that employees from all relevant teams have completed the training. FLA will monitor the implementation of the annual refresher training.  | ●                  |

# ACCREDITATION ASSESSMENT SUMMARY



## PRINCIPLE 4: SUPPLIER AND PRODUCTION STAFF TRAINING

*Sourcing Principle: Company Member obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.*

**WHY:** A company's commitment to upholding workplace standards will only have an impact if that commitment is communicated to contract suppliers and owned facilities. This principle ensures that all workers are fully informed of their rights and all staff are aware of their responsibilities to uphold workplace standards.

## BASELINE REQUIREMENTS FOR ACCREDITATION

**CHART KEY:** ● Met baseline requirements    ● In process of implementing baseline requirements within the disclosed timeline

| Description and KPI   | lululemon System  | lululemon Performance   | lululemon Progress |
|---|---|---|--------------------|
| <b>Written Acknowledgement to Uphold Workplace Standards (4.1a)</b> | Suppliers must sign the supplier agreement, which includes an acknowledgement of the VCoE requirements, and requires suppliers to commit that their facilities, suppliers, contractors, subcontractors, and employees that manufacture lululemon's products comply with the VCoE. This includes a commitment to remediate workplace standards non-compliances and comply with collective bargaining agreements (CBAs) and continuous improvement. | As verified by FLA, the vendor operations and engagement team manages and tracks the process to gather a signed supplier agreement. The team oversees that signed agreements are gathered before any purchase orders are placed, through an internal tracking system.   | ●                  |
| <b>Conditioning Future Business (4.2a, b, c)</b>                    | lululemon bases future business on each supplier's ability to uphold the VCoE and remediate any non-compliance. Following assessments, suppliers are provided with an audit score. Where suppliers do not show improvements in score over time or fail to remediate a critical finding, lululemon's RSC team alerts cross-functional leadership and works closely with the suppliers to remediate as soon as possible.                            | The vendor rating levels rate supplier progress, and include an RSC rating level, which consists of a score attributed to both the supplier audit rating and the corrective and preventative action plan (CAPA). Monthly new vendor approval meetings and bi-monthly vendor approval steering committee meetings provide lululemon with the opportunity to discuss zero-tolerance findings, supplier progress, and any responsible exits. | ●                  |
| <b>Workplace Standards Accessibility (4.3a)</b>                     | lululemon's RSC assessments verify that suppliers post the VCoE in applicable languages and that ongoing training on workplace standards for workers, managers, and supervisors occurs.   | lululemon implements audit standards on the VCoE and workplace standards training, as verified through field observations and collected audit reports.  | ●                  |
| <b>Workplace Standards and Training Effectiveness (4.4a, b)</b>     | lululemon provides workplace training to its suppliers. Suppliers receive additional training from lululemon's RSC staff on several topics, including and not limited to, social insurance, health and safety, grievance mechanisms, and migrant worker protections.  | FLA verified that assessors verify training occurrences, training materials, and training effectiveness during worker interviews.   | ●                  |

## ACCREDITATION ASSESSMENT SUMMARY



### PRINCIPLE 5: MONITORING

*Company Member conducts workplace standards compliance monitoring*

**WHY:** A company must monitor its facilities to ensure that its workplace standards are being upheld throughout its supply chain. FLA evaluates the company's monitoring programs to ensure that they have a rigorous system for assessing working conditions at all existing and potential production facilities.

## BASELINE REQUIREMENTS FOR ACCREDITATION

**CHART KEY:** ● Met baseline requirements    ● In process of implementing baseline requirements within the disclosed timeline

| Description and KPI   | lululemon System  | lululemon Performance  | lululemon Progress |
|---|---|--|--------------------|
| <b>Pre-Sourcing Assessments (5.1a, b)</b>                       | lululemon conducts pre-sourcing assessments within the new vendor approval process (NVAP) before sourcing from any factory. This process includes identifying RSC rating levels and a strong governance structure for approval of the suppliers.  | FLA verified that the multiple examples of pre-sourcing assessment reports provided by lululemon include corrective action plans and remediation updates. FLA reviewed examples showing how the vendor approval steering committee escalates and reviews zero tolerance issues with participation from senior leadership.  | ●                  |
| <b>Monitoring Program and Compliance Standards (5.2a, b, c)</b> | lululemon assesses all Tier One facilities annually with internal team members and/or audit service providers. The RSC assessment tool fully aligns with FLA standards.   | FLA verified that lululemon conducts RSC assessments for all Tier One facilities including subcontractors. lululemon utilizes country risk mapping and trend analysis (of RSC assessment findings) to inform assessment types and schedule, and to deem whether or not special programmatic initiatives are required to remediate systemic issues or prevent future risks. | ●                  |
| <b>Audit Components and Quality (5.3a, b, c)</b>                | lululemon's RSC Full Assessment Tool, RSC vendor manual and RSC assessor manual document the audit process and are aligned with FLA standards. These documents provide detailed guidance on assessment components and how to execute them.  | FLA observations verified that lululemon integrated all recommendations on the RSC monitoring program provided by FLA and communicated these updates to internal and external assessors. Assessors receive regular training and communication through multiple platforms.  | ●                  |
| <b>Responsible Retrenchment (5.4a, b)</b>                       | lululemon's responsible retrenchment policy and responsible exit guidelines outline guidance for a fair retrenchment and exit process in line with FLA responsible exit and retrenchment guidance. The RSC Full Assessment Tool evaluates supplier procedures and practices to mitigate negative impacts on workers during retrenchment or closure cases. | FLA verified that lululemon evaluates the implementation of responsible retrenchment policies during RSC assessments. lululemon guides and supports its suppliers where retrenchment cases occur.  | ●                  |

# ACCREDITATION ASSESSMENT SUMMARY

## PRINCIPLE 6: FUNCTIONING GRIEVANCE MECHANISMS

Company Member ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.



**WHY:** Functioning grievance mechanisms provide workers with a channel to raise concerns when they think their rights are being violated or the factory is not upholding workplace standards. Although monitoring programs are meant to ensure compliance with workplace standards, they cannot uncover or address every issue on their own. Functioning grievance mechanisms complement an effective monitoring system.

## BASELINE REQUIREMENTS FOR ACCREDITATION

CHART KEY: ● Met baseline requirements    ● In process of implementing baseline requirements within the disclosed timeline

| Description and KPI  | lululemon System   | lululemon Performance  | lululemon Progress |
|--|--|--|--------------------|
| <b>Ensuring Functioning Grievance Mechanisms (6.1a, b, c, d)</b>   | The RSC Full Assessment Tool and assessor manual include questions to assess the existence of at least one confidential and one worker representative grievance mechanism. The RSC program tools evaluate supplier grievance tracking systems to understand how a factory manages grievance processes. The monitoring tools also assess that workers using grievance channels will not be penalized. | FLA reviewed examples of audit reports and verified that lululemon requires functioning grievance mechanisms for suppliers. lululemon requires and verifies that workers are not penalized or retaliated against for using grievance mechanisms, that facilities have at least one available confidential channel and that there is a well-managed grievance tracking and resolution system in place. FLA's audit field observations and remediation of SCI findings on grievance mechanism non-compliances also verified these practices. | ●                  |
| <b>Confidential Reporting Channel Direct to the Company (6.2a)</b> | lululemon's confidential reporting channel offers communication platforms for workers, including direct communication with RSC regional managers. In addition, a dedicated email address is in place for workers to reach out to lululemon directly. Each grievance is addressed using comprehensive procedures developed by lululemon.  | lululemon showed examples on how confidential grievance procedures are implemented and FLA verified remediation of grievances received directly from workers. The company provides suppliers with confidential reporting channels during onboarding, regular training, and through email. This information is also included in the VCoE which is posted at the facilities.   | ●                  |
| <b>Training on Grievance Mechanisms (6.3a, b)</b>                  | lululemon's RSC Full Assessment Tool includes questions to verify that workers, supervisors and managers receive training at least annually on grievance mechanisms, policies and procedures. The tool also assesses their effectiveness.  | FLA verified that lululemon checks grievance mechanism trainings and their effectiveness, through review of lululemon audit reports and FLA audit field observations. In addition, lululemon remediated all SCI findings on grievance mechanisms, including non-compliances related to effective grievance mechanism trainings and their effectiveness.  | ●                  |

## ACCREDITATION ASSESSMENT SUMMARY



### PRINCIPLE 7: COLLECTION AND MANAGEMENT OF COMPLIANCE INFORMATION

*Company Member collects, manages and analyzes workplace standards compliance information.*

**WHY:** A company cannot make substantial improvements to its social compliance program and human rights due diligence systems as well as workers' lives without collecting and analyzing information related to its training, monitoring, and purchasing programs. This information allows companies to track the continuous improvement of their compliance programs and communicate that improvement to both internal and external stakeholders.

## BASELINE REQUIREMENTS FOR ACCREDITATION

**CHART KEY:** ● Met baseline requirements    ● In process of implementing baseline requirements within the disclosed timeline

| Description and KPI                                    | lululemon System   | lululemon Performance  | lululemon Progress |
|--|--|--|--------------------|
| <b>Collection of Facility Data (7.1a)</b>              | lululemon's supplier data management system gathers detailed supplier and factory information, audits, and CAPA reports, providing staff with a comprehensive and accurate data system for all facilities, including subcontractors.   | lululemon maintains detailed records for all suppliers that include supplier and factory-level social compliance data. The supplier data management system includes an integrated multitiered mapping of suppliers.  | ●                  |
| <b>Analyzing Social Compliance Trends (7.2a, b, c)</b> | The supplier data management system categorizes social compliance trends by country, non-compliance type, production percentage, remediation progress, and internal scorecard rating. Senior leadership reviews this data through quarterly reports and monthly review meetings, guiding annual goals and budgets. lululemon's country risk heat map provides comprehensive risk assessments for the RSC team. | FLA verified that RSC staff present compliance data and trend analysis to lululemon's senior leadership. FLA reviewed examples of how this trend analysis informs training for relevant staff on purchasing practices and resource allocation to enhance the responsible supply chain program. | ●                  |



## ACCREDITATION ASSESSMENT SUMMARY



### PRINCIPLE 8: TIMELY AND PREVENTATIVE REMEDIATION

*Company Member works with suppliers to remediate in a timely and preventative manner*

**WHY:** Monitoring gives a company visibility into the workplace standards violations in its supply chain. An effective remediation system is necessary so that a company can address and fix those issues over time.

