

2021–2022

# Modern Slavery Statement

## Introduction from The Board of Directors

lululemon athletica inc. is committed to respecting human rights, and we recognize our role in upholding these rights. We will continuously work to prevent modern slavery and human trafficking in our operations and to eradicate modern slavery and human trafficking in our supply chain.

We take a global approach to addressing modern slavery and forced labor. This joint statement sets out our global practices, policies and business processes to identify and address risks related to human trafficking and forced labor in our operations and supply chain. It has been adopted by lululemon athletica inc. and our consolidated subsidiaries and is intended to meet the modern slavery disclosure requirements in certain jurisdictions: lululemon athletica UK Ltd. pursuant to the UK Modern Slavery Act; lululemon athletica australia holding Pty Ltd. and its subsidiary, lululemon athletica australia Pty Ltd, pursuant to the Australia Modern Slavery Act; and lululemon athletica

inc. pursuant to the California Transparency in Supply Chains Act. This statement has been prepared in consultation with these subsidiaries.

Our global approach and programs to address modern slavery and forced labor are also detailed in the [KnowTheChain Benchmark disclosure](#).

## Organizational Structure and Supply Chains

Established in 1998, lululemon athletica inc. is the parent company of lululemon athletica UK Ltd., lululemon usa inc., lululemon athletica australia holding Pty Ltd., and lululemon athletica australia Pty Ltd, amongst others. More information about lululemon athletica inc. can be found on our [investors webpage](#).

lululemon athletica inc. is a designer, distributor and retailer of healthy lifestyle inspired athletic apparel and accessories. We have developed a distinctive corporate culture, and our vision is to create transformative products and experiences that build meaningful connections, unlocking



greater possibility and wellbeing for all. We offer a comprehensive line of apparel and accessories under the lululemon brand.

Employing over 29,000 people globally, we are geographically diverse. We have our global headquarters in Vancouver, Canada, and operate 574 company stores in 17 countries, from the United States to Singapore and from Germany to Australia. We do not manufacture our own products; instead, we work with 90 finished-goods facilities in 17 countries and 65 raw material suppliers in 14 countries. A list of our suppliers can be found on our [website](#).

Because we do not manufacture our own products, we consider the greatest risk of modern slavery and human trafficking to exist in our product supply chain. Our approach to a responsible supply chain starts with us and the decisions we make in selecting suppliers and implementing ethical standards and procurement practices.

## **Our Policies on Modern Slavery and Human Trafficking**

We are committed to acting ethically and with integrity in all our business dealings and to implementing and enforcing effective systems and controls to prevent modern slavery and human trafficking in all parts of our business, including our supply chains. Key policies that are intended to prohibit and prevent modern slavery and human trafficking in our business include:

- [Global Code of Business Conduct and Business Ethics \(CoC\)](#)
- [Vendor Code of Ethics \(VCoE\)](#)

- [Vendor Code of Ethics Benchmarks \(Benchmarks\)](#)
- [Foreign Migrant Worker Standard \(FMW Standard\)](#)

Our CoC is our highest ethical policy and sets out our zero-tolerance approach to practices of forced or involuntary labour, child labour, and human trafficking of any kind within our operations and supply chain. Sections relevant to supply chain human rights include 'non-discrimination and non-harassment', 'labour practices' and 'respect for our Guests and Others'. The CoC applies to all directors, officers and employees.

Our VCoE is the cornerstone of our approach to a responsible supply chain. Based on industry and international standards, including the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Universal Declaration of Human Rights, and the United Nations Guiding Principles, it sets out our commitment to respecting human and labour rights and promoting safe and fair working conditions for workers in our supply chain. The VCoE applies to all suppliers, including their owned facilities as well as their subcontractors and upstream suppliers. Any form of forced labour, including but not limited to indentured and bonded labour, involuntary overtime, and prison labor is a zero-tolerance VCoE violation.

Our VCoE Benchmarks align with the Fair Labor Association's (FLA) Workplace Standards and Compliance Benchmarks. Supplementing our VCoE, our Benchmarks outline our VCoE requirements in detail, including our global compliance principles and expectations of how our suppliers conduct business. The



Benchmarks also provide practical explanations for how suppliers will be assessed on each VCoE standard through our responsible supply chain (RSC) assessments.

