

Lululemon Athletica Inc.

TICKER

NasdaqGS:LULU

MARKET CAPITALIZATION

US\$11 billion

HEADQUARTERS

Canada

COMPLIANCE
UK Modern Slavery Act: [Yes](#)
California Transparency in Supply Chains Act: [Yes](#)
COMMITMENTS
[Yes](#)
OVERALL RANKING

2 out of 43

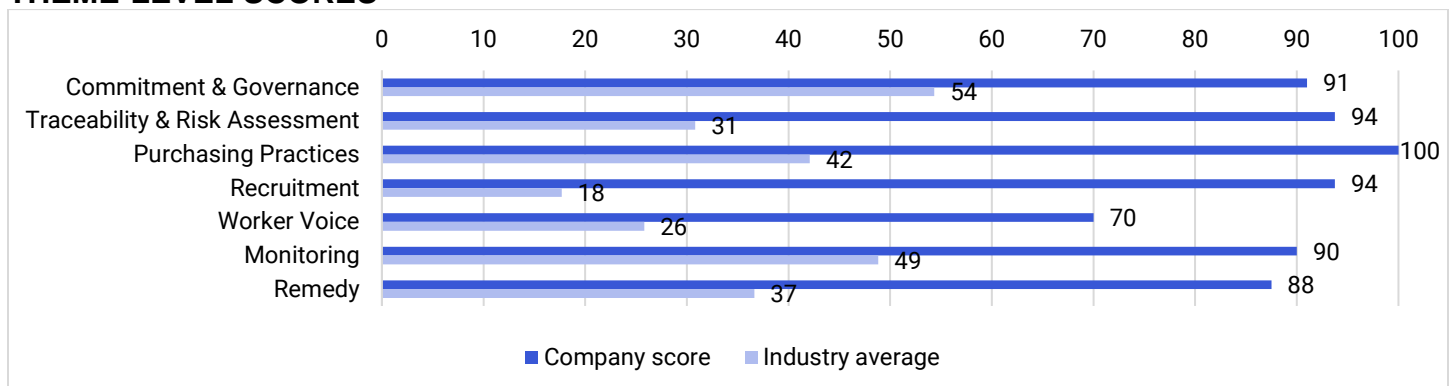
(2016: 3 out of 20)

OVERALL SCORE

89 out of 100

SUMMARY

Lululemon Athletica Inc. (Lululemon), an athletic clothing products company based in Canada, ranks second out of 43 companies, disclosing more information on its forced labor policies and practices than its peers across all themes. Compared to 2016, the company improved its rank from third to second in the benchmark. The improvements included disclosing the outcomes of risk assessments, strengthening its foreign migrant worker standard, engaging with suppliers on migrant worker rights topics, and disclosing examples of remedy provided to workers. Lululemon further adopted several practices among its second-tier suppliers, including supplier training, supplier agreements to cascade standards, supplier monitoring, and disclosure of audit outcomes. Lululemon also developed a grievance mechanism and demonstrated that workers in the first and second tier of its supply chains use it. Notably, the company achieves the highest score on the theme of Recruitment and is among the highest scoring companies on the theme of Purchasing Practices; it has strong, forward-looking commitments in place. Additional steps the company could take to address forced labor risks in its supply chains include strengthening its disclosure and practices on the themes of Commitment & Governance, Worker Voice, and Remedy.

THEME-LEVEL SCORES


LEADING PRACTICES

Supplier Training: Lululemon discloses a comprehensive training approach that applies to all first- and second-tier suppliers. Key representatives of new suppliers participate in a week-long onboarding process to learn about the company's standards. They "then undergo functional training in Asia." The company discloses that existing suppliers are trained annually on the supplier code and that significant changes to the company's standards are communicated in person. Further, Lululemon states that suppliers are "trained as-needed on specific focus areas or areas of high risk," which include employment of migrant workers. For its "no fees" training, the company "require[d] that supplier participants include decision makers from top management, human resources, compliance and the individual leading lululemon's business accounts." The company discloses that senior sourcing and production decision makers participate in and help lead supplier training to signal to suppliers that its supplier code and foreign migrant worker standard are "core business expectations." Lululemon states it also facilitates region- and issue-specific supplier training with other brand partners and multi-stakeholder groups.

Supplier Selection: Prior to starting a business relationship, Lululemon educates potential suppliers on its supplier code of conduct requirements and expectations and requires them to complete self-assessment questionnaires. Then, the company and/or third-party assessment partners conduct a 120-point assessment against the company's supplier code of conduct, and, where applicable, its foreign migrant worker standard. This assessment involves a site visit of at least two days, which includes a document review and worker interviews. If the potential supplier passes the assessment and commits to ongoing improvement, Lululemon approves the continuation of the supplier engagement process. Unsuccessful suppliers have the opportunity to remediate issues and be assessed again. Lululemon discloses that, in 2017, five potential first- and second-tier suppliers "with [initially] unacceptable practices, made improvements and were subsequently approved for onboarding."