## BASELINE REQUIREMENTS FOR ACCREDITATION

**CHART KEY:** ● Met baseline requirements    ● In process of implementing baseline requirements within the disclosed timeline

| Description and KPI                             | lululemon System  | lululemon Performance   | lululemon Progress |
|---|---|---|--------------------|
| <b>Remediation Procedures (8.1a, b, c)</b>      | lululemon's RSC assessment process and vendor manual outline the company's requirements for suppliers to remediate findings and outline how lululemon will gather remediation updates and evidence through a CAPA plan.   | FLA verified multiple cases of lululemon collaborating with suppliers on remediation of findings and CAPA plans. Remediation progress is tracked by a supplier data management system.  | ●                  |
| <b>Root Cause Analysis (8.2a, b)</b>            | The RSC assessor manual and vendor manual clearly outline collaborative root cause analysis methodology. The RSC team actively collaborates with suppliers in conducting root cause analysis and developing remediation plans, including worker/union representative feedback.  | lululemon provides trainings to suppliers on root cause analysis and developing CAPA plans. FLA verified that lululemon uses a system to monitor remediation, which provides automatic notifications to internal teams and facilities based on the status of the CAPA. FLA also verified that lululemon has developed capacity building training to suppliers based on identified root causes of non-compliances. | ●                  |
| <b>Ensuring Effective Remediation (8.3a, b)</b> | lululemon's RSC team tracks remediation progress and evidence of corrective action plans in the supplier data management system. RSC regional managers continually support facilities throughout the remediation process, and when a supplier fails to remediate, the RSC team actively engages with the supplier until full remediation. This includes on-site follow up activities and utilizing the internal escalation process for critical and zero-tolerance non-compliances. | lululemon uses scorecards to review supplier performance and inform future business. FLA verified that the RSC team has actively worked with several suppliers for effective remediation. lululemon's escalation process includes cross-functional partner involvement and effective remediation.   | ●                  |

## ACCREDITATION ASSESSMENT SUMMARY



### PRINCIPLE 9: CONSULTATION WITH CIVIL SOCIETY

*Company Member identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.*

**WHY:** Local, labor-focused CSOs help companies better understand local conditions and issues that most acutely impact workers, which enables companies to make their supply chains more responsive to workers' needs.

## BASELINE REQUIREMENTS FOR ACCREDITATION

**CHART KEY:** ● Met baseline requirements    ● In process of implementing baseline requirements within the disclosed timeline

| Description and KPI  | lululemon System  | lululemon Performance  | lululemon Progress |
|--|---|--|--------------------|
| <b>CSO Engagement Strategy and Mapping (9.1a, b)</b>                                 | lululemon's CSO engagement strategy references all countries and includes a risk identification process to prioritize countries for civil society engagement.               | lululemon maps CSOs in all high-risk and high-production countries using its risk identification process.  | ●                  |
| <b>Engagement on Local Labor Issues (9.2a, b)</b>                                    | This KPI includes only performance metrics.   | lululemon maintains active engagement with civil society organizations in Bangladesh, Cambodia, Indonesia, the Philippines, Peru, Sri Lanka, Taiwan, Thailand, and Vietnam to understand local labor issues.   | ●                  |
| <b>Engagement on Training, Worker Communication Channels, and Remediation (9.3a)</b> | This KPI includes only performance metrics.   | lululemon engages with Verité to support its Foreign Migrant Worker program, and with CARE's Made by Women program, the International Centre for Research on Women, Women Win and the Resilience Fund for Women, which funds women's rights organizations that support supply chain communities and worker engagement. | ●                  |
| <b>Union and Worker Representative Consultation (9.4a, b)</b>                        | lululemon's RSC assessor manual includes a requirement for all assessors (internal and third-party) to include worker representatives in the audit and remediation process. | lululemon's RSC team tracks the presence of unions and collective bargaining agreements in all Tier One facilities. FLA verified that lululemon follows up with suppliers to include worker consultation in the remediation process.   | ●                  |

# ACCREDITATION ASSESSMENT: COMPANY ACTIONS AND FLA VERIFICATION



## PRINCIPLE 1: TOP MANAGEMENT COMMITMENT AND WORKPLACE STANDARDS

*Company Member is committed to accountability and transparency through established workplace standards.*

**WHY:** Respect for human rights and a commitment to workplace standards must be driven by a company's most senior employees. When a company's board of directors and/or CEO sets clear expectations, worker rights are more likely to be effectively integrated into all business decisions. Commitment from a company's top management is an essential component of an effective social compliance program and supports human rights due diligence.

### Top Management Commitment

**BENCHMARK 1.1:** Company Member leadership formally commits to uphold workplace standards, including engagement with civil society, and to integrate these commitments into company business practices.

### Company Actions and FLA Verification:

lululemon's leadership demonstrates a strong commitment to upholding rigorous workplace standards within lululemon's supply chain. Internally, the SVP, SB&I works closely with the board of directors, CEO, and executive leadership team. They lead an enterprise function, including the RSC team, and are actively involved in discussions and decision-making processes pertaining to the RSC program. The integration of lululemon's leadership commitment is evident in internal reporting structures and engagement processes across teams. The board of directors meets regularly with supply chain and SB&I leadership to discuss supplier compliance issues. lululemon regularly publishes external reports on the performance of the RSC program, through the annual impact report and the responsible supply chain disclosure, which is published periodically; both documents include statements from the CEO and the SVP, SB&I. To further strengthen internal commitment to continuously improve workplace standards, the SVP, SB&I provides quarterly updates on social compliance to lululemon's CEO and regular updates to the board of directors. lululemon plans to integrate these commitments into its business practices, as demonstrated in its impact goals. These goals include upholding the highest human rights and labor standards and supporting suppliers in providing safe and healthy workplaces and minimizing negative impacts.

### Strengths:

- lululemon budgets effectively to support the implementation of RSC goals, retains resources for effective monitoring and projects, and adds new RSC team members where required. This RSC team expansion enables internal staff to focus on facility audits and fair compensation wage data.

- lululemon publishes an annual impact report, which details the company's progress and commitment to advance responsible business and work to uphold human rights in the supply chain.
- The [responsible supply chain disclosure](#), published periodically, complements lululemon's impact report. It addresses lululemon's work in responsible business conduct due diligence.
- The "Impact Governance" structure, comprising senior leadership representatives, oversees the implementation of the sustainability strategy. The board of directors and executive leadership team (CEO and executive impact council) are responsible for the company's sustainable business and impact goals, including the RSC program.

### Workplace Standards

**BENCHMARK 1.2:** Company Member establishes and articulates clear, written workplace standards that meet or exceed those embodied in the FLA Workplace Code of Conduct.

### Company Actions and FLA Verification:

lululemon's VCoE and the benchmarks that operationalize it are aligned with the standards embodied in the FLA Workplace Code of Conduct and compliance benchmarks.



## PRINCIPLE 2: RESPONSIBLE PURCHASING AND PRODUCTION PRACTICES

*Company Member aligns planning and purchasing practices with commitment to workplace standards.*

**WHY:** The sourcing practices of buyers and the sales and planning practices of suppliers affect workplace conditions and worker well-being. Without consistent and systematic attention to responsible purchasing and production practices, companies can undermine their factory efforts toward ethical working conditions in factories. This principle evaluates how headquarters-level business practices such as design, costing, and sourcing are managed to support workers and address any negative impacts on working conditions.

### Responsible Purchasing Practices Policy and Procedures

**BENCHMARK 2.1:** Company Member has formal written policies and procedures for planning and purchasing that 1) articulate the many complexities involved in their global supply chains, including different supplier business models, and 2) require relevant internal representatives to work with suppliers to reduce negative impacts on working conditions. These policies and procedures shall address (a) alignment of financial terms with FLA Workplace Standards, (b) adequacy of lead time provided (considering, for example, availability of input, testing, design changes, and production capacity) to produce without excessive overtime, unauthorized subcontracting, or other negative impacts, and (c) balanced annual planning efforts to eliminate negative outcomes (i.e. lower efficiency, poor labor retention, and longer throughput) that arise from traditional seasonal order demand.

### Company Actions and FLA Verification:

In 2023, lululemon's leadership approved its RPP policy, utilizing feedback from leadership and cross-functional teams to create a comprehensive policy. The policy identifies relevant teams and covers planning and forecasting, sourcing and order placement, costing, design and development, payment terms, sustainable partnership, and open dialogue across internal teams, suppliers, and stakeholders. The RPP policy is structured around Better Buying's seven categories of purchasing practices; lululemon will review progress towards policy goals annually using vendor feedback gathered through Better Buying surveys. During the headquarters assessment, FLA verified through team interviews that RPP is embedded in the purchasing processes and integrated into team objectives and key results (OKRs), and that lululemon is in the process of setting KPIs to track progress in this area. A cross-functional task force created the RPP policy and program, and relevant teams set KPIs.

lululemon's fair compensation blueprint outlines clear goals on collaborating with workers, multi-stakeholder initiatives, and internal departments to drive living wage improvements in Tier One factories. During the headquarters assessment, lululemon presented the 2024 goals for the blueprint, including the development of a fair compensation working group, which includes members from the global production and merchandising, sourcing, costing, and RSC teams; the working group will evaluate current costing frameworks, efficiency improvements, and factory wage management systems. The [commitment to fair compensation](#) is posted to lululemon's website.

### Strengths:

- lululemon's RPP policy informs development of KPIs related to purchasing practices. The chief supply chain officer provides final approval on the RPP policy.
- Senior leadership and various members of the sourcing and production teams contributed to the development of the supplier exit guidelines. The RSC team's work falls under the SB&I function within lululemon's governance structure and drives the creation of goals to improve lululemon's RSC program. Goals created and executed through the SB&I function include the creation of the RPP policy and KPIs to track improvements related to the policy's commitments.