Our FMW Standard sets forth minimum requirements for the appropriate and ethical recruitment and management of foreign migrant workers, a group vulnerable to forced labour practices. It provides suppliers and their third-party labour brokers with clarity on these requirements. The FMW Standard applies to all suppliers with foreign migrant workers.

Employees of lululemon athletica inc. are strongly encouraged to report actual or perceived violations of lululemon's Global Code of Business Conduct and Ethics. We provide an Integrity Line for anonymous reporting. We strongly encourage employees, factory workers, and third parties to contact us in case of any non-compliance with our VCoE, or to raise concerns related to human rights in our business activities or in our suppliers' factories. We can be contacted directly through our Partner Sustainability Team via email at [sustainablepartner@lululemon.com](mailto:sustainablepartner@lululemon.com) or via the [Fair Labor Association's Complaint Channel](#).

## Risk Assessment and Due Diligence (Verification)

We continually assess, mitigate and minimize the risk of modern slavery and human trafficking within our product supply chain through the selection of values-aligned suppliers, application of strict policies and procedures, targeted strategies, oversight built into our business operations, and the knowledge and skills of our employees. lululemon athletica inc.'s enterprise risk management process helps to prioritize

top risks across the business and ensure risks and mitigation approaches are presented to the Executive and Board. Our executive-level Governance, Risk and Compliance Committee and our Board Audit Committee oversee compliance with our responsible supply chain standards.

### Identifying overarching risk

On an on-going basis, we track human rights issues and emerging risks by monitoring industry, thought leaders and civil society reports and trends (e.g., Fair Labor Association (FLA), American Apparel and Footwear Association (AAFA), Better Work, and International Labour Organization) and utilize tools such as BSI's SCREEN (Supply Chain Risk Exposure Evaluation Network). We use the results, along with on-the-ground findings, to update our processes, including our RSC assessments and due diligence approach. Annually, we refine our risk criteria and evaluate thresholds across three key risk categories:

- We use a country risk assessment process to evaluate overall and specific environmental, social and political risks. We assess country risk prior to entering a new sourcing country and annually for all existing sourcing countries. Our process helps us identify country- and region-specific risks related to our VCoE requirements and also informs our RSC assessments and engagement strategies. In regions where elevated risk is identified, we adapt our assessment approach as required.
- **Worker-type risk:** We classify certain types of workers as potentially vulnerable workers, including migrant, juvenile, contract, temporary and probationary workers. When



the presence of vulnerable workers is identified, we adapt our RSC assessment process and may implement additional procedures to manage identified risks.

- **Process risk:** We assess risk of human and environmental harm from key processes to determine the type and level of monitoring that is required.

### Supplier selection

Core to our supply chain risk management approach is establishing long-term relationships with suppliers, which facilitates opportunities to identify, evaluate and address risk.

We intentionally maintain a consolidated and curated supply chain. We hold direct relationships with all tier 1 and most tier 2 supplier facilities, which helps us monitor and manage risks. We assess all new suppliers on financial and reputational risk as well as human and labour rights practices. Compliance with our VCoE, which sets out our zero-tolerance policy on forced labour, is a non-negotiable pre-condition to starting and maintaining a business partnership with us. We will approve a new supplier only if the required level of performance is achieved.

### Industry collaboration

We are members of industry and multi-stakeholder initiatives, including the FLA, AAFA, Sustainable Apparel Coalition and the Responsible Business Alliance's Responsible Labor Initiative (RLI). Through these initiatives, we collaborate with industry partners, civil society, stakeholder groups and other brands to identify, evaluate and address human rights risks, including modern slavery, human trafficking and forced labour in our product supply chain.

### Risk mitigation

We actively manage and mitigate identified risks relating to modern slavery and forced labour.

