

Lululemon Athletica Inc.

TICKER
NAS:LULU

MARKET CAPITALIZATION
US\$20 billion

HEADQUARTERS
Canada

DISCLOSURES
UK Modern Slavery Act: Yes

TARGETS
Yes

California Transparency in Supply Chains Act: Yes

OVERALL RANKING

1 out of 37

([2018 Rank](#): 2 out of 43)

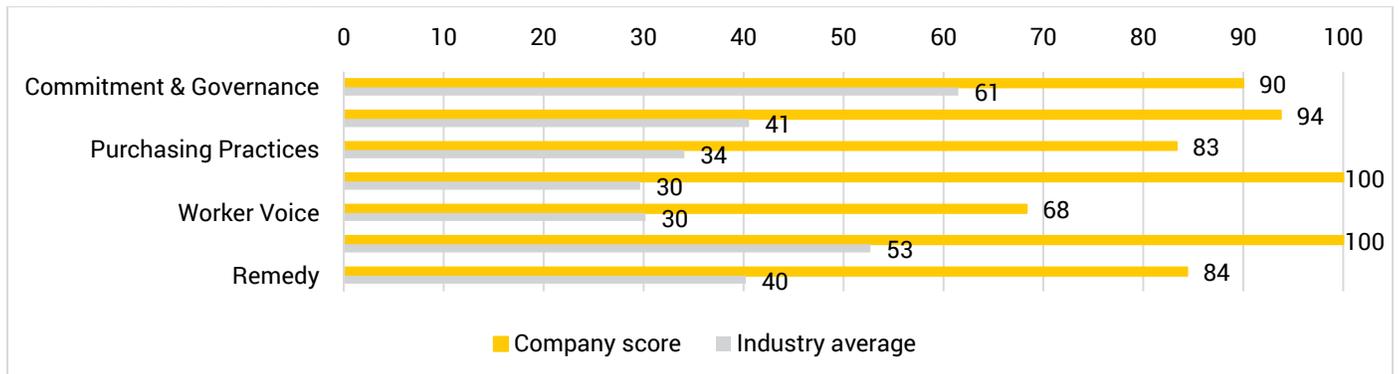
OVERALL SCORE

89 out of 100

SUMMARY

Lululemon Athletica Inc. (Lululemon), one of the largest sportswear brands in the world,¹ ranks 1st out of 37 companies, disclosing more information on its forced labor policies and practices than its peers across all themes. Compared to 2018, the company improved its rank by one place. This is because the company began disclosing additional information, including assessments of raw material suppliers, detail on the implementation of its responsible recruitment program in Taiwan (and expansion of the program to several other countries), and efforts to improve freedom of association. Notably, the company has the highest score on the themes of Purchasing Practices, Recruitment, and Remedy. While the company notes that it carried out “additional due diligence research” on its cotton supply chains, it does not disclose steps taken to address the risks of alleged Uyghur forced labor across its supply chain tiers and raw materials. However, it does not disclose engagement with groups representing rightsholders or timebound targets. KnowTheChain identified one additional allegation of forced labor in the company’s supply chains. The company discloses it conducted more than 650 confidential worker interviews and notes that supervisors responsible for the alleged abuses were removed, but it does not disclose further remedy outcomes for workers. The company has an opportunity to improve its performance and disclosure on the themes of Purchasing Practices, Worker Voice, and Remedy.

THEME-LEVEL SCORES



KEY DATA POINTS
SUPPLIER LIST

Yes

IMPROVEMENTS OF FREEDOM OF ASSOCIATION

 Yes²
HIGH-RISK RAW MATERIALS³

■ Cotton, natural rubber, wool, and others

DATA ON PURCHASING PRACTICES

Yes (One data point only)

REMEDY FOR SUPPLY CHAIN WORKERS

Yes

HIGH-RISK SOURCING COUNTRIES

■ China, Malaysia, and Vietnam

LEADING PRACTICES

Recruitment Fees: The company reports that it has been working to prevent worker-paid recruitment fees among its Taiwanese suppliers. It discloses that 18 of its 19 suppliers have eliminated fees for workers, and one is delayed in its implementation, resulting in decreased orders. Lululemon states that “2,700 workers benefitted from the eradication of recruitment fees.” The company reports it has begun to roll out the same program to its suppliers in Malaysia, Korea, Thailand, and Japan. Lululemon reports that it has set up a full-time role in Taiwan to support capacity building for suppliers and the implementation of its foreign migrant worker standard program.

Monitoring: Lululemon discloses that its monitoring program includes assessments of cut and sew facilities in its supply chains and its raw material mills. Lululemon also reports that its internal assessors undergo human rights training annually and are trained to identify forced labor risks.