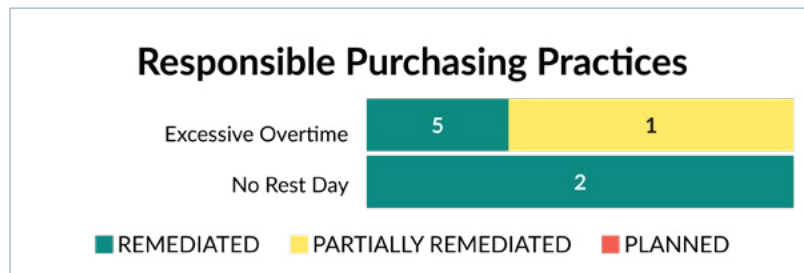
### Accountability

**BENCHMARK 2.2:** Company Member holds relevant staff and any contracted agent/intermediary accountable for the implementation of planning, purchasing, and order reduction practices that help avoid negative impacts on workers and working conditions.

### Company Actions and FLA Verification:

Leadership across the RSC, production planning, sourcing, design, and product development functions plays an active role in holding internal lululemon teams accountable for responsible purchasing of products. lululemon maintains an internal team dedicated to managing calendar adherence ensuring that employees meet deadlines from the initial creative direction and strategy stage to post-production. During the lululemon headquarters assessment, FLA verified that members of the product and supply chain teams executed accountability mechanisms, including regular dialogue with the calendar team, analysis of changes made and their associated risks, and leadership approval of changes, where needed. These same teams support dialogue with suppliers on any key date changes necessary.

lululemon utilizes its responsible exit guidelines, along with compliance to local legal and regulatory requirements, to advise the responsible teams on minimizing negative impacts to a supplier and its workforce. The responsible exit guidelines include providing suppliers with adequate notice, establishing a phase-out plan, and evaluating cases of retrenchment when this occurs. Within the guidelines, various teams are identified to lead the communication, risk assessment, phase out plan, divestment process, and final payments. When worker retrenchment is identified, RSC staff defer to the responsible retrenchment standard operating procedure (SOP), which is expanded under Principle 5.4. During the headquarters assessment, the SVP, SB&I, SVP of production and supply chain strategy and programs, SVP of global sourcing, and senior director of RSC confirmed they are informed and involved in any factory exit decisions.



FLA reviewed examples of successful remediation of responsible sourcing findings. The accompanying chart provides examples from FLA’s SCI assessments. During a 2022 SCI assessment at a factory in the Philippines, FLA found that 20% of workers worked more than 60 hours in a week during two periods, ranging from 61 to 66 hours. lululemon worked with the factory to develop a comprehensive plan to reduce overtime, including establishing roles within the department to manage and track overtime, ensuring that workers are made aware when they are approaching the overtime limit that they cannot work additional hours, and ensuring that the

department manager signs off on any overtime. As part of this remediation, lululemon provided proof of the implementation of the assigned staff person and approved overtime with manager signoffs.

## Strengths:

- During the headquarters assessment, lululemon presented evidence of OKRs related to fair compensation and RPP for leadership roles and cross-functional teams. lululemon uses OKRs to evaluate staff during their annual performance reviews.
- lululemon participated in FLA’s Living Wage Pilot in Vietnam from June 2022 through August 2024; [this project](#) focused on understanding the purchasing practices in multi-buyer facilities and the factories’ compensation practices and systems in an effort to support progress towards living wages. lululemon participated in a brand workshop and contributed to multi-brand dialogue on progressing solutions forward.
- lululemon uses FLA’s Fair Compensation Dashboard across high-volume and high-risk sourcing countries. The company has collected 18 wage data sets across seven countries from suppliers to inform internal dialogue and goal setting around moving towards a living wage.
- The fair compensation program manager’s annual goals are directly related to fair compensation and RPP, including KPIs on creating action plans with costing partners to achieve fair compensation, and developing organization-wide KPIs and tracking systems around the implementation of responsible purchasing practices.

## Recommendations for Continuous Improvement:

- lululemon will continue to work with FLA on future multi-buyer wage pilots, where relevant.
- As part of a continuous improvement process, lululemon should continue collecting wage data and scaling living wage analysis for its supply chain using FLA’s Fair Compensation Toolkit.

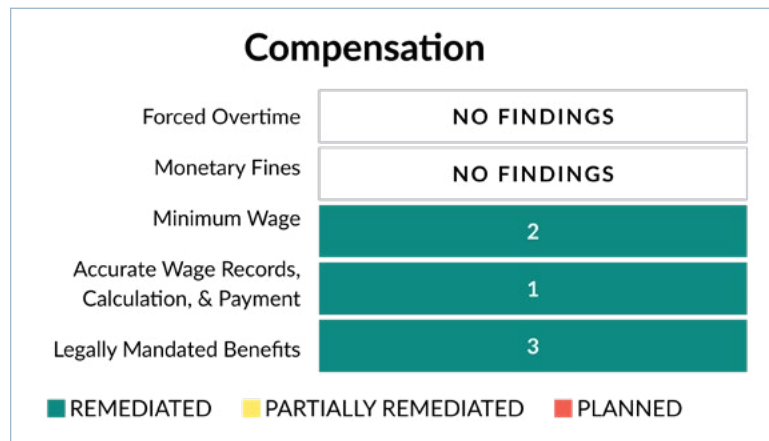
## Dialogue

**BENCHMARK 2.3:** Company Member staff responsible for planning and purchasing decisions engage with their labor compliance colleagues, any contracted agent/intermediary and suppliers in regular and constructive dialogue throughout the production process and when problems arise to support operations at the factory level and to seek to avoid or mitigate negative impacts on workers and/or compliance with code standards at supplier facilities.

### Company Actions and FLA Verification:

lululemon employs a comprehensive and cross-functional approach to managing supplier relationships. Teams across the product and supply chain functions regularly communicate with suppliers and external stakeholders to provide insights on any changes in the production process. The RSC team is integrated into these communications through participation in multiple cross-functional meetings that meet on an as-needed basis. When issues arise, such as political instability in sourcing countries or changes in lead times and shipment dates, cross-functional teams and suppliers collaborate to find solutions. The RSC team maintains close contact with suppliers to monitor external circumstances affecting working conditions and keeps cross-functional partners informed of any necessary adjustments or risks.

lululemon holds supplier workshops and shares supplier surveys to obtain feedback on Better Buying results. At the 2022 Vendor Summit, lululemon shared the Better Buying results with strategic suppliers through an interactive workshop. This workshop included an activity where groups of participants held focused roundtable discussions with different product and supply chain leaders to discuss the results of each section and provide best practice examples and room for growth. Following this, lululemon utilized the workshop feedback to inform the RPP policy and develop guidance to actualize the goals within it. At the 2023 Vendor Summit, lululemon shared the approved RPP policy with select suppliers to gather feedback, which will be incorporated into the 2024 policy updates.



In a 2022 Cambodia SCI, outsourced security guards received a salary below the minimum wage, and did not receive annual leave, overtime compensation, or other allowances. lululemon worked with the factory to review the issue and create dialogue between the factory and security company. Following discussions, the factory provided security guards with new contracts, including wages that were above the legal minimum wage, and included an attendance bonus, transportation allowance, meal allowance, and overtime calculation. Following payment, lululemon requested an internal audit of the payroll with evidence of the updated wages to verify implementation of the new wage structure.

A 2022 Vietnam SCI found that a factory was not carrying out policies related to skills and attendance allowances or responsibility allowances for members of the first aid



team. As part of this remediation, lululemon provided a comprehensive review of the factory's internal wage and benefits policies and supported the factory in developing a skill evaluation form and providing training to workers on the opportunity to receive this allowance. The factory also worked to add additional criteria around the attendance policy and the responsibility allowance for the first aid, fire brigade, and health and hygiene team. Due to the updated criteria on the responsibility allowance, the factory also provided back-pay to members who did not initially receive the allowance.

### Strengths:

- lululemon integrates RSC practices into cross-functional meetings focused on forecasts, RSC risks, and team meetings for sourcing and production staff.
- lululemon presented the RPP policy to suppliers at the 2023 Vendor Summit and shared the opportunity to participate in the Better Buying Partnership Index™ survey.
- lululemon participates in the Better Buying Purchasing Practices Index™ survey to gain more understanding on how to support continuous improvement of their purchasing practices and build more trust with suppliers. The survey results are shared with lululemon leadership, informing the company's annual review and creation of its RPP policy. During the headquarters assessment, supply chain teams shared that the results of the Better Buying survey provided visibility into supplier feedback around all seven categories of purchasing practices.

### Recommendations for Continuous improvement:

- As part of a continuous improvement process, lululemon should continue to gather supplier feedback on purchasing practices and assess that Better Buying workshops lead to the improvement of working conditions, especially to support fair compensation for workers.

### Supplier Evaluations and Incentives

**BENCHMARK 2.4:** Company Member provides positive incentives for suppliers and/or facilities producing in a socially responsible and sustainable manner and, if applicable, having internal systems aligned with FLA Principles.

### Company Actions and FLA Verification:

lululemon's comprehensive scorecard on suppliers aggregates the scores across production, quality, RSC, and customs. lululemon shares the scorecard with all suppliers quarterly and selects specific suppliers for scorecard discussions bi-annually. The director, global RSC leads conversations with suppliers on RSC matters. Overall, the audit rating and approved corrective action plan determine the RSC score. The director, global RSC leads the process for the sustainability score to be highlighted and discussed in combination with other cross-functional teams; they include necessary RSC updates, concerns, and challenges around RSC in discussions, including repeating non-compliances or program developments.

The scorecard and resulting processes support the long-standing relationships held with suppliers and aim to increase capacity where possible with existing relationships. High performing suppliers are recognized through lululemon's Vendor Awards Program at vendor summits, as well as through the Vendor Grant Program. To receive a vendor grant, eligible suppliers submit a project proposal that addresses the needs of their workers and collaborates with local CSOs in the implementation process. Following approval by lululemon's internal grant review council, lululemon provides up to 50% of the funding for successful applications. During the headquarters assessment, FLA verified the supplier recognition award process and successful cases of grant implementation. lululemon also shares information on vendor grant recipients and their ongoing projects [on their website](#).

