

Responsible Supply Chain Disclosure 2022

lululemon

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About this Disclosure

Our 2022 Responsible Supply Chain Disclosure (RSC Disclosure) is supplementary to our Impact Report. It addresses our work in responsible business conduct due diligence to identify, mitigate, and address supply chain risks[1] and impacts to makers (the people who make our products) in our supply chain, and support their wellbeing.

Our RSC Disclosure shares information on lululemon's fiscal year ending January 31, 2023 (referred to throughout this report as "2022"). This report covers contract suppliers of our products and excludes information on suppliers of trims or non-product goods and services procured. It does not include information on lululemon Studio (formerly MIRROR, which was acquired by lululemon in 2020) as this represents a small portion of our business.

1 Per the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, supply chain risks are defined as risks of harm to individuals, other organizations, and communities in relation to human rights, labour rights, and the environment.



Notes from our leaders

Thank you for reading our 2022 Responsible Supply Chain Disclosure, outlining our actions and ongoing commitments to uphold robust standards, address systemic challenges, and improve the wellbeing of the people who make our products.

At lululemon, we are guided by our Impact Agenda and Be Human pillar to create environments that are inclusive, diverse, equitable, and foster growth for our people. As our industry continues to experience disruptions, we recognize our opportunity and responsibility to actively safeguard the working and labour conditions of the people who make our products.

We are committed to having a strong, resilient supply chain that upholds international human rights and standards, as laid out in our Vendor Code of Ethics. We are also on a journey to disrupt inequity in wellbeing through our business and Centre for Social Impact. In collaboration with organizations such as CARE and the Resilience Fund for Women in Global Value Chains, the Centre provides grants for programs that support our makers, their families, and communities. I am proud that we are on track to meet our goal to make wellbeing programs available to more than 100,000 makers across our supply chain by 2025.

Our approach is grounded in the belief that collaboration is essential to effecting lasting, positive change. We are committed to working with suppliers and partners who share our values and advance positive impact. And as our business grows, we will continue to leverage collective action to elevate our practices and drive industry improvements.

I am grateful to our teams around the world for their dedication to contributing to a more equitable, sustainable future for all, and proud of the foundational work we have done to safeguard working conditions and wellbeing.



CALVIN MCDONALD
Chief Executive Officer

At lululemon, we know that our business relies on a robust Responsible Supply Chain program that retains and empowers its makers.

In the past year, we continued to expand the scope of our Responsible Supply Chain program to advance responsible practices and maker wellbeing in the industry. We're consistently evolving our strategy, policies, and practices to better identify and manage risks, continuously improve working conditions, ensure fair compensation and responsible purchasing practices, and elevate opportunities for makers.

We're focusing on further integrating our responsible supply chain practices into internal operations and better understanding the opportunities available through purchasing practices and evolved policies. We have a goal of achieving Fair Labor Accreditation by 2024, an industry-leading framework for advancing supply chain practices.

This work relies on long-term business relationships with suppliers that share our company values. We're striving to better understand the deeper tiers of our supply chain and working with our suppliers towards full traceability of our products. We're proud to contribute to initiatives such as CARE, the Resilience Fund for Women in Global Value Chains, and our Vendor Grants program, which addresses needs directly identified by suppliers and makers, and creates positive impact for makers, their families, and communities.

Finally, I'm personally pleased that lululemon will publish our first Human Rights Due Diligence policy in early 2024. It will not only focus on human rights in the supply chain but will also address our operations and strategic partners.

At lululemon, our goal is to support the wellbeing of people and restore a healthier planet. This goal encompasses our entire value chain, including our makers. I am proud of the work we have done towards creating a responsible supply chain and will continue to share our successes and challenges along the way.



ESTHER SPECK
Senior Vice President, Sustainable Business and Impact

Responsible Supply Chain program

The aim of lululemon's enterprise Impact Agenda is to support the wellbeing of people and help restore a healthier planet. Our Responsible Supply Chain program is a foundational part of our Impact Agenda, advancing our commitments to fair labour practices and the wellbeing of the people who make our products.

It is built on three pillars:

- Monitoring—Assessing and improving working conditions in factories
- Integration—Integrating responsible purchasing practices across enterprise strategies, processes, and tools
- Collaboration—Working with multi-stakeholder organizations, industry, suppliers, and brands to support systems change and impact

We take great care to select and work with values-aligned suppliers and collaborate to build or enhance supplier capacity to meet and exceed compliance requirements. Our program is based on the principles of the OECD Due Diligence Guidance for Responsible Business Conduct. It is designed to identify, cease, prevent, or mitigate supply chain risks throughout our value chain, while advancing wellbeing and positive impact. We take a continuous improvement approach to due diligence across our business, and continue to strengthen our practices, global standards, and impact programs.

In 2022, we engaged industry experts to review the alignment of our Responsible Supply Chain (RSC) program against the OECD's Due Diligence Guidance. This included a formal due diligence alignment assessment across owned operations and our supply chain, and will inform evolved human rights risk assessment processes. In early 2024, we will publish our Human Rights Due Diligence Policy, covering our own operations, value chains, and partnerships.



Progress towards Fair Labor Accreditation

We joined the Fair Labor Association (FLA) in February 2020; it's a key component of our Responsible Supply Chain program. We are currently a participating company and are working to become an accredited member by 2024. The Fair Labor Accreditation process entails a thorough evaluation of a company's systems to implement and maintain a workplace code aligned with the highest international standards. Areas assessed include responsible purchasing practices, a clear commitment to and plan for fair compensation, supplier monitoring and remediation, training for staff and suppliers, and implementation of grievance mechanisms.

The FLA assesses effective implementation through annual evaluations, headquarter visits, and field observations of in-country assessment staff. In 2022, we successfully completed the second milestone of our accreditation process, which included field observations in Vietnam, as well as the completion of FLA Sustainable Compliance Initiative assessments for five percent of our Tier 1 suppliers (final product manufacturing).