- **Forced labour:** Migrant workers (foreign or internal) are particularly vulnerable to forced labour practices in our industry due to recruitment practices, an inability to speak the local language and understand rights, and limited recourse. In several of our sourcing countries and regions, FMWs are present in apparel production supply chains. In a few of our sourcing countries, internal migration of skilled workers to garment production hubs occurs, which can present risks of forced or bonded labour. Our RSC assessment methodology covers hiring channels to identify the potential for forced or bonded labour. We also evaluate working and living conditions of these workers, paying special attention to the provision of benefits, such as social security and/or pension payments, as well as inclusive working practices and worker-management communication. Specific to FMWs, upon engagement with any facility or subcontractor, we assess for the presence of FMWs. If FMWs are employed, our FMW Standard applies, and facilities are assessed and monitored accordingly. In Taiwan, which has high numbers of FMWs and from where we source a significant proportion of our fabrics, we implemented a mandatory FMW Standard program for Taiwan-based suppliers that focuses on the eradication of recruitment fees.
- **Forced and child labour in raw materials harvesting and production:** Natural raw material inputs make up just under 25% of our total raw materials. We have identified the potential risk of forced or child labour



in the production of agriculture-based raw materials used in our products, such as cotton and rubber. We continue to improve our responsible raw materials sourcing by enhancing raw materials traceability and increasing our use of certified natural materials, such as FSC-certified natural rubber. We are working towards a 2025 goal to have 100% of all natural and animal-derived fibres and materials responsibly sourced and, where applicable, certified against industry standards, several of which include considerations for worker welfare. We also participate in multi-stakeholder initiatives that address the risks of forced labor in agricultural supply chains.

- **Involuntary overtime:** Due to the seasonal business of garment production, our suppliers may experience uneven demand for production capacity, which has the potential to result in involuntary worker overtime to meet production demands. Per our VCoE, we have zero tolerance for involuntary overtime, and we check for such practices through our RSC assessments. We also monitor and assess our purchasing practices to mitigate risks caused by certain purchasing practices.

Additional information on our risk assessment and mitigation processes can be found in sections 2.2 Risk Assessment, 3.1 Purchasing Practices and 3.2. Supplier Selection in our [KnowTheChain Benchmark disclosure](#).

## **Certification, Assessment and Evaluation (Audit)**

We work with suppliers who share our values and collaborate as partners to uphold our robust standards, address systemic challenges

and improve the wellbeing of people who make our products. We believe that ongoing engagement best positions us to understand issues on the ground, build strong relationships with suppliers, enhance transparency and proactively address issues.

### **Certification**

Before beginning a relationship with lululemon athletica inc., suppliers must agree to our VCoE requirements as a condition of their legal contract and certify their compliance by signing a Certificate of Acknowledgement and Agreement. Our VCoE requires suppliers to implement the VCoE and all applicable laws into their procedures. This means suppliers must abide by the laws of the country in which they are doing business. In cases where there is a difference between requirements of local law, international laws and our VCoE, the more stringent standard applies.

### **Responsible supply chain assessments**

We conduct an RSC assessment prior to engaging a new supplier and conduct regular follow-up assessments.

To verify that suppliers uphold our VCoE and VCoE Benchmark requirements, our in-house experts and commissioned third-party assessors conduct announced, semi-announced or unannounced RSC assessments, as well as subsequent follow-up and assessment visits. For our core product lines, we assess all supplier facilities at least annually. We also annually assess subcontractors with identified risk factors, such as the presence of FMWs.

As an FLA member, we have committed to uphold the FLA Workplace Code of Conduct in our supplier facilities. The FLA conducts annual



assessments of working conditions at 5% of our facilities. These assessments are available on the FLA's [website](#).

We require our suppliers to develop corrective and preventative action plans (CAPAs) to address non-compliance identified through both our RSC assessments and FLA assessments. Our approach to corrective action is one of continuous improvement with the intent of creating positive and lasting change. Suppliers are able to leverage our support, including training and coaching, to develop and implement these plans. We verify implementation of CAPAs and, in the case of FLA assessments, report on implementation status. Although our interest is always to work in partnership with suppliers to resolve issues, we maintain the right to terminate a supplier relationship in cases of severe or persistent non-compliance. If an alleged violation of our VCoE is brought to our attention outside our RSC assessment process, we investigate to understand the issue and determine the appropriate course of action to remediate adverse impacts and take appropriate steps to prevent further violations.

### **Evaluation**

We evaluate the effectiveness of our global responsible supply chain work through performance monitoring and target setting.

- Our data management system is helping us better identify trends in working conditions and remediations processes.
- We maintain RSC assessment facility ratings for our core product lines, tracking all related assessment findings and resolutions.

- We set goals for specific performance areas under our VCoE and our FMW Standard, such as returning original identification documents and eliminating recruitment fees.