### Strengths:

- lululemon prioritizes holding an in-depth review with strategic suppliers, suppliers who are new or growing in business, or have had issues identified in previous scorecards. During the scorecard review, teams from product, supply chain, and RSC discuss the scoring of their relevant sections, and highlight strengths, challenges, and opportunities for growth.
- Supplier recognition awards are given to high-performing finished goods and raw materials during vendor summits. High-performing suppliers can also apply for worker wellbeing improvement grants through the Vendor Grant Program, which prioritizes projects that focus on gender equity and physical and mental wellbeing in the workplace. FLA verified that suppliers receiving incentives scored bronze or higher on audits, and lululemon provided examples of ongoing grant projects including the development of childcare facilities, improved worker nutrition programs, and women's leadership programs.

### Recommendations for Continuous Improvement:

- As part of a continuous improvement process, FLA recommends lululemon create a policy and procedure to standardize how it offers incentives to high performing suppliers.



### PRINCIPLE 3: RESPONSIBILITY AND HEAD OFFICE TRAINING

*Company Member identifies and trains specific staff responsible for implementing workplace standards and responsible purchasing practices and provides training to all head office and regional staff.*

**WHY:** Effective implementation of social compliance standards and human rights due diligence systems depends on having staff at headquarters who are well-trained and tasked with clear responsibilities around human rights and workplace standards. Additionally, all headquarters staff must be aware of the company's commitment so that workplace standards are embedded throughout the business.

#### Responsible Staff

**BENCHMARK 3.1:** Company Member identifies the person(s) responsible for administering and implementing its workplace standards compliance program and responsible purchasing practices.

#### Company Actions and FLA Verification:

lululemon's RSC team employs 17 full-time social compliance, operations, and projects-related (RSC social) staff in North America and globally across four regions. The director of global RSC, based in Thailand, manages four senior managers overseeing operations in the Western Hemisphere and Asia. Additionally, there are two RSC managers in Vietnam and China, with plans to expand with two more in Taiwan and Sri Lanka. The director of global RSC also manages the operations team, comprising four team members. These employees' job descriptions include factory monitoring, remediation of workers' rights violations, reporting on social compliance topics to company leadership, training, and management of data systems, policies and procedures. The fair compensation and RPP program manager, maker wellbeing program manager and collegiate program manager are full-time staff members that specifically dedicate their time to these RSC projects. The director, global RSC and the senior manager, RSC projects have a reporting structure to the senior director, RSC, who in turn reports directly to the SVP SB&I.

#### Strengths:

- lululemon strategically stations 17 full-time RSC staff across six countries globally. The regional distribution of staff in South Asia, Southeast Asia, and East Asia enables proximity to high-production countries, enhancing monitoring and remediation efforts effectively.
- Staff implementing responsible purchasing practices set specific performance indicators that align with broader goals related to responsible purchasing practices.

**Social Compliance  
Staff Training**

**BENCHMARK 3.2:** Company Member trains the person(s)/team(s) responsible for administering and implementing its workplace standards compliance program.

**Company Actions and FLA Verification:**

Through lululemon's accreditation process, FLA observed that RSC staff have a robust system for identifying training opportunities on current workers' rights trends. The RSC training manager, responsible for identifying training opportunities for RSC team members, conducts an annual needs-based assessment to identify new training for the RSC team from external consultants. These results inform the training plan for the next fiscal year. Based on feedback received from FLA, the RSC team developed its "RSC Best Practices for Trainers" guide that provides guidance to external and internal trainers on drafting content, scheduling, setting ground rules, using various teaching methods, and ensuring effectiveness through tests and quizzes.

The RSC team has undergone training covering a wide range of topics, including collective bargaining, union engagement, effective worker-management channels, trends in labor violations, civil society engagement, responsible purchasing practices, fair compensation, and other emerging topics in the field. The RSC training manager assesses training effectiveness by requiring staff to complete post-training quizzes and surveys from the training provided by external consultants.

**Strengths:**

- The RSC team is offered multiple opportunities for continuous learning, including access to platforms through the company internal learning and development system and other external platforms. In addition, there are opportunities to attend cross-functional training offerings. For example, RSC staff learned about contracting and anti-trust laws relevant to social compliance through a training session deployed by the legal department.
- The RSC annual needs-based assessment informs the RSC training plan with the needs and priorities of staff, enhancing relevance and effectiveness in addressing current challenges and skill gaps.
- The "RSC Best Practices for Trainers" guide standardizes expectations for internal and third-party trainers.
- The RSC team has access to lululemon's internal coaching program and mentorship program and encourages mentorship from and to other lululemon departments to help staff achieve their development goals. For example, some RSC team members are mentored by leaders in the sourcing organization, and some also participate in the program as mentors to colleagues from other departments.
- RSC team completes quarterly checks on their progress against annual OKRs and other KPIs, as well as year-end evaluations. These OKRs include at least one objective focused on personal development.

**Head Office and  
Regional Staff  
Training**

**BENCHMARK 3.3:** Company Member ensures that training is provided to all head office and regional staff on the company's commitment to workplace standards and the integration of standards into business practices. Training occurs at onboarding and refresher training is conducted annually.

**Company Actions and FLA Verification:**

lululemon trains headquarters and regional staff on the RSC program and the commitment to workplace standards through its “RSC 101” e-Learning module. This training details how the company collaborates with suppliers to safeguard workers’ rights, explains the foundations of the RSC program, and identifies programs supporting the well-being of the people who make their products. The vendor code of ethics is embedded throughout the training. The RSC team works with internal departments including human resources, legal, learning, leadership, and talent activation, and the inclusion, diversity, equity, and action (IDEA) team to develop, execute, review, and annually update trainings for all headquarters and regional staff, delivering them through the internal training platform.

The RSC 101 training includes a post-training knowledge check to assess effectiveness, and RSC staff track results on the internal training platform. lululemon will implement its “RSC 101” refresher training annually, and new employees are automatically enrolled in the training on the e-Learning platform. During the headquarters visit, FLA verified the training deployment and that lululemon staff completed the training and post-training quiz. The “RSC 101” training is highly interactive, incorporating various knowledge checks throughout to enhance active participation and effectiveness.

**Strengths:**

- The internal training platform centralizes “RSC 101” and other related trainings for regional and headquarters staff, including e-Learning on the global code of business conduct and ethics, and responsible purchasing practices.
- lululemon conducts an annual forced labor and child labor training required for decision makers in the RSC, sourcing, planning, legal, and supply chain teams; the senior manager, RSC projects conducts the virtual training.

### RPP Training

**BENCHMARK 3.4:** All relevant business and compliance staff and any contracted agent/intermediary are trained and knowledgeable of the consequences of their planning and purchasing practices on working conditions in order to mitigate negative impacts on code compliance.

### Company Actions and FLA Verification:

lululemon implemented RPP training for product and supply chain staff in December 2023. This training is mandatory for all relevant staff on any product and supply chain team and is available to all staff on the internal training platform. This training raises staff awareness about their accountability to workers, enabling them to describe RPP, define lululemon's policies and commitments, and identify how product and supply chain teams drive RPP. The training, collaboratively designed by the RSC and the learning design teams, is highly interactive on the e-Learning platform and includes drag-and-drop scenarios illustrating how company decisions impact suppliers.

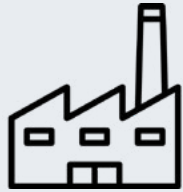
The RPP training concludes with a post-training quiz and survey to collect participant feedback on the training. The fair compensation program manager's responsibilities include tracking completion rates for the training and reviewing the feedback. Since the implementation, FLA has verified that lululemon deployed the training to relevant staff and will monitor the implementation of the annual RPP refresher training.

### Strengths:

- The RPP training on the internal training platform includes interactive knowledge checks, such as multiple-choice quizzes and drag-and-drop scenarios that illustrate how RPP impacts suppliers. These interactive activities allow staff to put RPP content into practice by engaging them in realistic scenarios, reinforcing their understanding of how to apply principles effectively.

### Recommendations for Continuous Improvement:

- The RPP training was first deployed in December 2023. As part of a continuous improvement process, FLA recommends lululemon incorporates relevant staff feedback into the RPP refresher trainings.
- As best practice, FLA recommends that lululemon incorporate supplier and Better Buying feedback into RPP training materials to improve the training every year.



#### PRINCIPLE 4: SUPPLIER AND PRODUCTION STAFF TRAINING

*Sourcing Principle: Company Member obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.*

**WHY:** A company's commitment to upholding workplace standards will only have an impact if that commitment is communicated to contract suppliers and owned facilities. This principle ensures that all workers are fully informed of their rights and all staff are aware of their responsibilities to uphold workplace standards.

#### Written Acknowledgement to Uphold Workplace Standards

**BENCHMARK 4.1:** Company formally conveys workplace standards to suppliers and receives written acknowledgment to uphold workplace standards, facilitate periodic assessments, including those organized by FLA, and actively contribute to consequent remediation activities.

#### Company Actions and FLA Verification:

All lululemon suppliers must sign the supplier agreement, which is sent by the vendor operations and engagement team. The agreement includes a supplier acknowledgment of the VCoE requirements, and requires suppliers to commit that their facilities, suppliers, contractors, subcontractors, and employees that manufacture lululemon's products comply with the VCoE. The VCoE requirements include providing access to independent monitors, addressing any non-compliances, and obtaining prior approval from lululemon for subcontractors. lululemon's cross-functional supplier data management system tracks the new vendor approval process; one of the NVAP's first steps is obtaining suppliers' signatures on the supplier agreement. Internal processes also require suppliers to sign the updated agreement when changes are made. Agreements are linked in the supplier data management system.

#### Conditioning Future Business

**BENCHMARK 4.2:** Company conditions future business with suppliers upon continuous improvement of workplace conditions.