Policies and commitments

We are committed to responsible business conduct, and to acting ethically and with integrity in all our business dealings. Our policies, which are regularly reviewed and updated, are based on international standards, including:

- Universal Declaration of Human Rights
- United Nations Guiding Principles on Business and Human Rights
- International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work
- ILO Indicators of Forced Labour
- OECD Guidelines for Multinational Enterprises
- OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector

The policies that govern our approach to responsible business conduct include:

Policy	Purpose	Applicable stakeholders
Global Code of Business Conduct and Ethics (CoC)	Our policy sets out our ethical business practices, including our commitment to a responsible supply chain.	All lululemon and lululemon Studio employees, ambassadors, contractors, officers, and directors
Vendor Code of Ethics (VCoE)	Our VCoE outlines our unwavering commitment to respect human and labour rights, and promote safe and fair working conditions for people in our supply chain. It sets the minimum standards for our supplier partners. Our VCoE is a component of all our supplier agreements with both Tier 1 and Tier 2 suppliers[2] and aligns with the FLA Fair Labor Code.	Suppliers, supplier-owned facilities, subcontractors, and upstream suppliers
Vendor Code of Ethics Compliance Benchmarks (VCoE Compliance Benchmarks)	Our VCoE Compliance Benchmarks outline our VCoE requirements in detail, including our global compliance principles and expectations of supplier business conduct. They also provide the foundation for assessing a facility's performance and progress against VCoE requirements. Our VCoE Compliance Benchmarks align with the FLA Workplace Code of Conduct and Compliance Benchmarks.	Suppliers, supplier-owned facilities, subcontractors, and upstream suppliers
Foreign Migrant Worker Standard (FMW Standard)	Our FMW Standard sets out minimum requirements for the appropriate and ethical recruitment, employment, and repatriation of foreign migrant workers, a group vulnerable to forced labour practices.	Tier 1 and Tier 2 suppliers and their subcontractors with foreign migrant workers in their facilities
Supplier Agreement	The legal contract between lululemon and our suppliers includes a supplier 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.	Tier 1 and Tier 2 suppliers as well as strategic trims suppliers
Certificate of Acknowledgement and Approval (CoAA)	All suppliers and subcontractors are required to sign the CoAA, a component of the Supplier Agreement. This certifies they understand and will conform with the VCoE requirements and, if applicable, the FMW Standard. The CoAA includes a commitment to continuous improvement.	Tier 1 and Tier 2 suppliers and their subcontractors as well as strategic trims suppliers

2 Tier 1: final product manufacturing. Tier 2: facilities that supply our Tier 1 factories with materials.

Impact governance

Our Board of Directors and Executive Leadership team are accountable for our responsible business conduct goals and strategies, including our RSC program. At the Board level, our Corporate Responsibility, Sustainability, and Governance, (CRS&G) Committee and our Audit Committee oversee RSC policies, practices, and reporting. lululemon's governance structure is also supported by several critical roles and groups:

- The Executive Leadership team, led by our CEO, is responsible for our enterprise Impact Agenda goals and execution.
- Our Senior Vice President, Sustainable Business and Impact (SBI) works closely with our Board, CEO, and Executive Leadership team. They lead an enterprise function including the RSC team, which consists of over 12 experts based in key sourcing regions and global head offices. They report quarterly to the CRS&G Committee and at least annually to the Board and Audit Committee. They also chair the Executive Impact Council and meet with the CEO.
- Our Chief Legal and Compliance Officer is accountable for compliance and the Global Code of Business Conduct and Ethics. They report quarterly to the Audit Committee.
- Our Chief Supply Chain Officer leads the global supply chain function and is accountable for the integration of responsible supply chain practices.

Board of Directors (BoD)
Oversees lululemon's environmental, social, and governance strategies including our Impact Agenda, associated investment, and risk management.

BoD Audit Committee
Accountable for Global Code of Conduct and Business Ethics, and the Vendor Code of Ethics. Provides oversight on supply chain risk. Meets quarterly.

BoD CRS&G Committee
Accountable for the Impact Agenda and all related impact. Oversees policies, practices, and reporting related to corporate responsibility and sustainability. Meets quarterly.

CEO
Sets corporate direction and strategy.

Executive Impact Council
Includes Chief Legal and Compliance Officer, Chief Supply Chain Officer, Chief Product Officer, Chief Brand Officer, Chief Financial Officer, and Chief People & Culture Officer. Chaired by Senior Vice President, Sustainable Business and Impact. Oversees Impact Agenda strategy, policies, and implementation plans. Works to ensure our business is acting responsibly. Meets quarterly.

Sustainable Business and Impact function
Drives environmental, social, and governance strategy across the organization. Oversees, executes, and reports on Impact Agenda strategies, policies, and implementation plans. Integrates the Impact Agenda into our business strategy and ensures our business is acting responsibly. The RSC team is a part of this function.

Other business functions and teams
Implement policies, procedures, programs, practices, and reporting, including sourcing, production, merchandising, legal, finance, supply chain strategy, and brand.

Metrics and monitoring program
Monitors performance through mechanisms such as our RSC program key performance indicators, vendor scorecards, quarterly enterprise Impact Scorecard, and other internal and external tools.

Our supply chain

We maintain a consolidated, curated supply chain and hold direct relationships with Tier 1 and Tier 2 suppliers. In 2022, we worked with 45 Tier 1 suppliers who manufactured our products and 60 Tier 2 suppliers who provided the fabrics for our products.

In 2022, 39 percent of our products were manufactured in Vietnam, 14 percent in Cambodia, 12 percent in Sri Lanka, 8 percent in Bangladesh, 7 percent in Indonesia, and the remainder in other locations. In 2022, 43 percent of our fabrics originated from Taiwan, 19 percent from China Mainland, 16 percent from Sri Lanka, and the remainder from other locations. The factories that make our products employ almost 300,000 people, approximately 65 percent of whom are women.

Biannually, we publish a list of our suppliers and subcontractors on our website; this is where the most up-to-date information can be found. Our latest supplier list includes all of our Tier 1 facilities (101 facilities) and our strategic Tier 2 facilities (27 facilities), as well as 16 Tier 1 subcontractors. This information can also be found on the Open Supply Hub website.