Findings from our assessments are disclosed in our annual [Impact Report](#). Additional information on our RSC assessment processes and findings can be found in sections 6.1 Auditing Process, 6.2 Audit Disclosure and 7.1 Corrective Action Plans in our [KnowTheChain Benchmark disclosure](#).

### **Training and Awareness**

We build the requisite competencies within our organization through human rights-related training and work experience. We protect the integrity of our supply chain by regularly engaging and educating our suppliers, assessors, internal teams and decision makers on supply chain issues, including those related to modern slavery, human trafficking and forced labour. We do this by:

- Conducting formal training on our responsible supply chain program and VCoE requirements for key employees, senior leaders and decision makers with on-going supplier relationships.
- Providing new suppliers with training and education on lululemon athletica inc.'s business standards and VCoE and holding VCoE training and engagement sessions for all suppliers.
- Engaging suppliers and select stakeholders on region-specific risks or key issues, such as providing capacity building and training for Taiwanese suppliers on implementing our FMW Standard program requirements.



- Ensuring our internal assessors maintain requisite qualifications and undergo additional human rights-related training.

Additional details on training employees and suppliers can be found in section 1.4 Training in our [KnowTheChain Benchmark disclosure](#).

## Continuous Improvement

We are committed to continually improving our practices to prevent modern slavery,

including forced labour and human trafficking, in our supply chains and in any part of our business.

We continually strengthen our responsible supply chain program. In 2021, we implemented several key improvements, including:

- Evolving our facility assessment tool and monitoring processes to incorporate industry best practice and standards as well as expert feedback.
- Strengthening our facility assessment protocol for internal and third-party assessors.

All suppliers will be assessed using the new protocols and processes in 2022.

We also strengthened our country risk assessment process by including additional inputs and expert feedback and further integrating this process with sourcing.

In addition, we listen to feedback from our stakeholders and supply chain partners, which helps us evaluate our performance and improve our approach to addressing supply chain issues. We regularly engage with industry organizations (e.g., FLA, AAFA, SAC), expert consultants (e.g.,

Verité, RLI), other brands, and key stakeholders to stay informed of the latest developments, issues and regulations, and collaborate where possible.

## COVID-19 and Our Supply Chain

COVID-19 has affected our global supply chains in unprecedented and challenging ways. In our product supply chain, we identified the potential for additional human rights-related risks due to the impacts of the pandemic and have taken the following approach to managing these risks:

- Engaging and collaborating with our supplier partners: We engage on an ongoing basis to understand the pandemic's effects on both our supplier partners and their workers and prioritize our efforts to manage identified risks.
- Following FLA guidance and industry best practice for responsible purchasing and safeguarding worker well-being: We support our supplier partners with guidance and resources, and our Responsible Supply Chain team monitors the health, safety and well-being needs of supply chain workers.
- Upholding our commitments to our supplier partners: The success of lululemon is built on strong partnerships within our supply chain, and we uphold our commitments to responsible purchasing by paying in full for orders, maintaining terms of agreements and taking responsibility for cancelled orders.
- Working collaboratively to support industry-wide approaches: We have endorsed the ILO's Call to Action to support garment industry manufacturers and protect workers' income, health and employment during the pandemic.



### **Additional Information**

For additional information on our policies and practices toward eradicating modern slavery, human trafficking and forced labour in our supply chain, see lululemon athletica inc.'s [KnowTheChain Benchmark disclosure](#).

We welcome your feedback on our disclosure and our efforts to prevent modern slavery, human trafficking and forced labour. Please email us at [sustainablepartner@lululemon.com](mailto:sustainablepartner@lululemon.com).

lululemon athletica UK Ltd. is headquartered in London and has approximately 450 employees. It engages in retailing, marketing and distributing lululemon products. It does not engage in manufacturing. This statement has been approved by lululemon UK's Board of Directors.

*Sarah Keeble*

Sarah Keeble, Board Member, lululemon athletica UK Ltd., June 2022

lululemon athletica australia holding Pty Ltd. and its subsidiary, lululemon athletica australia Pty Ltd are headquartered in Melbourne and have approximately 980 employees. lululemon australia engages in retailing, marketing and distributing lululemon products and does not engage in manufacturing. This statement has been approved by lululemon Australia's Boards of Directors.



Paul Tinkler, Board Member, lululemon athletica australia holding Pty Ltd. and lululemon athletica australia Pty Ltd, June 2022