#### Company Actions and FLA Verification:

lululemon makes decisions regarding future business with each supplier based on overall performance, compliance with the requirements laid out in the supplier agreement, and remediation of non-compliances. Following a supplier's RSC assessment, lululemon will produce a supplier rating, corresponding with the levels of "Gold," "Silver," "Bronze," "Critical," or "Zero Tolerance," and incorporate the score into the overall vendor scorecard. FLA verified actions taken where suppliers have received a score of "Critical" or "Zero Tolerance;" in these cases, lululemon provided a warning letter

from the senior sourcing director, conducted supplier training and capacity building, and involved civil society organizations in remediation activities. lululemon conducts vendor scorecard reviews quarterly and vendor reviews bi-annually with select vendors. During these reviews, lululemon highlights and discusses RSC assessment results with other cross-functional teams. For more information on the overall Vendor Scorecard, please refer to Principle 2.4.

In cases of severe violations against the VCoE, lululemon promptly alerts relevant cross-functional leaders and works closely with the supplier to support remediation as soon as possible. Based on the severity of the issue, business consequences such as development or purchase orders may be paused until the issue is fully remediated. lululemon addresses these concerns in monthly review meetings with cross-functional leadership and team members. The company uses these meetings to monitor the performance of suppliers under review, including suppliers with critical findings and those failing to make remediation progress; these meetings also cover lululemon's plans to implement business consequences or responsibly exit suppliers with egregious critical findings. During the FLA headquarters assessment, FLA verified a case in which lululemon applied sourcing consequences for a supplier that received multiple low assessment scores. In this case, the company implemented direct business consequences until the vendor completed issue remediation and lululemon leadership engaged with the vendor on the resulting actions and necessity of remediation.

### Strengths:

- When zero-tolerance issues are found, lululemon notifies cross-functional partners including sourcing and production, quality, merchandising, and any other relevant departments via email and in cross-departmental meetings. The director of global RSC leads this process and involves the SVP of production and supply chain strategy and programming, the SVP, SB&I, the senior director of RSC, the vice president of global sourcing, and the senior director of sourcing.

### Workplace Standards Accessibility

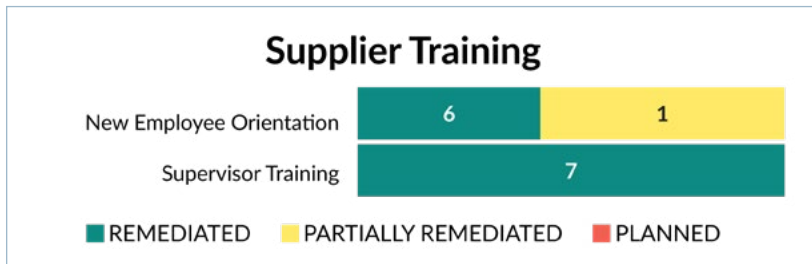
**BENCHMARK 4.3:** Company ensures that workplace standards are accessible to workers, managers and supervisors in written form and relevant languages.

### Company Actions and FLA Verification:

lululemon translates its VCoE into all local languages used by workers, including migrant workers. The VCoE and compliance benchmarks are aligned with the FLA Code and benchmarks. lululemon provides the VCoE and benchmarks to suppliers during the onboarding process. FLA verified that lululemon provides written translations of the standards to suppliers, and that lululemon's factory assessments confirm if the translations are posted in factories and if workers are familiar with them.

A 2023 SCI in Peru identified that orientation training did not sufficiently cover all of lululemon's code elements. During worker interviews, workers could not recall information related to freedom of association, non-discrimination, and harassment and abuse policies. Following the SCI, lululemon worked with the factory so that two new training courses are scheduled per year on the topics not covered, and that periodic surveys are conducted





to evaluate knowledge gained by the workers on these code elements. Similarly, another SCI in Indonesia in 2023 found that supervisor training was insufficient. This finding has since been remediated with lululemon updating training materials for supervisors to include the VCoE, termination and retrenchment, workplace conduct and disciplinary systems, grievance procedures, health and safety, and environmental protection.

## Training on Workplace Standards and Effectiveness

**BENCHMARK 4.4:** Company ensures that workers, managers, and supervisors are trained on workplace standards at regular intervals to take account of labor turnover.

### Company Actions and FLA Verification:

lululemon evaluates effective workplace standards training for workers, managers, and supervisors through its assessment tool. During the FLA audit field observations, FLA verified that assessors review training occurrences, training materials, and training effectiveness during worker interviews.

lululemon trains suppliers during the onboarding process on lululemon’s impact agenda, the responsible supply chain program, assessment processes, subcontractor standards, remediation, and the escalation policy. lululemon has invested in a third-party learning platform that provides access to training on topics such as environmental stewardship, freedom of association, harassment and abuse, health and safety, and hours of work, among others. In addition, lululemon’s internal team provides training on social insurance, health and safety, grievance mechanisms, and migrant worker protections. lululemon conducts an annual needs assessment to determine how to address needs and information gaps of their suppliers. In 2022 and 2023, lululemon required that all suppliers receive training on forced labor and anti-bribery, and successfully complete a post-training quiz.

Across all lululemon SCIs, FLA found seven violations related to workplace standards training for new employees and seven findings related to supervisor training. In response, lululemon has submitted corrective action plans for the facilities to implement effective training for all workers, managers and supervisors, with only one violation pending remediation at the time of this report. lululemon continues to provide FLA with updates on its suppliers’ corrective actions.

### Recommendations for Continuous Improvement:

- lululemon provides VCoE training on a case-by-case basis, rather than a targeted approach based on employee turnover or factory needs. As part of a continuous improvement process, FLA recommends that lululemon develop a regular mechanism to provide refresher training on the VCoE and RSC program at least once every three years.



### PRINCIPLE 5: MONITORING

*Company Member conducts workplace standards compliance monitoring.*

**WHY:** A company must monitor its facilities to ensure that its workplace standards are being upheld throughout its supply chain. FLA evaluates the company's monitoring programs to ensure that they have a rigorous system for assessing working conditions at all existing and potential production facilities.

#### Pre-sourcing assessments

**BENCHMARK 5.1:** Company Member conducts pre-sourcing assessment of contract facilities to review compliance with workplace standards.

#### Company Actions and FLA Verification:

Before working with any new supplier, lululemon conducts pre-onboarding assessments as part of its NVAP, which outlines assessment standards to evaluate the supplier's ability to meet business needs and lululemon's standards for quality, social, and environmental compliance, and covers all code requirements. As part of its NVAP, lululemon initiates a due diligence evaluation in the supplier exploration phase to decide whether to continue to the assessment phase. During the pre-screening phase, lululemon conducts an assessment of the supplier's capabilities and potential business risks, and provides education on RSC expectations to the supplier. New facilities then fill out a self-assessment against the VCoE compliance benchmarks, which helps to determine the facility's readiness for RSC assessment. If lululemon decides to move forward to the assessment phase, depending on the facility's performance regarding RSC, sourcing, quality, and production perspective, the company deploys the full RSC assessment to the facility. lululemon's vendor operations team reviews the assessment results with cross-functional partners during monthly NVAP meetings to determine whether any low or medium risk suppliers can be approved as active for lululemon production. If there is a high-risk flag during any NVAP assessments, the senior leadership team reviews and decides whether to approve it or not.

#### Strengths:

- lululemon has a clear governance structure for NVAP and pre-sourcing assessments. Its vendor operations team conducts monthly NVAP operations meetings with cross-functional partners to address issues, risks, and blockers and to support approval decisions for low to medium risk suppliers. The company holds a vendor approval steering committee meeting bi-monthly for its global sourcing team to present a high-level strategic view of new supplier needs, provide updates on suppliers in the exploration and assessment phases, and discuss high-risk suppliers where approval is required from the senior leadership team.

## Monitoring Program and Compliance Standards

**BENCHMARK 5.2:** Company Member monitors facilities regularly to assess compliance with workplace standards.

### Company Actions and FLA Verification:

lululemon's RSC program is a comprehensive system that evaluates all of its Tier One facilities annually. The output from the RSC assessment includes a full report and the CAPA report; both of which are managed within the supplier data management system. The assessment results are presented as an overall rating and score which impacts the vendor scorecard. The director of global RSC reviews each assessment report in the supplier data management system and provides results as follows: approval status ("Silver" or above) for few minor or moderate findings; conditional approval status ("Bronze") for few minor, moderate or major findings, or a compliance score greater than 65% with an approved CAPA; and not approved status ("Critical") for at least one critical finding, a compliance score of less than 65%, or any zero tolerance finding. The RSC system continuously monitors remediation within the approved timelines. It elevates any open "Critical" and/or "Zero Tolerance" violations to senior leaders and completes quarterly checks on supplier performance by season to review strengths, challenges, and opportunities using the scorecard.

In addition, prior to entering a new country, lululemon conducts country risk mapping, and depending on the risk assessments results, assigns a risk ranking for current and potential sourcing countries. The country risk progress SOP clearly defines cross-functional responsibilities for reviewing country-specific compliance risks and outlines methods to support business decisions regarding the expansion of lululemon's supply chain.

### Strengths:

- In addition to third party assessors, lululemon's internal team conducts RSC assessments depending on facility locations, which allows the company to maintain audit quality, constructive communication with suppliers, and effective remediation.
- lululemon's audits are maintained with a robust supplier data management system. This includes all communication with suppliers regarding the introduction, arrangement, assessment process, and CAPA.
- The company conducts annual RSC assessments for all Tier One and Tier Two suppliers.
- In 2023, lululemon conducted a detailed geographically-based human rights rapid risk scoping exercise, commissioned from a group with expertise on human rights due diligence.

### Audit Components and Quality

**BENCHMARK 5.3:** Company Member ensures that its monitoring program includes, but is not limited to:

a) Worker interviews, b) Consultation with unions or worker representative structures (where applicable), c) Collective bargaining terms review (where applicable), d) Management interviews, e) Documentation review, f) Visual inspection, and g) Occupational safety and health review.

### Company Actions and FLA Verification:

The RSC Full Assessment Tool, RSC vendor manual, and RSC assessor manual provide an overview of lululemon's audit and monitoring process. The RSC assessor manual provides comprehensive guidance for assessors on assessment requirements regarding opening and closing meetings, worker interviews, consultation with unions or worker representative structures, reviews of collective bargaining terms, management interviews, document reviews, visual inspections, and occupational safety and health reviews.