Traceability

We continue to expand our traceability work to support and facilitate our due diligence approach to identify, prevent, and mitigate risks in the upstream supply chain of our suppliers. We also continue to advance the collection of information on our materials, focusing on our high-volume materials and those that could be linked to greater risks. To support this process, we use credible certification programs across commodities, including those that have been identified as exposed to known sector risks. See section on Forced labour and our annual Impact Report for more information on traceability.



Risk and remediation

We designed our RSC program to identify and address supply chain risks and provide access to remedy for our makers.

Identifying risks

Supply chain risks are defined as risks of harm to individuals, other organizations, and communities in relation to human rights, labour rights, and the environment, per the OECD Due Diligence Guidance. As part of our due diligence approach, we conduct regular human rights and social risk mapping across our supply chain. We assess known sector risks and other risks that may be prevalent in a particular geography or production process, such as occupational health and safety, wages and working hours, forced labour, and freedom of association. We also look at the economic, social, and political contexts across countries, as well as other indicators that could signal increasing severity of risks and impacts. This enables us to identify and prioritize actual and potential impacts and informs the way we assess our suppliers and provide support through global impact programs and education.

We assess risk through sector and country assessments, stakeholder engagement, and our maker grievance reporting mechanism, as well as internal data and expertise. In 2023, we are working with industry experts to review and evolve our social, environmental, and human rights risk assessment process and implementation across our supply chain, including Tier 1 and Tier 2 suppliers.



Sector and country
We monitor general and specific sector risks across sourcing regions and countries. We use screening tools, publicly available credible reports, and industry expertise and consultants to identify a range of industry-relevant social, labour, and environmental risks. We assign ratings to help us make decisions on engagement and develop management strategies for certain regions and issues. When our monitoring identifies potential severe risks, we conduct heightened due diligence. Prior to entering a new sourcing region or country, we conduct an in-depth risk assessment. If certain risk factors are present, we may choose not to source from that country or region and/or develop targeted strategies to manage the risks identified. For example, we are not pursuing sourcing opportunities in Myanmar.



Stakeholder engagement
Through our memberships in industry and multi-stakeholder initiatives (e.g., Fair Labor Association, American Apparel & Footwear Association, Sustainable Apparel Coalition, Responsible Labor Initiative), we collaborate and engage with industry partners, civil society, stakeholder groups, and peer brands to identify, evaluate, and address risks, including forced labour.



Maker grievance reporting mechanism
Our maker grievance reporting mechanism provides a way for individuals and organizations in our supply chain to raise non-compliance issues related to our VCoE. They can also voice concerns related to any potential or actual breach of international human rights that is directly linked to lululemon's operations, products, or services. We analyze these cases after appropriate actions have been taken and incorporate the learnings into our broader and ongoing understanding of risks in our supply chain. For more information on our grievance mechanism, please refer to the Access to remedy section.



Internal data and expertise
Our global RSC team is based in key sourcing regions and is responsible for conducting or overseeing facility assessments to verify VCoE compliance, supporting the remediation of issues, and informing global impact programs. All Tier 1 and Tier 2 facilities undergo RSC assessments prior to the start of our business relationships, and annually thereafter. The RSC team stays in close contact with suppliers and local communities, and directly informs our understanding of local and regional risks.

Supplier selection

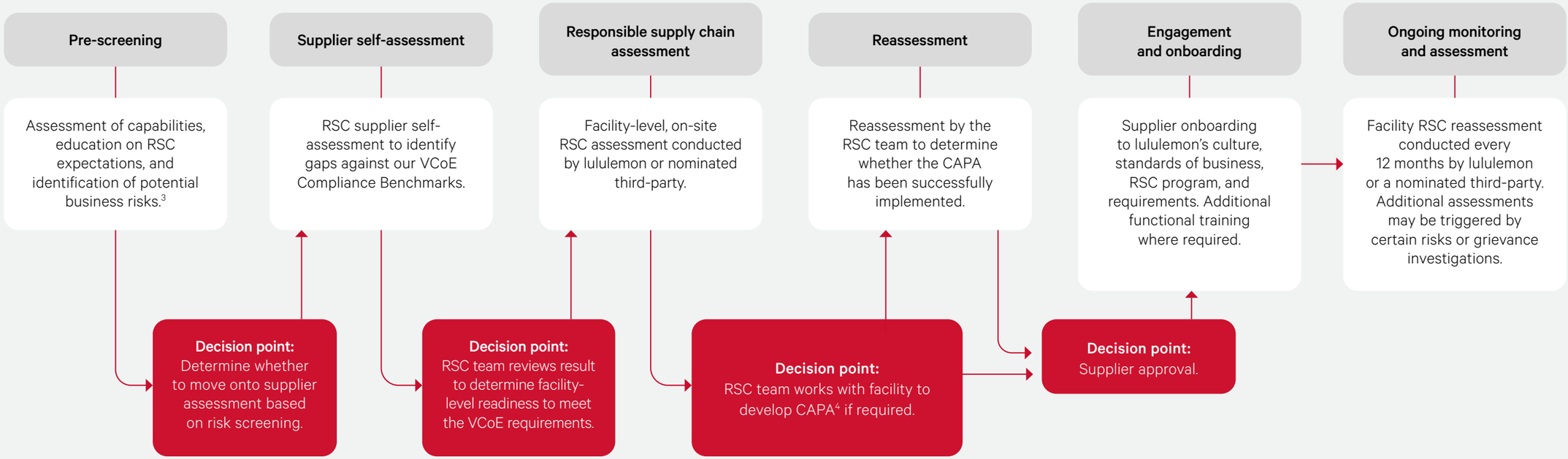
We have an extensive process for approving new suppliers. We will only approve a new supplier if they successfully meet the requirements of our New Vendor Approval Process (NVAP). The NVAP is a holistic process in which we evaluate suppliers from a social, environmental, sourcing, quality, and production perspective at the facility level. In 2022, we approved 49 new facilities and 56 new subcontractors.

Some of the facilities did not meet conditions for approval; 13 did not proceed past the NVAP stage.

We do not have direct contractual relationships with subcontractors. However, we require all subcontractors to be approved by lululemon and undergo RSC assessments. Our VCoE states that suppliers cannot use unapproved subcontractors or homework.