Remedy: In response to an allegation, Lululemon reports that, despite limited sourcing from the supplier, it commissioned an independent organization to undertake more than 650 confidential worker interviews and operate a grievance mechanism. Further, it discloses that it “convened the 4 most significant buyers” from the facility and chaired meetings with this group every two weeks and monthly with the supplier. It notes that “all but six grievances have been resolved to the satisfaction of the complainant” and that follow-up interviews with workers “confirmed a substantial increase in worker satisfaction.”

NOTABLE FINDINGS

Training: Lululemon reports that all suppliers, including finished goods and raw material suppliers, are trained on the supplier code prohibiting forced labor. It states it additionally conducts training on specific risks, such as risks for foreign migrant workers. The company reports it has trained all Taiwanese and Japanese first-tier suppliers on its foreign migrant worker policy, as well as some second-tier suppliers.

Risk Assessment: The company reports that it annually reviews three risk categories: country risk, worker risk, and process risk (including forced labor risks). It discloses that in the first tier of its supply chains, it has identified production capacity demand as leading to involuntary overtime and is working to understand its own purchasing practices. The company reports that inner-state migration is identified as a forced labor risk in China; at the second tier, foreign migrant workers are vulnerable to forced labor in

its supply chains in Taiwan, Japan, Korea, Malaysia, and Thailand. Lululemon states that it identifies forced labor as a risk in cotton harvesting in its third tier.

Purchasing Practices: Lululemon discloses that supplier reviews are conducted quarterly and that adherence to the supplier code “count[s] as an equal part of supplier evaluation criteria, along with quality, on-time delivery, cost, etc. (20% of total score).” The company states that suppliers with high sustainability performance are “favoured for increases in orders and new product developments.” It further notes that its payment terms are 30 days and that it provides rolling forecasts to some suppliers. Lululemon reports that once potential suppliers have been identified, they are trained on and then assessed against the supplier code, including through a two-day on-site visit and worker interviews. Lululemon states that, in 2019, four suppliers (including one second-tier supplier) were not approved.

OPPORTUNITIES FOR IMPROVEMENT

Purchasing Practices: While the company discloses some steps it takes to source cotton responsibly, the company may consider taking steps to address forced labor risks across the high-risk raw materials that it sources. In addition, it is encouraged to disclose detail on the implementation of its purchasing practices and year-on-year data points that cover all suppliers and/or assessments of its purchasing practices from suppliers. This should include details on payment terms, planning and forecasting, and costing (to cover for example the cost of the Employer Pays Principle).

Worker Voice:⁴ While the company discloses some examples of working with unions on freedom of association in its supply chains, the company may consider ensuring workplace environments in which workers in its supply chains are able to pursue alternative forms of organizing, particularly where there are regulatory constraints on freedom of association. Further, the company may consider entering enforceable supply chain labor rights agreements with trade unions or worker organizations. The company is further encouraged to include workers in the design and implementation of its labor-related programs and to provide evidence of the positive impact of worker engagement in its supply chains.

Remedy: The company is encouraged to ensure that workers and/or their representatives are an integral part of its remedy programs, including in the design and performance of grievance mechanisms, monitoring processes, and to verify that the remedy addresses root causes and is to the satisfaction of workers. To demonstrate leadership, the company is encouraged to consider actively supporting remediation requests from supply chain workers (e.g., by publicly supporting such requests), encouraging governments or other entities to set up such funds, or by contributing to funds.⁵

ENGAGED WITH KNOWTHECHAIN⁶

Yes ([Provided Additional Disclosure](#)).

¹ All Top Everything (2 January 2021), “[Top 10 Biggest Sportswear Brands in the World](#).”

² For further details on the company’s track record on freedom of association, see [Business & Human Rights Resource Centre](#).

³ For further details on high-risk raw materials and sourcing countries, see [KnowTheChain’s 2021 Apparel and Footwear Benchmark Report](#).

⁴ At 44/100, Lululemon’s worker-centric score is significantly lower than its benchmark score. See [KnowTheChain’s 2021 Apparel and Footwear Benchmark Report](#).

⁵ Such requests are put forward by worker rights organizations around the world: Asia Floor Wage Alliance calls for companies to pay [2% of total annual sourcing](#) towards immediate relief for supply chain workers; Migrant Forum in Asia suggests companies contribute to a [compensation fund](#); and the Coalition to End Forced Labour in the Uyghur Region suggest companies can provide remedy by providing [compensation](#) to affected workers.

⁶ Research conducted through November 2020 or through February 2021, where companies provided additional disclosure or links. For more information, see the full dataset [here](#). For information on a company’s positive and negative human rights impact, see the [Business & Human Rights Resource Centre website](#).