FLA conducted audit field observations in Vietnam in 2022 and in Indonesia in 2023 and verified improvement in lululemon's internal factory assessments and monitoring process. Following these field observations, lululemon added new guidance to its assessor manual; this includes principles of confidentiality and non-retaliation for workers, which was covered during closing meetings, and detailed instructions regarding fire safety, such as testing firefighting equipment during inspection. In addition, lululemon strengthened its root cause analysis methodology and added an expectation in the assessor manual that assessors include collaborative root cause analysis as part of the assessment.

### Strengths:

- Audit methodology fully evaluates the implementation of workplace standards trainings and their effectiveness, grievance mechanism trainings and their effectiveness, and remediation of previous findings.

### Recommendations for Continuous Improvement:

- As part of a continuous improvement process, lululemon should consider the number of workers when deciding how many assessors are needed for an audit and add more assessors for larger factories. In addition, FLA recommends considering the gender makeup of the facility workforce when assigning assessors. For example, where there is a high number of female workers, lululemon should have appropriate female representation on the assessor team.

**Responsible  
Retrenchment**

**BENCHMARK 5.4:** Company Member monitors facilities to ensure implementation of responsible retrenchment policies and procedures that uphold workplace, legal, and collectively bargained standards.

**Company Actions and FLA Verification:**

In line with lululemon's RSC Full Assessment Tool and assessor manual, assessors verify that suppliers implement responsible retrenchment policies and procedures, utilize a fair process when retrenchment is unavoidable, and provide legal and/or collectively bargained termination and severance payments to the workers. In addition to audit checks, suppliers should notify lululemon when retrenchment cases will occur. lululemon shares its responsible retrenchment SOP with suppliers, which is in line with FLA's responsible exit and retrenchment guidance and requires documented proof to verify that the retrenchment process is managed fairly. FLA reviewed and verified examples of retrenchment cases from Cambodia in 2023 and the Philippines in 2020 where lululemon followed up with factory management for proof on payments of workers and supported the remediation process to align with and follow responsible retrenchment policies and procedures. In addition, lululemon has a detailed guideline for supplier exits (responsible exit guidelines) to minimize negative impacts to the supplier's business and associated workforce.

lululemon maintains close communication and effective collaboration with suppliers to improve remediation plans. Internal regional teams actively lead and support the remediation process, which was verified with examples during the headquarters assessment.

**Strengths:**

- lululemon maintains a monthly tracker to follow any work stoppage or retrenchment case in its suppliers' facilities.
- The responsible retrenchment SOP includes best practices, such as supporting workers for re-employment processes and working with civil society organizations to determine appropriate financial support for workers in cases where factory ownership has abdicated the responsibility to provide retrenched workers' legally owed severance benefits.

**PRINCIPLE 6: FUNCTIONING GRIEVANCE MECHANISMS**

*Company Member ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.*



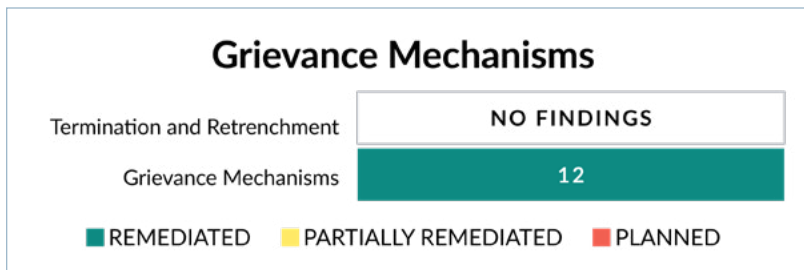
**WHY:** Functioning grievance mechanisms provide workers with a channel to raise concerns when they think their rights are being violated or the factory is not upholding workplace standards. Although monitoring programs are meant to ensure compliance with workplace standards, they cannot uncover or address every issue on their own. Functioning grievance mechanisms complement an effective monitoring system.

**Ensuring Functioning Grievance Mechanisms**

**BENCHMARK 6.1:** Company Member ensures there are functioning grievance mechanisms at facilities.

**Company Actions and FLA Verification:**

lululemon’s RSC Full Assessment Tool and assessor manual includes questions assessing the existence and effectiveness of grievance mechanisms, including having at least one confidential reporting channel, and that grievance mechanisms lack penalties for workers. The tool evaluates the supplier’s grievance tracking system to understand how it manages grievances, holds staff accountable, and upholds timelines for resolution. In addition, the tool assesses the existence of multiple grievance channels, including at least one workers’ or union representative structure. FLA audit field observations verified these systems in practice; it also verified that assessors are confirming workers’ understanding of grievance mechanisms during worker interviews and that lululemon evaluates the effectiveness of grievance mechanisms.



Across all SCI assessments conducted at lululemon contracted facilities, FLA found 12 violations related to grievance mechanisms. An SCI conducted in 2021 at a lululemon contract factory in Sri Lanka identified three findings related to grievance mechanisms. Two of the findings related to a lack of written grievance policies and procedures and the other one related lack of communication between management and workers regarding the resolution of grievances. In the corrective action plans, lululemon provided evidence that suppliers have developed and implemented a grievance procedure, including a timeline for resolution, and provided evidence that grievance resolutions are communicated to workers. Another SCI, conducted in Cambodia in 2022, included a finding that showed the facility had no procedures in place to track grievances and communicate

resolutions to workers. lululemon provided corrective action plans for the facility including creating procedures for tracking grievances, providing evidence of a weekly grievance report, and providing evidence of training on the issue. Another SCI assessment, conducted in Peru in 2023, had two findings related to grievance mechanisms; it found the facility lacked a defined staff member responsible for grievances, a timeline for corrective action, and a grievance tracking system. The corrective action plan included evidence that the facility drafted the missing procedure and trained workers. All SCI findings related to grievance mechanisms are remediated.

### Strengths:

- lululemon is reviewing and integrating the highest standards into its grievance mechanism related policies and procedures and is striving for grievance mechanisms at both the headquarters and supply chain level. This meets the highest standards and regulatory expectations, including the upcoming European Union regulations and other global regulatory requirements. The maker grievance reporting summary and the maker grievance SOP outline comprehensive grievance mechanism standards that cover the United Nation's Guiding Principles on Business and Human Rights criteria on effective grievance mechanisms and a well-documented follow-up process. lululemon categorizes grievances depending on the risk level and severity of the grievances and based on the results, takes actions accordingly. Its procedures detail remedy types like restitution, compensation, rehabilitation, satisfaction, and guarantee of non-repetition as guidance for effective remediation. In addition, lululemon is currently evaluating the impact of company-level grievance mechanisms. The RSC team is accountable for this work.

### Recommendations for Continuous Improvement:

- As the development of grievance mechanisms is ongoing, FLA recommends that lululemon maintains accountability by setting objectives to verify implementation of improved processes.

### Confidential Reporting Channel Direct to the Company

**BENCHMARK 6.2:** Where local mechanisms are not functioning, Company Member provides alternative channels for workers to contact the brand directly and confidentially.

### Company Actions and FLA Verification:

lululemon offers various confidential reporting channels for worker grievances, including a dedicated email address embedded in the VCoE. Workers may also submit grievances in-person to members of lululemon's RSC regional team while they are conducting assessments. All grievances submitted through these channels are recorded in the internal grievance tracker with the information such as key dates and timing, factory information, assessment of grievance, review and investigation, resolution, root cause, and type of remediation. A grievance officer is responsible for day-to-day administration and monitoring of the grievance process from receipt to resolution. When a grievance is received, the RSC team reviews and assesses

its eligibility and severity, identifies root causes, remediates, and monitors the effectiveness of this remediation. lululemon's role in resolution varies by severity. For high severity cases, such as forced labor grievances, the global director of RSC works alongside the factory to create a remediation and prevention action plan which includes all actions and timelines. During this process, the global director of RSC communicates high severity issues to the senior leadership team. Where required, third-party consultation may be added to obtain appropriate resolutions. lululemon may also schedule bi-weekly touch bases with the factory to assess progress until the appropriate remediation and remedy has been implemented and verified.

FLA has reviewed an example of a grievance raised directly to a regional RSC team member related to a harassment case and verified that the grievance was tracked from receipt to resolution. The RSC team categorized the grievance by risk, analyzed the root cause, provided training to middle management, and followed up to assess the worker's satisfaction.

### Training on Grievance Mechanisms

**BENCHMARK 6.3:** Company Member ensures training and communication is provided to all workers, supervisors, and managers about the grievance mechanisms.

### Company Actions and FLA Verification:

lululemon's policies and procedures outline effective grievance mechanism requirements in its maker grievance reporting mechanism summary document. These policies include ensuring workers understand grievance procedures and are fully trained on grievance mechanisms. The RSC Assessment Tool includes questions to verify that workers, supervisors, and managers are trained on and understand lululemon's grievance mechanism policies, procedures, and usage.

During the headquarters assessment, FLA verified examples of CAPAs on grievance mechanism non-compliances and verified lululemon's remediation actions where grievance mechanism trainings are found to not be effective. Corrective actions included providing training to all workers on grievance mechanism practices and procedures and conducting a post-training quiz to check knowledge gained by the workers. In addition to internal audit CAPA examples, the corrective action plan and remediation evidence shows SCI findings on effective grievance mechanism training and communication are fully remediated.





### PRINCIPLE 7: COLLECTION AND MANAGEMENT OF COMPLIANCE INFORMATION

*Company Member collects, manages, and analyzes workplace standards compliance information.*

**WHY:** A company cannot make substantial improvements to its social compliance program and human rights due diligence systems as well as workers' lives without collecting and analyzing information related to its training, monitoring, and purchasing programs. This information allows companies to track the continuous improvement of their compliance program and communicate that improvement to both internal and external stakeholders.

#### Collection of Facility Data

**BENCHMARK 7.1:** Company Member maintains a complete and accurate list of facilities and collects and manages compliance and workplace information.

#### Company Actions and FLA Verification:

lululemon collects data on social compliance and workplace information through the supplier data management system. This system manages the tracking of comprehensive compliance data for all factories, including subcontractors. This includes factory questionnaires and audits, including CBAs and union presence, and CAPA reports. The system was designed to serve as a single source of truth for vendor and factory data and includes an integrated multitiered mapping of suppliers from Tier One to Tier Three.