Suppliers must conduct due diligence of a subcontractor before recommending them to lululemon. The supplier must have adequate policies and procedures to monitor subcontractor compliance, including contracts that require its subcontractors to uphold the standards of lululemon's VCoE.

New Vendor Approval Process



3 E.g., financial, product execution, social and labour, environmental.
4 Corrective and Preventative Action Plan.

Supplier assessments

All facilities producing for lululemon are regularly assessed against the requirements of our VCoE Compliance Benchmarks. Our policy is to assess all Tier 1 and Tier 2 facilities every 12 months at a minimum. Subcontractor reassessment frequency is based on risk factors such as geography, production processes, or elevated risk of severe issues such as forced labour or foreign migrant workers. In 2022, we conducted 46 reassessments of existing subcontractors.

Supplier assessments are carried out on-site and include visual inspections of the entire facility, including on-site dormitories where applicable, documentation reviews, and interviews with management and workers. This allows assessors to gain an in-depth understanding of the working conditions in the facility and any deviations from the VCoE Compliance Benchmarks.

These assessments are conducted by either our internal RSC team or nominated third-party assessors. Selected facilities are also assessed through our membership with the FLA. Assessments and Corrective Action Reports for these facilities, as well as investigation reports for special cases, can be found on the FLA's website.

If an assessment or other factor indicates potential for severe risks, we conduct heightened due diligence. This entails a more detailed analysis of non-compliances and root causes, and may be done in partnership or consultation with external experts. Heightened due diligence assessments may be conducted for both existing and new suppliers.

In 2022, we expanded the RSC team to build more on-the-ground capacity in key sourcing regions such as Sri Lanka. We also invested in new roles and enhanced our RSC assessment tool to enable more detailed data analysis on non-compliances, root causes, and other trends. In 2023, we will roll out a new data management system.

In 2022, we carried out 452 RSC assessments; 336 (74 percent) were conducted by our internal RSC team, and 116 (26 percent) were conducted via nominated third-party assessors. The FLA carried out four assessments (five percent of our Tier 1 facilities). Most assessments were carried out in person. However, due to COVID travel restrictions in certain regions, a small number of facilities conducted interim self-assessments or online verification. These facilities were conditionally approved until our assessments could be completed in person.

Findings typically relate to health and safety, labour, environmental management systems, policies, and transparency. In the health and safety category, we assess a wide variety of aspects including fire preparedness and health and safety management systems. Issues assessed under labour include wages and working hours, social benefits, contractual issues, forced labour, and grievance mechanisms. Our assessments also include environmental management, such as the labeling and storage of chemicals, training for chemical and waste handling, and wastewater treatment. Other issues include policy non-compliance or lack of transparency, such as the use of unapproved subcontractors.

NUMBER OF ASSESSMENTS IN 2022

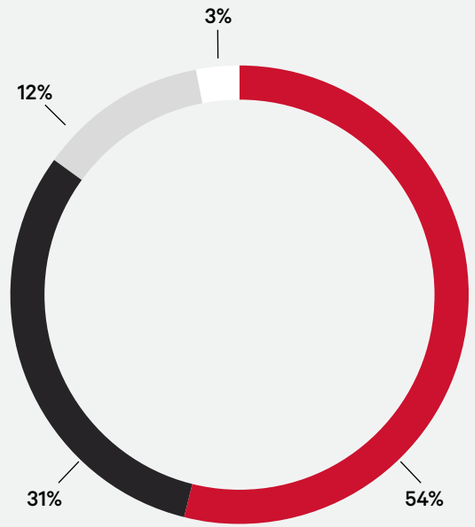


Total assessments: 452

KEY

- Assessments by lululemon
- Assessments by nominated third-party assessors

ASSESSMENT FINDINGS BY CATEGORY IN 2022



KEY

- Health and safety
- Labour
- Management systems, policies, transparency, and other
- Environment

Addressing risks

We continue to develop and implement a range of strategies to address supply chain risks. These are carried out in partnership with our suppliers and are based on best practices, due diligence guidance, and internal goals. If an issue is flagged in an assessment or as part of our grievance processes, we work with the supplier on a Corrective and Preventative Action Plan (CAPA). We have also developed more extensive strategies to address issues that are systemic across specific sourcing regions. See Focus issues section. We continue to strengthen our responsible purchasing practices to avoid contributing to adverse impacts on the makers in our supply chain.

Training

We provide regular training on our RSC program and VCoE requirements for all Tier 1 and 2 suppliers, as well as internal cross-functional employees (e.g., legal, sourcing, merchandising). Supplier training is provided in local languages where possible.

As part of their onboarding process and training, 100 percent of new suppliers receive training on our VCoE expectations, management systems and measures needed to remediate issues, and CAPA commitment delivery expectations. We also conduct mandatory e-learning (e.g., forced labour prevention, bribery, corruption) with all suppliers, and are developing further trainings to address specific regional risks and support facility improvements. Integrated quizzes and completion rates allow us to measure supplier understanding and follow up with personalized training where required.

In 2022, we conducted the following additional supplier training:

- Thirty-six required trainings on RSC program updates and the roll-out of our evolved RSC assessment tool evaluation content. This training reached 539 participants, representing nearly all our suppliers.
- Eight in-person and online training sessions on various local or high-risk issues, reaching 585 participants. For example, in Taiwan we trained 18 Tier 2 suppliers on how to cascade our VCoE requirements to their subcontractors, and how to address specific location-based risks, including foreign migrant worker rights.
- Mandatory e-learning training on forced labour prevention for all Tier 1 and Tier 2 suppliers.

Our RSC team also conducted mandatory training for key lululemon internal decision-makers from our sourcing, quality, production, strategic sales, and product development departments. One hundred ninety employees were trained on the updated RSC program, strengthening their ability to support all stages of RSC management, including identification and management of human rights-related risks, responsible purchasing practices, and supplier relationships. A further 229 internal decision-makers were trained in forced labour risks, policies, and purchasing practices to help prevent forced labour issues. In 2023, we will integrate e-learning modules on our internal learning platform, making training on RSC-related issues available to a wider internal audience.