Recruitment: Lululemon's foreign migrant workers policy requires suppliers to audit their recruitment agencies. Lululemon, in turn, reviews personnel files of foreign migrant workers during supplier audits. It adds that the agencies used by ten of its 19 suppliers with foreign migrant workers "have been reviewed" by Verité¹. Lululemon also launched a two-year plan to achieve "no fees" in Taiwan by December 2019. The plan included providing tools to suppliers, such as a recruitment agency screening, evaluation and selection tool, a sample "no fees" approach and implementation plan, and direct and indirect hiring cost comparison tools. The company discloses that, through "communication and engagement," suppliers employing migrant workers understood its requirements on passport retention and forced savings and were willing to share their learnings through peer-to-peer conversations. Lululemon also discloses that it partners with direct suppliers to engage with and educate subcontractors. It notes that, when it found that a supplier was not reimbursing airfare costs as agreed upon in labor contracts, it partnered with another brand and engaged the supplier until the migrant workers were reimbursed. Additionally, Lululemon discloses that it is a participant and coordinator in the Foreign Migrant Worker Brand Collaborative, a group of apparel and footwear brands collaborating informally on monitoring and remediation of forced labor issues in shared facilities.

NOTABLE FINDINGS

Worker Voice: Lululemon states that it worked with one of its strategic suppliers that has factories in Bangladesh, Cambodia, China, Indonesia, and Vietnam. The supplier is taking steps to educate its workers on their rights to collective bargaining and freedom of association. This includes training during the recruitment process on labor rights standards, annual worker training on workers' rights, and quarterly worker surveys on working conditions and satisfaction with the workplace. Lululemon discloses that its supplier consults Lululemon regarding the development, implementation, and evaluation of this program. The company further

¹ Verité, a partner of KnowTheChain, is a global, independent, non-profit organization that provides consulting, training, research, and assessment services with a mission to ensure that people worldwide work under safe, fair, and legal working conditions. Verité was not involved in ranking, researching, or evaluating company disclosures for the benchmark.

discloses that it engaged in “extensive” worker interviews with Vietnamese foreign migrant workers in Taiwanese factories, which resulted in workers better understanding their rights and being able to articulate them to their employer.

Grievance Mechanism: Lululemon developed its own corporate level grievance mechanism, which is communicated to its suppliers’ workers through posters in local languages. The company states that it has received nine grievances from workers in its first- and second-tier supply chains, an NGO, and a third-party audit firm. The grievances concerned unjust dismissal, health and safety, remuneration, and human rights in Asia and the Americas. The company also requires its suppliers to have grievance mechanisms in place. It discloses that one of its suppliers partners with an expert organization that has on-the-ground personnel conducting training in the local language to teach workers how to use the mechanism effectively.

Monitoring: Lululemon states that it audits all its first-tier suppliers and fabric mill second-tier suppliers, as well as high-risk subcontractors. This is in addition to subcontractor audits that it requested from its suppliers. The company notes that it re-assesses suppliers at least every 18 months. Lululemon discloses that audits typically include interviews with workers and managers from various departments, as well as with foreign migrant workers in their local languages.

OPPORTUNITIES FOR IMPROVEMENT

Commitment & Governance: The company may consider expanding its engagement with local stakeholders across relevant sourcing countries. The company is encouraged to engage with relevant stakeholders on human trafficking and forced labor and disclose details on the engagement. This includes engagement with policy makers, worker rights organizations, or local NGOs in countries in which its suppliers operate.

Worker Voice: To ensure the scalability and effectiveness of its worker engagement initiatives, the company may consider ensuring that there are worker-to-worker education initiatives on labor rights in its supply chains and developing and disclosing worker empowerment initiatives covering different supply chain contexts. To support collective worker empowerment, the company is encouraged to work with local or global trade unions to support freedom of association in different supply chain contexts. Where there are regulatory constraints on freedom of association, the company may consider ensuring workplace environments in which workers in its supply chains are able to pursue alternative forms of organizing.

Remedy: In its additional disclosure, Lululemon outlines some details on how it responds to a grievance related to its supplier code of conduct. The company is encouraged to disclose further details on timeframes, engagement with affected stakeholders, responsible parties, approval procedures, etc. The company is encouraged to disclose this information through regular reporting processes on its website, along with information on the grievances received, and the outcomes thereof.

COMPANY PROVIDED ADDITIONAL DISCLOSURE

Yes, including [information on the company's business model](#).