#### Strengths:

- The supplier data management system consolidates social compliance data from multiple activities into a single source to enhance automation, systemization, and accuracy of data.
- The supplier data management system collects data on subcontractors, who are subject to RSC assessments. All suppliers must declare their subcontractor list for approval. Subcontractor information is maintained within the supplier data management system.

### Analyzing Social Compliance Trends

**BENCHMARK 7.2:** Company Member analyzes trends in non-compliance findings.

#### Company Actions and FLA Verification:

Through data gathered in the supplier data management system, lululemon can categorize social compliance trends by country, region, non-compliance type, production percentage, remediation progress, and internal scorecard rating. Data collected in the internal system also allows RSC staff to analyze seasonal trends and provides narrative insights into each supplier's strengths, risks, and challenges. Skilled RSC staff are driving the effort to improve and develop Power BI visualizations of non-compliance data updated in real-time. The RSC team regularly presents the data analysis of social compliance trends to senior leadership, informing annual goals and budgets through quarterly reports and monthly supply chain organization review meetings. The data is also used to develop a business rationale for further investment to meet current and future needs, including securing additional resources for the RSC monitoring program.

lululemon's geographically based risk analysis, developed with external consultants and stakeholder dialogue, categorizes labor risks by country and includes detailed descriptions for each risk level. The supplier data management system's tracking of audit reports, combined with the country risk heat map, provides comprehensive risk assessment for the RSC team to analyze trends in labor violations and to inform sourcing decisions.

#### Strengths:

- lululemon's country risk heat map is comprehensive and informs audit priorities and resource allocation to effectively mitigate negative impacts on workers.
- lululemon effectively uses analyzed supplier data to inform social compliance initiatives and improve purchasing practices. For instance, the data collected from suppliers through Better Buying informs its RPP strategy and compliance training. The non-compliance analysis is one factor for the engagement strategy with civil society organizations such as Verite and CARE.

#### Recommendations for Continuous Improvement:

- lululemon is currently building Power BI dashboards from data collected in the supplier data management system. As part of a continuous improvement process, lululemon should expand its data analysis capabilities to incorporate multi-year analysis.



### PRINCIPLE 8: TIMELY AND PREVENTATIVE REMEDIATION

*Company Member works with suppliers to remediate in a timely and preventative manner.*

**WHY:** Monitoring gives a company visibility into the workplace standards violations in its supply chain. An effective remediation system is necessary so that a company can address and fix those issues over time.

#### Remediation Procedures

**BENCHMARK 8.1:** Company Member provides regular follow-up and oversight to implement corrective action following assessments.

#### Company Actions and FLA Verification:

lululemon's RSC vendor manual provides detailed guidance on remediation components, including the CAPA plan process and root cause analysis of identified issues. The manual explains criteria for zero tolerance issues, incidents and emergencies. Depending on the severity and presence of zero tolerance issues identified during initial annual assessments, lululemon schedules follow-up assessments. The detailed remediation timeline is based on the severity level of a non-compliance and resulting assessment score. Based on the score, assessments receive a rating of "Zero Tolerance," "Critical," "Silver," "Bronze," and "Gold." Required remediation actions usually range from immediate action to remediation between 30–90 days. All audit data including root cause analysis, corrective and preventative action plans, and remediation progress are tracked in a supplier data management system.

The RSC vendor manual and the RSC assessor manual both include guidance on the collaborative approach during the remediation process, including engagement with union and worker representatives. FLA reviewed examples to verify how lululemon's and the supplier's cross-functional teams are involved in remediation of non-compliances. In addition, wherever possible, lululemon partners with peer brands to find solutions to common issues in the supply chain. This includes collaborating with other brands for specific remediation in facilities (e.g. FLA SCI Assessments), or teaming up with partner brands for specific programs, such as the Foreign Migrant Worker program, details of which can be found under Principle 9.3. FLA also verified that suppliers receive training on effective remediation processes during onboarding training.

#### Strengths:

- lululemon maintains close communication and effective collaboration with suppliers to improve remediation plans. During the FLA headquarters assessment, examples confirmed that internal regional teams actively lead and support remediation processes.

**Root Cause Analysis**

**BENCHMARK 8.2:** Company Member works with the supplier to determine root causes and take action to reduce risk and prevent future non-compliance.

**Company Actions and FLA Verification:**

The RSC vendor manual and the RSC assessor manual provide clear guidance on how to conduct root cause analysis collaboratively, including participation and feedback from workers and union and worker representatives. Suppliers receive training that includes guidance on identifying root causes and developing a CAPA plan with examples. FLA reviewed the CAPA tracker and several examples of full remediation of non-compliance issues in Vietnam, Cambodia, and the Philippines that included root cause analysis to prevent future non-compliances. Through the examples reviewed, FLA also verified that the RSC team's effective communication with the suppliers supported root cause analysis and enabled further actions to be taken. lululemon incorporates lessons learned from the remediation process into capacity building trainings. FLA reviewed training examples developed based on root causes of non-compliances such as social insurance, ergonomics, and workplace risks; these included a training in China and a management system training in Taiwan.

In addition, FLA verified that lululemon improved assessment procedures based on the audit field observation recommendations conducted in Vietnam in 2022. Following that audit field observation, lululemon developed a root cause analysis methodology and added this to RSC assessor manual.

**Strengths:**

- lululemon conducts root causes analysis to inform capacity building and training activities to prevent non-compliances.

**Ensuring Effective Remediation**

**BENCHMARK 8.3:** Company Member records and tracks the progress and effectiveness of remediation for internal assessments.

**Company Actions and FLA Verification:**

lululemon's RSC team tracks corrective action plans and remediation until all findings are remediated in the supplier data management system, as well as corrective action evidence and data to support remediation. Suppliers must submit CAPA plans within two weeks following the assessment. The RSC team reviews the efficiency of each action plan and approves accordingly. Suppliers submit evidence within the given timelines based on severity to illustrate corrective action plan implementation. Depending on the severity of the issue, lululemon determines necessary follow-up actions such as desktop review or on-site verification. The supplier scorecard incorporates the submitted CAPA and implementation as part of the RSC score.

Where improvements are made to the overall assessment score from remediation, lululemon updates the scorecard quarterly to reflect this. For more information on the overall scorecard, please refer to Principle 2.4. During the headquarters assessment, FLA reviewed examples to verify an effective remediation strategy. In a few cases, the RSC team rejected corrective action plans and conducted online meetings to identify root causes and a plan for remediation. In addition, several examples verified a decreasing number of non-compliances, including a factory in Bangladesh where the rate of workplace incidents fell from 350 to 16.



FLA has verified examples of successful remediation of SCI findings. A 2022 assessment in the Philippines found that the factory only provided training to supervisors on national legal requirements for hiring procedures, wages and benefits, working hours, health and safety, and grievance procedures. However, the training did not cover all FLA employment functions, including workplace conduct, discipline, and freedom of association. lululemon worked with the factory to include all FLA employment functions in supervisor training and verified remediation with a follow-up assessment. In a 2021 assessment in Indonesia, where FLA found that the factory

did not provide safety training for confined spaces to maintenance workers, lululemon worked with the factory to provide safety training for confined spaces to four maintenance workers.

### Strengths:

- lululemon has a strong escalation process and cross departmental staff are actively involved in the remediation process to implement effective corrective actions.



### PRINCIPLE 9: CONSULTATION WITH CIVIL SOCIETY

*Company Member identifies, researches, and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.*

**WHY:** Locally based, labor-focused civil society organizations help companies better understand local conditions and issues that most acutely impact workers, which enables companies to make their supply chains more responsive to workers' needs.

#### Civil Society Engagement Strategy and Mapping

**BENCHMARK 9.1:** Company Member develops a civil society outreach strategy that reflects the geographical distribution of sourcing.

#### Company Actions and FLA Verification:

lululemon's civil society engagement strategy covers all sourcing countries, discusses lululemon's methods and expected benefits for civil society engagement, lists different types of civil society organizations that the company may engage, identifies current civil society partners, and addresses challenges in civil society engagement. It also informs and enhances lululemon's sustainability strategies and RSC practices and addresses broader systematic issues in the apparel industry in partnership with brands and civil society organizations in geographical locations such as Bangladesh, Cambodia, Indonesia, Peru, the Philippines, Sri Lanka, Taiwan, and Vietnam.

lululemon has conducted the civil society organization mapping exercise that includes a classification of global organizations, countries of focus, and a list of each organization's topics of engagement. lululemon includes information on the status of each civil society organization's engagement and highlights which organizations are suited for collaboration. The senior manager, RSC projects and the RSC program manager, maker wellbeing regularly update the mapping tracker and examples of activities.

#### Strengths:

- lululemon implements a thorough risk identification process to prioritize countries and regions for civil society engagement. lululemon's process incorporates country risk, production volume, number of factories, recurring issues identified in previous audits, risk assessments provided by third-party assessors, and input from industry news, media, and other campaigns.

### Recommendations for Continuous Improvement:

- As part of a continuous improvement process, FLA recommends that lululemon incorporate a formal approach for responding to civil society inquiries and criticisms of its civil society engagement strategy.

### Engagement on Local Labor Issues

**BENCHMARK 9.2:** Company Member develops and maintains links to relevant CSOs to gain understanding of local labor issues.

### Company Actions and FLA Verification:

lululemon's RSC staff effectively engage with civil society organizations in the Asia-Pacific region, China, and Europe, the Middle East, and Africa (EMEA). In December 2019, the IndustriALL Global Union contacted lululemon regarding an alleged violation of workers' freedom of association and collective bargaining rights at a facility in the Philippines. In 2020, lululemon engaged Verité for a comprehensive evaluation at the facility and worked with a local expert to implement a CAPA plan and requested an FLA investigation. Throughout 2021, lululemon worked with FLA on the investigation report and CAPA and FLA released the final report in 2022. As a key result of the remediation, the facility reinstated workers, recognized formed unions, and implemented a CBA.

In 2023 in Cambodia, lululemon received a complaint from the Worker Rights Consortium (WRC) regarding worker dismissal due to union affiliation with the Coalition of Cambodian Apparel Workers' Democratic Union (CCAWDU). lululemon supported the supplier in engaging with CCAWDU and WRC towards reinstatement of workers and strengthening freedom of association training in the facility.