Corrective actions

We require our suppliers to develop CAPAs to address issues identified through internal, third-party, or shared assessments. Our approach to corrective action is one of root cause analysis and continuous improvement, with the intention of creating positive and lasting change. Our RSC team reviews and approves the CAPAs, and offers guidance to create more effective solutions where required. We verify supplier implementation through document review or on-site assessments and regularly update the implementation status related to FLA Sustainable Compliance Initiative assessments. These CAPAs are available on the FLA's website.

We assess whether risks can be addressed by the supplier via a CAPA or if we need to support through additional measures. These can range from technical training and awareness raising to more complex action plans, particularly when our assessments have indicated severe risks. Additional capacity or tools are designed and implemented with the help of external experts (e.g., the Foreign Migrant Worker Standard). We provide suppliers with additional requirements and clarifications related to the ethical recruitment and management of foreign migrant workers.

Our goal is to always work in partnership with suppliers to resolve issues. However, we maintain the right to terminate supplier relationships in cases of severe or persistent non-compliance. When we exit a supplier relationship, we work closely with the supplier, and our sourcing, production, and legal departments to reduce impacts on the workforce wherever possible. In 2022, we did not terminate any relationships.

Responsible purchasing practices

Our approach to responsible purchasing practices starts with us and the decisions we make in building and maintaining long-term relationships with suppliers. Many of them have been working with us for over a decade. We are committed to upholding fair dealings in our relationships, including order placement and payment, cancelled orders, and collaboration on solutions.

We recognize that our purchasing practices can impact our suppliers and in turn, the people who make our products. For example, order fluctuations and supply chain bottlenecks can affect overtime needs in factories. We are committed to responsible purchasing practices to avoid contributing to adverse impacts in our supply chains.

We review our purchasing practices alongside our suppliers' RSC performance. This helps us identify areas where we can strengthen our practices to mitigate risks of adverse impacts. We jointly discuss opportunities and potential solutions with our suppliers. In 2022, we conducted an internal gap analysis of our purchasing practices against industry frameworks and participated in the Better Buying Purchasing Practices Index. Forty-one Tier 1 suppliers participated in the Index.

We then held an in-person strategic supplier workshop with our suppliers' top decision-makers. Together, with suppliers and internal product and supply chain leaders, we reviewed the results of the Index and identified areas of opportunity within design and development, planning and forecasting, order placement and costing, and sustainable partnerships.

We are further strengthening our approach to responsible purchasing practices. In 2022, we created a cross-functional internal Responsible Purchasing Practices Task Force, which is working to advance applied practices and formalize a Responsible Purchasing Practices Policy and accountabilities. These initiatives will be rolled out in 2023.

Tracking performance

To determine how well we and our suppliers are performing, we monitor, verify, and validate progress against programs, measures, and indicators. We include specific performance indicators throughout our RSC Disclosure and Impact Report and are continuing to advance our performance indicators and metrics.

Access to remedy

We address supplier human rights complaints that are material, substantiated, and raised through legitimate processes. We require all our suppliers to have site-level grievance mechanisms available to their workers. We also encourage trusted, effective management of grievances through robust processes. Beyond supplier grievance systems, our maker grievance reporting mechanism enables individuals and organizations in our supply chain to raise non-compliance issues. These issues may be related to our VCoE, or potential/actual breach of international human rights directly linked to lululemon's operations, products, or services.

Our contact (sustainablepartner@lululemon.com) is visible on the VCoE, which is displayed in local languages in all supplier and subcontractor factories. It can also be accessed through our website. Submitted grievances are recorded and acknowledged to the complainant within two days of receipt by the Director, Global Responsible Supply Chain or appropriate Regional Managers. Makers can raise grievances directly with the regional RSC team members. Through our membership in the FLA, we also offer the opportunity for makers and their advocates to raise complaints directly with the FLA, which works with us to investigate, remediate, and resolve these complaints. Every complaint is documented, internally tracked, and reported. Where possible, every complaint is investigated, and a response or resolution is provided to the complainant.

In 2022, we received eight grievances: three were related to wages and benefits, one was related to worker-management relations, two were related to harassment, and two were related to forced labour. Please refer to the Forced labour section for more information. Of these grievances, six have been resolved and closed; two are open under investigation.

When appropriate, we provide for or cooperate in remediation within our supply chain. If multiple parties cause or contribute to the harm, we work to collaborate with those parties to provide, enable, or support remediation, to the extent of our contribution to the impacts.

Focus issues

In 2022, we focused our work on the following issue areas: occupational health and safety, working hours and fair compensation, forced labour, and freedom of assocation.

Occupational health and safety

Our VCoE requires suppliers to provide safe, healthy workplaces and accommodation that meet their basic needs and supports accident and injury prevention. Workers must have sufficient health and safety training, access to clean washroom facilities and potable water, and safe machinery. We also require suppliers to implement proper health and safety management systems.

Health and safety risks and issues differ across regions and facility types. We conduct root cause analysis for any health and safety-related assessment finding. Most of the health and safety assessment findings relate to facility maintenance, including fire and emergency equipment maintenance, and operational measures such as machine safety guard maintenance. In these cases, CAPAs include training and education as well as process improvements (e.g., equipment updates, regular maintenance records and checks, assignment of responsibilities).

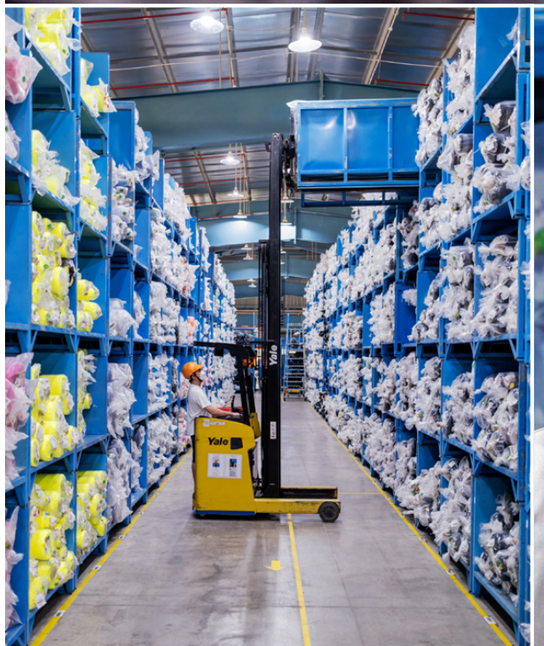
When injuries occur, they generally relate to the operation of machinery. We have requirements in our VCoE Compliance Benchmarks specific to proper use of machinery. We are currently developing programs to target region-specific or facility-type health and safety risks.

Our approach in action

Over the past five years we have been partnering with a Bangladesh facility with approximately 15,000 workers to reduce its injury and accident rate. Injuries have been typically due to machinery and processes related to sewing, cutting, and pressing fabric. We provided guidance for the supplier to develop an action plan to reduce injury rates and create a stronger safety culture. Since 2017, the facility has reduced annual accident reports significantly, from approximately 350 incidents to 16, with continued focus on achieving zero incidents.

As part of our RSC program, we work with suppliers to identify areas for improvement; where appropriate, we provide guidance and training. In Cambodia, poor road conditions, dangerous driving behaviours, and overloaded vehicles create risks for workers in their daily commutes. Recognizing this risk, we engaged in programming and worked with all our Cambodia suppliers (seven facilities) to implement additional safety measures for worker transportation. Safety measures included ensuring vehicles are in safe working condition and not overloaded, improving driver capabilities through training and licensing, and conducting regular inspections of licenses and vehicles.







Working hours and fair compensation

We believe every maker should earn fair compensation within regular working hours, enabling them to have a decent standard of living.[5] Our VCoE requires suppliers to pay at least the legal minimum wage and work with us to strive for fair compensation.

We also require suppliers to uphold international standards of working hours as defined by the ILO. This includes limiting the maximum number of hours of work per week, including overtime, to 60 hours or the local legal limit (whichever is less), except under extraordinary circumstances. In these cases, suppliers are required to request approval of excessive overtime, and provide a rationale for why overtime is needed.

This information helps us identify ways our purchasing practices may be contributing to overtime, and work with suppliers to address issues and reallocate capacity. Any overtime work must be voluntary and compensated at a premium rate. We have zero tolerance for underpayment of workers and involuntary overtime. In addition, break time must be respected as per the national laws and regulations.

Our approach in action

In 2022, we collected wage data from key supplier facilities in Cambodia and Vietnam to better understand wage management systems, gaps in fair compensation levels, and the effects of our purchasing practices on wages. We also analyzed external factors, such as inflation and COVID-related factory closures, and how they affect real wage levels of makers. When some suppliers had to reduce the size of their workforce, we supported them by assessing responsible retrenchment as per FLA guidelines and providing overall guidance. We will continue our journey towards fair compensation and will publish a summary of our fair compensation roadmap in 2023.





5 In calculating fair compensation, we follow the definition of the Global Living Wage Coalition.

Forced labour

We take a zero tolerance stance against forced labour, defined by the ILO as “all work or service which is extracted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.”[6]

Our VCoE Compliance Benchmarks set out the minimum requirements for all suppliers and include all 11 ILO Indicators of Forced Labour. They also include the employer pays principle, which states that fees and other costs associated with the employment of workers—including recruitment, travel, and processing fees—shall be the sole responsibility of the supplier. We are a signatory of the AAFA’s and FLA’s Commitment to Responsible Recruitment, and our Foreign Migrant Worker Standard requires that no fees be passed to workers related to recruitment.

Our RSC assessment tool evaluates facility performance against our VCoE Compliance Benchmarks. In regions with elevated risk, we include additional checks pertaining to hiring channels and recruitment fees. During on-site assessments, we evaluate the working and living conditions of foreign migrant workers and give special consideration to benefits (e.g., social security, pension payments), as well as inclusive working practices and worker-management communication.

In 2022, we provided all Tier 1 and Tier 2 suppliers with mandatory e-learning on forced labour prevention. We assessed the effectiveness of the training using quiz results and completion rates. We also provided forced labour training to 229 of lululemon’s internal decision-makers (managers and above) from supply chain and product functions. Topics included forced labour risks in the supply chain, the specific requirements of lululemon’s RSC policies, and the use of responsible purchasing practices to help prevent forced labour in the supply chain.

We assess our supply chain to identify areas of high risk for forced labour. Two particular areas identified are agricultural commodities and foreign migrant workers.

Agricultural commodities

There are a high number of lower-skilled workers in the agriculture sector, and informal work arrangements often exist. Depending on regional infrastructure and other factors, the potential for limited oversight and protection can lead to an increased risk of forced labour. Our policy is to source agricultural commodities from regions where there is lower risk, as determined through our risk assessments, and to certify them through the adoption of appropriate industry traceability standards.

Three raw materials with a high risk of forced labour include:



Cotton: Represents approximately 16 percent of our raw material usage by weight. Our approach continues to focus on sourcing cotton fibre from Australia, South America, and the United States. We are also working to adopt more responsibly grown cotton platforms in our portfolio, including traceable cotton initiatives as well as organic and regenerative cotton chain of custody models.



Natural Rubber: Constitutes approximately one percent of our raw material usage by weight. One hundred percent of the natural rubber we sourced in 2022 came from Forest Stewardship Council (FSC) certified forests in Guatemala and Sri Lanka. FSC certification prohibits the use of forced labour.



Wool: Makes up less than one percent of our raw material usage by weight. Countries of origin reported by our suppliers include Australia, New Zealand, and South Africa. lululemon is committed to sourcing 100 percent of our wool from Responsible Wool Standard certified sources by 2025.

6 ILO Forced Labour Convention.

Foreign migrant workers

Makers who leave their homes to work in another country or region can be vulnerable to forced labour through unethical recruitment, hiring, and employment practices. Examples of such practices may range from withheld documentation to indebted labour due to lack of repayment of recruitment fees. In 2022, almost 5,000 foreign migrant workers were employed by lululemon's Tier 1 and Tier 2 suppliers.

We have identified foreign migrant workers as an at-risk group in specific sourcing locations, including Japan, Korea, Taiwan, and Thailand. In these locations, we're working with suppliers and their subcontractors to adhere to our Foreign Migrant Worker Standard. We are also providing guidance in ethical recruitment and ongoing employment of foreign migrant workers, including the eradication of recruitment fees.