As mentioned in Principle 2, lululemon participated in FLA's Living Wage Pilot in Vietnam. The project included wage analysis, training, and capacity building at the factory level by the Research Center for Employment Relations, an independent research organization in Vietnam, which also conducted management and worker interviews, workshops, and focus group interviews on living wage concepts. As part of the project, FLA further evaluated lululemon's purchasing practices and provided recommendations for lululemon's action plan that included improvements on costing, worker engagement, and training.

### Strengths:

- Experienced regional staff on the RSC team for high-risk countries are helping to facilitate CSO engagement.

**Engagement on Training,  
Worker Communication  
Channels, and Remediation**

**BENCHMARK 9.3:** Company Member strategizes with CSOs and knowledgeable local sources in the design and implementation of workplace standards compliance programs.

**Company Actions and FLA Verification:**

lululemon has partnered with Verité since 2017 to implement the [Foreign Migrant Worker \(FMW\) Standard](#). lululemon has implemented the standard in Taiwan and is currently in the process of rolling it out in Thailand, Korea, and Japan. Through this engagement, Verité provides consultancy services, capacity building, and onsite verification to help facilities comply with lululemon's foreign migrant worker 2.0 standard. This standard sets out the minimum requirements for the appropriate and ethical recruitment and management of foreign migrant workers by or on behalf of suppliers doing business with lululemon. Through an interview with Verité, FLA verified that lululemon was cooperative and proactive in this program, and that local staff's inclination to engage directly with suppliers was helpful in improving conditions for migrant workers.

In 2022, lululemon partnered with Women Win and the International Center for Research on Women (ICRW) to conduct research to understand the drivers and barriers of women garment workers' mental health and wellbeing in Bangladesh, Sri Lanka, and Vietnam. As of 2024, lululemon is continuing its partnership with ICRW to further support its worker wellbeing programming, with a focus on gender equity.

In 2024, lululemon engaged the Centre for Child Rights and Business to develop supplier training modules related to child labor identification, prevention, and remediation, in addition to reviewing policies and procedures.

In addition, lululemon partners with CARE's Made by Women program, which supports programs for women in the garment industry, ranging from violence prevention to leadership. Through lululemon's multi-year partnership, the program has provided labor rights awareness sessions, skills development trainings, sexual and reproductive health services, and gender-based violence protection training to garment workers in Cambodia, Indonesia, Vietnam, and Peru.

**Strengths:**

- lululemon has a proactive and transparent outreach approach to civil society organizations, based on high-risk issues and countries. FLA verified comprehensive examples of civil society engagement, such as engagement with IndustriALL, CCAW DU, WRC, Verité, the Centre for Child Rights and Business, Oxfam, CARE, and Women Win.



## Recommendations for Continuous Improvement:

- Currently, lululemon is actively contributing to or involved in civil society engagement and projects in 10 of 17 sourcing countries. As part of a continuous improvement process, FLA recommends lululemon expand its outreach to civil society activities in the other remaining sourcing countries.

### Union and Worker Representative Consultation

**BENCHMARK 9.4:** Company Member consults with supplier management and legally constituted unions or worker representative structures to gain an understanding of relevant relationships.

## Company Actions and FLA Verification:

lululemon’s VCoE, RSC assessments, and assessor manual include guidance on trade union and worker committee engagement. The company considers the presence of worker unions, various worker committees, and collective bargaining agreements as an indication that workers have the right to practice their freedom of association. lululemon’s audit tool includes questions to verify freedom of association and the implementation of collective bargaining agreements during the assessments, and the assessor manual requires assessors to include a union or worker representative in the opening and closing meetings of the assessment, as well as in the sample of workers to be interviewed. The RSC team tracks and records all union and collective bargaining agreements that are in their factories on their supplier data management system.



FLA has identified one factory violation related to CBA compliance in lululemon’s SCI assessments. A 2021 factory assessment in Indonesia found that the factory didn’t provide each worker a copy of the CBA, with the last distribution of the old CBA in 2018. In 2022, the new CBA was negotiated, and lululemon verified that the factory management had printed and distributed the new CBA text.

### Strengths:

- lululemon’s assessor manual includes procedures for staff and assessors to gain an understanding of union structures in all the factories.



### PRINCIPLE 10: VERIFICATION REQUIREMENTS

*Company Member meets FLA verification and program requirements.*

**WHY:** FLA requires that companies maintain SOPs related to FLA membership to ensure that the company is upholding FLA requirements regardless of employee turnover, changes in ownerships, changes in supply chain etc. These SOPs ensure that the company will adhere to FLA requirements.

#### FLA Membership

**BENCHMARK 10.1:** Company Member maintains standard operating procedures related to FLA membership.

**BENCHMARK 10.2:** Company Member participates in FLA due diligence activities, including assessments at facilities and company headquarters, as applicable.

**BENCHMARK 10.3:** Company Member completes a standardized annual report on fulfillment of Principles of Fair Labor and Responsible Sourcing.

**BENCHMARK 10.4:** Company Member maintains a complete and accurate profile and list of facilities with FLA and publicly.

**BENCHMARK 10.5:** Company Member responds to FLA requests for documentation, contracts, information and clarification in a timely manner.

**BENCHMARK 10.6:** Company Member pays annual dues and applicable fees on schedule.

#### Company Actions and FLA Verification:

Members of lululemon's RSC team regularly attend FLA's board meetings. The senior manager of RSC projects serves as an FLA Business Caucus leader and FLA board member. lululemon has fulfilled all FLA administrative requirements: the company has paid all annual dues, completed all assigned milestones evaluations, provided an up-to-date factory list annually, and cooperated with relevant SCI assessments and field observations.

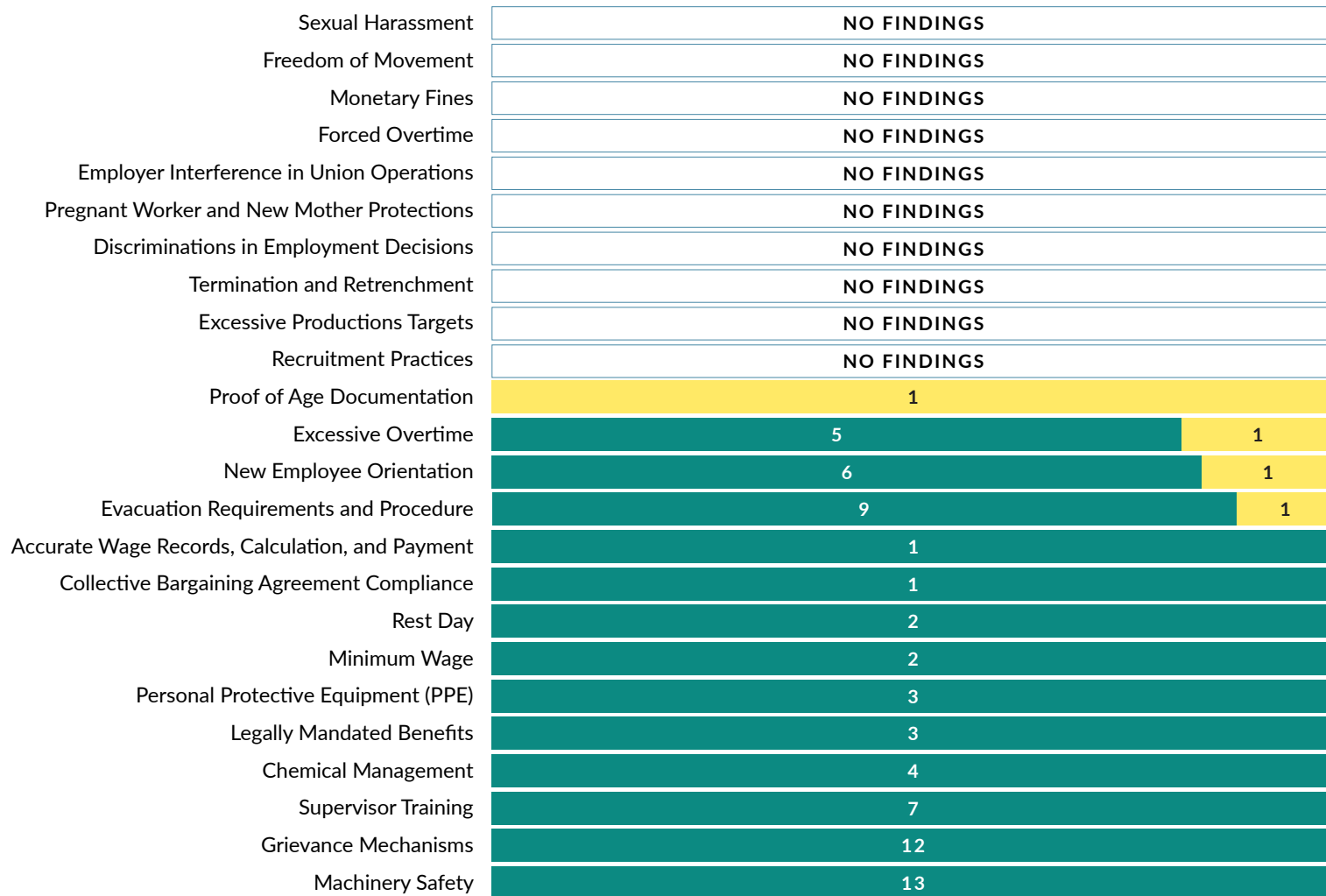
#### Recommendations for Continuous Improvement:

- FLA recommends that lululemon integrates FLA SCI assessment findings into its supplier data management system to contribute to root cause analysis, strengthen remediation efforts, and inform regional trend analysis, alongside RSC assessment data. FLA will continue to monitor the implementation of this integration of FLA assessment findings into lululemon's online data system.

# APPENDIX A: REMEDIATION PROGRESS

The chart below shows the full remediation progress analysis from lululemon's SCl assessment included throughout this report.

## lululemon Remediation Progress



■ REMEDIATED ■ PARTIALLY REMEDIATED ■ PLANNED