Since 2017, we have been supporting Tier 1 and Tier 2 suppliers in Taiwan through a Foreign Migrant Worker "No Fee" program, with the aim of eradicating recruitment fees for foreign migrant workers. As of 2022, all 33 of our Taiwanese supplier facilities complied with the program's no-fee requirements. Additionally, in 2022 we rolled out digital surveys to foreign migrant workers in two supplier facilities to understand whether workers have full understanding of their rights, have been reimbursed any fees as required, and are satisfied with the outcome of any remediation. We are continuing to follow up to understand worker satisfaction and feedback. After experiencing COVID-19 related delays, we are now expanding the FMW no-fee program to Japan, Korea, and Thailand.

Our approach in action

In 2022, we identified violations of our Foreign Migrant Worker Standard at a potential Taiwanese Tier 2 subcontractor. These included contracts not provided in a local language, mandatory monthly wage saving, non-reimbursement of airline ticket costs for two makers, and excessive hiring fees. We worked closely with the subcontractor facility and our supplier to remediate these issues, including establishing bank accounts for all makers (so they have control over their full wages and savings) and full reimbursement of contract renewal fees and travel costs. We verified the reimbursement of payments; through interviews and document review, we also verified the affected makers' satisfaction with the remediation outcome.

In 2022, an Indonesian maker raised a complaint via our maker grievance reporting mechanism about mandatory overtime to finish an urgent order on time. Our RSC team worked with the Tier 1 supplier to investigate the case with both the facility and our internal production teams, and determine the root cause of the situation. The claim was substantiated. The situation was due to miscommunication between the facility's HR department and production department. To remediate, the facility updated their overtime policy and procedures, and provided training to all staff to ensure the voluntary nature of overtime is understood and upheld. Our RSC team ensured all overtime was correctly remunerated and has followed up with the maker to determine satisfaction with the resolution.

In 2022, a maker in Bangladesh raised a complaint via our maker grievance reporting mechanism around access to sick leave and medical facilities. In collaboration with the supplier, we commissioned an independent intermediary to thoroughly investigate the issues. They did an on-site review of documents, and conducted 90 interviews with current line workers, supervisors, and former employees of the facility. They found the claim to be substantiated. To remediate the situation, the factory management adjusted their overtime and sick leave/medical assistance policies. We followed up with on-site visits and worker engagement. In partnership with the facility's management, we will also conduct a satisfaction survey.

We strive to continuously evolve our approach to eradicating forced labour from our supply chain. In 2022, in addition to our external OECD Due Diligence alignment review, we commissioned an independent intermediary to conduct a review of our program with respect to forced labour. We are implementing key actions for continuous improvement in 2023.

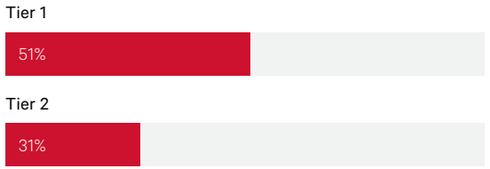
Freedom of association

Freedom of association and collective bargaining are core labour rights. Apparel and other industries manufacture products in regions and countries where these rights may be restricted or reduced. These issues were further heightened during the COVID pandemic.

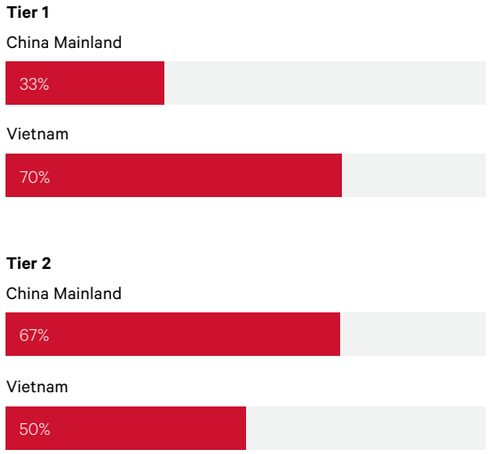
Our VCoE requires suppliers to recognize and respect the right of makers to join and organize associations of their own choosing, and to bargain collectively without interference from suppliers. If the right to freedom of association and collective bargaining is restricted under law, the supplier must facilitate, and not hinder, the development of parallel means for independent and free association, as well as collective bargaining.

In countries where there are official trade unions or the requirement for the approval of a union by a higher local union organization, we encourage suppliers to have alternative mechanisms to allow workers to freely associate. These may include worker welfare committees, and grievance mechanisms that welcome worker input to create safe and healthy workplaces.

PERCENTAGE OF TIER 1 AND TIER 2 FACILITIES WITH COLLECTIVE BARGAINING AGREEMENTS



PERCENTAGE OF TIER 1 AND TIER 2 FACILITIES WITH IDENTIFIED UNIONS OR WORKER COUNCILS IN CHINA MAINLAND AND VIETNAM



Our approach in action

Following an allegation of anti-union activities in 2020, we worked with a facility in the Philippines to support management and the union in reaching a resolution. In 2021, we commissioned the FLA to conduct an independent investigation. Throughout the process, the facility was supported in effectively addressing issues and improving union-management relationships. A collective bargaining agreement with the union was signed in 2021.

In April 2022, the FLA published a verification report. They found the facility had done due diligence in largely maintaining industrial peace in the facilities. The majority of initial findings were resolved. However, more work needs to be done to establish an effective labour management council.



Maker wellbeing

We believe everyone has the right to be well. And we know the path to wellbeing is possible when tools, support, and resources are accessible to all. Through our business and the lululemon Centre for Social Impact, we support resilience and wellbeing programs and practices that support makers, their families, and communities. We are on track towards our goal to make wellbeing programs available to more than 100,000 makers across our supply chain by 2025.

Vendor Grants

We believe our suppliers and their makers have the best understanding of their specific wellbeing needs, in relation to their unique circumstances and environment. This is why we partner directly with our suppliers to support projects that are tailored to the wellbeing of their employees and communities. In 2022, we invited select suppliers to collaborate with their makers and partnering organizations to propose programs for funding and support. We reviewed their proposals and provided grants—which fund up to 50 percent of a project's cost—to 14 wellbeing projects in 9 countries, which reached over 35,000 makers.

Projects included:

- **Physical and mental wellbeing:** Across several countries, our suppliers identified a need to support makers in physical and mental wellbeing initiatives. We supported yoga classes in two facilities, as well as projects structured around psychological support for makers in five factories in four countries.
- **Reproductive health:** In Vietnam, we supported a project by our supplier TANDE, which provided 1,300 female makers with access to information and services related to sexual and reproductive health, including prevention of violence against women.
- **Health education:** With our supplier Sabrina Fashion Industrial Corp., we supported a project in Cambodia to provide health awareness sessions in local classrooms and communities, providing 300 students and community members with information around mental and physical health, stress management, and skills development.

We evolved our 2023 Vendor Grants program to prioritize factory-based projects and identified wellbeing in the workplace and gender equity as two key focus areas. We are funding 15 relevant projects in 2023.

Mental wellbeing

We understand wellbeing as a lifetime practice of three interconnected elements—physical wellbeing, mental wellbeing, and social wellbeing. In 2022, we partnered with Women Win and the International Center for Research on Women to better understand dimensions of mental wellbeing for makers in the apparel supply chain. Through the Maker Mental Wellbeing Project, we aim to improve the way mental wellbeing is understood both cross-culturally and from the perspectives of women (i.e, cis, trans, non-binary) makers. Project research will take place in selected supplier facilities in Bangladesh, Sri Lanka, and Vietnam. Findings will inform our understanding of mental wellbeing needs in the apparel supply chain to better support the program's evolution.



Industry partnerships

We support programs, initiatives, and industry learnings that focus on women, gender equity, and wellbeing, including our partnership with CARE's Made by Women program. This program focuses on improving practices in global supply chains, strengthening women's leadership, and working with governments to promote public policies that will positively impact workers. In 2022, our funding supported program activities in Cambodia, Indonesia, and Vietnam. This included community-level local women's platforms to advocate for and contribute to gender equality, and combat gender-based violence and harassment. We also supported a communication campaign in Vietnam to foster a positive shift in public perception about female factory workers, including their needs, leadership capabilities, and skills.

In 2022, we joined the Resilience Fund for Women in Global Value Chains. This first-of-its-kind pooled funding initiative provides an opportunity for companies, corporate foundations, and private foundations to invest in the long-term health, wellbeing, and economic resilience of women who form the backbone of global supply chains. Through collective investments, democratized processes, and real-time feedback and learning, the Fund is lifting women-led, locally driven solutions to systemic problems that leave women more vulnerable to crises (e.g., the COVID-19 pandemic).

Stakeholder engagement and collaboration

Engaging and collaborating with stakeholders are important aspects of our work.

Our stakeholders include the people or organizations throughout our supply chain who affect or are affected by our operations. These include suppliers and their workers, local communities, investors, governments, and civil society organizations. To engage with our stakeholders, we participate in a variety of industry associations, multi-stakeholder organizations, and non-profit initiatives. We work closely with our industry and others to develop sustainable business approaches that address RSC topics on a global, regional, and local level. Through collaborations and partnerships, we build momentum for systemic change throughout our industry, such as fair compensation and maker wellbeing.

Memberships and associations

We participate in multi-stakeholder initiatives that tackle supply chain issues and risks, including traceability and worker rights in our supply chain. We engage with industry partners, other brands, civil society, and stakeholder groups to identify, evaluate, and address human rights risks, including modern slavery and forced labour.

Organization / Association	Participation	Focus
American Apparel & Footwear Association (AAFA)	Member, Participant Social Responsibility Committee, Participant Forced Labor Working Group	US industry association. We actively participate in committees to share information and best practices.
Better Work	Participant Brand in the following countries: Cambodia, Haiti, Indonesia, Vietnam	Partnership between the ILO and IFC, bringing together all levels of the garment industry to improve working conditions and respect of labour rights for workers. lululemon purchases select shared audit reports.
Fair Labor Association (FLA)	Participating Company	International network of companies, universities, and civil society organizations promoting human rights at work. lululemon was accepted as a participating company in February 2020, with the goal of becoming an accredited member by 2024. The FLA provides tools and training to build expertise in companies and drive innovation in business practices, ultimately improving working conditions and lives of supply chain workers.
Resilience Fund for Women in Global Value Chains	Investor Member	A first-of-its-kind pooled funding initiative for companies, corporate foundations, and private foundations to invest in the long-term health, wellbeing, and economic resilience of women who form the backbone of global supply chains.
Responsible Business Alliance's Responsible Labor Initiative (RLI)	Supporter	World's largest industry coalition dedicated to corporate social responsibility in global supply chains. lululemon tracks RLI work and, where appropriate, utilizes the training materials created by RLI to raise awareness of issues of forced labour within our supply chain.
Sustainable Apparel Coalition (SAC)	Member	A global multi-stakeholder non-profit alliance for the consumer goods industry. The SAC transforms business through collaborative tools and solutions including the Higg Index, a suite of tools that standardizes value chain social, labour, and environmental measurements.
Textile Exchange	Member	A global non-profit driving positive impact on climate change across the fashion and textile industry. It guides a growing community of brands, manufacturers, and farmers toward more purposeful production from the very start of the supply chain.

Forward-looking statements

This document and any related information we share about our business and supply chain contains statements concerning our commitments, goals, and future plans relating to our business and supply chain that are forward-looking statements within the meaning of the “safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and other regulations. These statements include those related to our efforts, goals and future plans to identify, mitigate and address supply chain risks and impacts in our supply chain. The forward-looking statements are based on our expectations, plans, strategies and assumptions as of the original date of the disclosure document and we do not have an obligation to update or revise those statements because of new information, future events or otherwise.

The realization of our goals, expectations, plans and strategies, and the accuracy of our assumptions, are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated or described in the forward-looking statements. Some of these risks and uncertainties are described in our public statements and reports we file with the US Securities and Exchange Commission, including our most recent Form 10-K and Form 10-Q. We encourage you to read those risk factors.

Contact us

We welcome your thoughts and ongoing dialogue as we move forward. Email us at sustainablepartner@lululemon.com

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